Chapter 3

Manufacturing and Mining

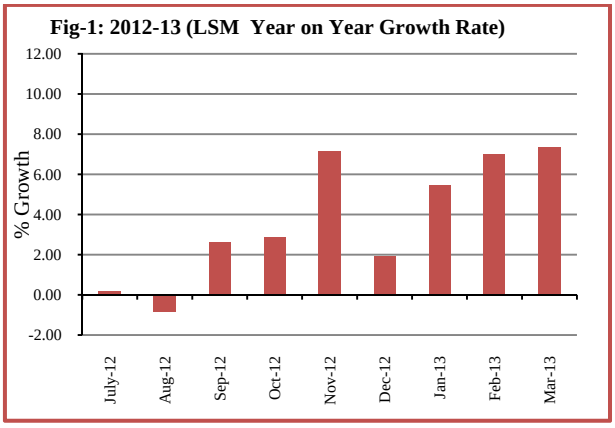
3.1 Introduction

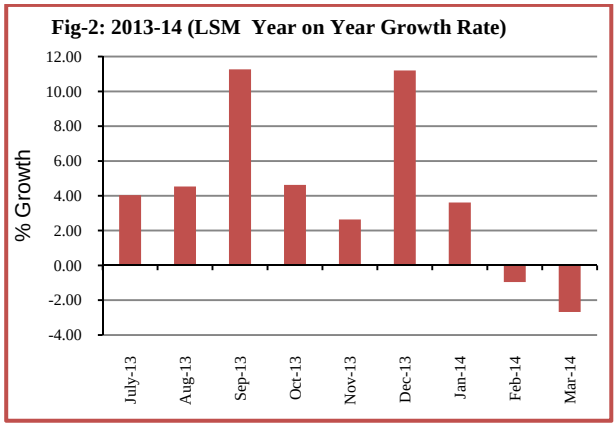
Rapid progression of manufacturing sector is considered a vital step towards achieving the goal of economic development. Development through manufacturing helps in bringing innovation, increasing production level, technology transfer, machinery up gradation, increasing the income level, improving the supply side of the economy, increase in consumption level and more importantly providing employment opportunities. This all paves the way to modern infrastructure and needed development in line with the definition and trend around the world. The transformation from agriculture to manufacturing results in positive development and impacts on the economy. This in turn supports agriculture through needed innovation in machine transformation mechanism which helps in its production level.

The uneven growth in the past was the result of absence of strong base in our manufacturing sector, outdated production technologies, unskilled labour force and quite often lack of awareness about the best international practices. This resulted in low productivity. If to look in the global competitiveness index Pakistan ranked 133 among 148 according to the World Economic Forum Global Competitiveness Report 2013-14. However, the main factor or obstacle responsible for slow growth was the power shortages which limited its performance. The manufacturing sector could not go beyond on average of 33 percent of its capacity. The power outages dampen the pace of growth. This resulted in subdued growth performance last year, particularly.

The present elected government took a serious note of the dismal performance and addressed the main impediment hampering the growth by successfully clearing the circular debt worth of Rs.480 billion in just 47 days after coming into power. As a result 1752 MW electricity added in the system. Resultantly, the progress was realized in the significant growth of Large Scale Manufacturing. The government is committed to resolve the energy crisis and has taken several measures in the power sector as a result electricity generation during 2013-14 has shown significant improvement. Overall there has been a growth of 7 percent in electricity generation during March 2014 and further increased to 11 percent in April 2014 compared to the same period last year.

The industrial sector comprises Mining and Quarrying, Manufacturing, Electricity generation & distribution & Gas distribution and Construction. The manufacturing sector further be classified into three sub groups i.e. Large Scale Manufacturing (LSM), Small Scale Manufacturing and Slaughtering. Manufacturing accounts 13.5 percent of Gross Domestic Product (GDP) and 14.1 percent of total employed labor force. Large Scale Manufacturing (LSM) at 10.9 percent of GDP dominates the overall sector accounting 81 percent of the sectoral share followed by Small Scale Manufacturing which accounts 1.7 percent of total GDP and 12.3 percent share in Manufacturing. The impact of rise in electricity generation has been realized in the LSM growth which registered a growth of 4.3 percent during July-March, FY14 as compared to 3.5 percent last year. The Year on Year growth rate performance of the LSM sector can be well gauge from the graph below.





The sector specific data shows that many sub sectors performed well during the period July-March 2013-14 over corresponding period of last year. The sector which performed well during this period remained: Fertilizer 21.64 percent, Leather Products 12.96 percent, Food Beverages & Tobacco 7.78 percent, Rubber Products 9.48, Chemicals 6.71 percent, Paper & Board 8.03 percent, Coke & Petroleum Products 7.48 percent, Electronics 2.91 percent, Iron and Steel Products 3.38 percent, Textile 1.44 percent and Non Metallic Mineral Products 0.15 percent. The group wise growth and the contribution of each of the LSM for the period July-March 2012-13 versus July-March 2013-14 is presented in Table-3.1.

Table 3.1: Group wise growth and Point Contribution rate of LSM for the Period of July-March 2013-14 Vs July-March 2012-13

S.No.	Groups	Weights	% Change July-March		% Point Contribution July-March	
			2012-13	2013-14	2012-13	2013-14
1	Textile	20.91	0.91	1.44	0.19	0.30
2	Food, Beverages & Tobacco	12.37	7.43	7.78	0.92	0.96
3	Coke & Petroleum Products	5.51	13.32	7.48	0.73	0.41
4	Pharmaceuticals	3.62	6.61	-0.49	0.24	-0.02
5	Chemicals	1.72	-0.66	6.71	-0.01	0.12
6	Automobiles	4.61	-11.95	-0.01	-0.55	0.00
7	Iron & Steel Products	5.39	13.24	3.38	0.71	0.18
8	Fertilizers	4.44	-5.03	21.64	-0.22	0.96
9	Electronics	1.96	2.38	2.91	0.05	0.06
10	Leather Products	0.86	-1.74	12.96	-0.01	0.11
11	Paper & Board	2.31	17.82	8.03	0.41	0.19
12	Engineering Products	0.40	-15.44	-21.40	-0.06	-0.09
13	Rubber Products	0.26	17.61	9.48	0.05	0.02
14	Non-Metallic Mineral Products	5.36	6.07	0.15	0.33	0.01
15	Wood Products	0.59	-18.98	-8.91	-0.11	-0.05

Source: Pakistan Bureau of Statistics (PBS)

The improvement in gas supply, especially to fertilizers and leather industry in the past few months increased the output which can easily be gauged from the growth of Nitrogenous Fertilizers 24.59 percent during the period under review. The growth in leather industry arrived from the Footwear 15.72 percent and Upper Leather 7.78 percent.

The Food, Beverages & Tobacco group also remained the major contributor in the overall growth due to its heavy weight of 12.37 percent in LSM basket. The items showing positive growth in Food, Beverages & Tobacco includes Sugar 10.88 percent, Soft drinks 34.03 percent, Juices, Syrups & Squashes 13.69 percent and Vegetable Ghee 4.05 percent. Restaurant and fast food chains are flourishing in the country and the demand for dairy products, processed food and beverages has increased thus brought a positive impact in Food group.

In Electronics Products, Air Conditioners, Deep Freezers, Electric Motors, Storage Batteries and Refrigerators were the main contributors which managed to grow by 36.12 percent, 83.03 percent, 20.01 percent, 3.27 percent and 2.63 percent respectively. In Petroleum Products growth mainly arrived from the production of Diesel Oil 62.61

percent, High Speed Diesel 13.11 percent, Lubricating Oil 4.48 percent, Furnace Oil 11.62 percent and Motor Sprits 6.61 percent during the period under review.

In textile sector the main contributing item was Jute Goods 6.30 percent however, heavy weight items like Cotton Yarn and Cotton Cloth showing marginal improvement by registering a growth of 1.76 percent and 0.68 percent. The recent improvement in energy as well GSP plus status augur well for future prospects of these two important sub sector which will ultimately transmitted into the performance of textile sector in coming months.

Iron and Steel industries were the major beneficiaries of steady construction activity in the country. Three new plants namely Aisha Steel, International Steel and Tuwairqi Steel have started commercial operations in recent years. The newly established plants are running on captive powers as the sector largely immune to power generation. In addition Economic Coordination Committee (ECC) has recently approved restructuring plan for Pakistan Steel Mill (PSM) amounting to Rs. 18.5 billion. The proper implementation of plan envisages to achieve operational capacity around 77 percent, able to pay all their liabilities and also earn monthly profit of Rs. 38 million onward from January 2015.

The resolution of circular debt not only improved petroleum refining also benefited other industries by improving power supplies. The capacity enhancement, upward trend in credit utilization, steady construction activities, favaourable palm oil prices and use of alternate energy by various industries help to support LSM sector.

The sectors which recorded negative growths are; Engineering Products 21.40 percent, Woods Products 8.91 percent, Pharmaceuticals 0.49 percent and Automobiles 0.01 percent.

In Automobiles, the sub items of automobile sector such as LCVs, Trucks, Buses and Motor Cycle posted a growth of 27.95 percent, 30.94 percent, 11.25 percent and 3.38 percent respectively while Tractors registered a negative growth of 33.57 percent.

An item wise review of selected items in Large Scale Manufacturing during July-March 2013-14 is presented in Table 3.2.

Table-3.2 : Production of selected industrial items of Large Scale Manufacturing

S.No.	Items	Unit	Weight	July-March		% Change (Jul-Mar) 2013-14	% Point Contribution (Jul-Mar) 2013-14
				2012-13	2013-14		
1	Deep Freezers	(Nos.)	0.162	31,427	57,521	83.03	0.13
2	Jeep & Cars	(Nos.)	2.818	85,109	86,187	1.27	0.04
3	Refrigerators	(Nos.)	0.239	827,466	849,222	2.63	0.01
4	Upper Leather	(000 sq.m.)	0.392	17,178	18,514	7.78	0.03
5	Cement	(000 tonnes)	5.299	22,757	22,778	0.09	0.00
6	Liquids/Syrups	(000 Litres)	1.136	72,832	68,874	-5.43	-0.06
7	Phosphatic Fertilizer	(N tonnes)	0.400	407,715	416,272	2.10	0.01
8	Tablets	(Million Nos)	1.914	18,678.165	18,877.064	1.06	0.02
9	Cooking Oil	(Tonnes)	2.227	266,506	266,997	0.18	0.00
10	Nitrogenous Fertilizer	(N tonnes)	4.041	1,552,494	1,934,304	24.59	0.99
11	Cotton Cloth	(000 sq.m.)	7.186	771,270	776,500	0.68	0.05
12	Vegetable Ghee	(000 tonnes)	1.144	844,258	878,455	4.05	0.05
13	Cotton Yarn	(000 tonnes)	12.965	2,253.510	2,293.260	1.76	0.23
14	Sugar	(000 tonnes)	3.545	4,621.873	5,124.540	10.88	0.39
15	Tea Blended	(Tonnes)	0.382	69,837	77,744	11.32	0.04
16	Petroleum products	(Million litres)	5.410	9,130.567	9,996.332	9.48	0.51
17	Cigarettes	(Million Nos.)	2.125	49,247	47,114	-4.33	-0.09
18	Coke	(Tonnes)	0.104	148,112	31,924	-78.45	-0.08
19	Pig iron	(Tonnes)	1.584	146,262	68,161	-53.40	-0.85

Source: Pakistan Bureau of Statistics (PBS)

European Parliament has approved the legislation to grant GSP plus status to Pakistan with a majority vote after hectic diplomatic efforts by the Government of Pakistan. The award of GSP plus status shows confidence of the international markets on the excellent quality of Pakistani products and

government sustained diplomatic efforts to enable Pakistani products duty-free access in the EU market. Under this programme Pakistan's more than 600 items mainly non value – add textile value chain will attract zero custom duty into 27-member EU bloc from January 1, 2014. The achievement of getting GSP plus status will boost up the industrial sector. The exports mostly confined to textiles related items and is a major source of foreign exchange earnings therefore it is prime responsibility of our exporter to comply with different international standards such ISO certifications, quality of the product and innovations and also timely provisions of products to buyers. Barring seasonal and cyclical fluctuations, textile products have maintained an average share of about 60 percent in national exports. Pakistan's textile exports had been declining as manufacturers and exporters were finding hard to compete Sri Lanka and Bangladesh who already had duty free access to European markets. This will also enable us to export more than $ 1 billion annually worth of products to the EU market duty free. The first review of the implementation status will be reviewed after three years. It is strongly believed that new production lines would be developed in textile and there would be strong coordination between the government and the industry which will help in cost competitiveness, non disruptive supply chain management, and maintaining quality standard to give an edge over competitors.

The recent youth programme loan scheme announced by the Prime Minister will also help in establishing small and medium enterprises and industries as well as youth skill development scheme will provide trained skilled manpower to this sector which will go a long way in supplement the industrial sector as well as domestic commerce and an entrepreneurial culture in the country.

3.2 Textile Industry

The textiles sub-sector occupies a-pivotal position in Pakistan's economy, accounting for 8 percent of GDP with significant potential for growth. It has the most intensive backward and forward linkages within the wider economic chain compared to any other sector, linking agriculture through industry to exports. Cotton contributed 24 percent of the industrial sector's value-added output, employing 40 per cent of industrial sector's work force, using 40 percent of bank credit given to the industrial sector and accounting for nearly 55 percent of Pakistan's exports. In addition, this sector provides a livelihood to more than 10 million farming families.

According to the International Cotton Advisory Committee, Pakistan is the fourth largest producer of cotton and third largest consumer of cotton in the world. In addition, Pakistan is the world's second largest cotton yarn exporter and third largest cotton cloth manufacturer and exporter. However, Pakistan is fifteenth in terms of international trade, as some of the advantages of Pakistan's large production rate of raw materials is lost in low value added semi-manufactured exports.

Unlike some other textiles and clothing producing countries, Pakistan is unique as it has a self-reliant production chain. From cotton growing to ginning, weaving, processing and finishing, and from fabrics to home textiles and apparel, all have links in the textiles and clothing value chain which have been developed by Pakistan's own industry.

Pakistan approved its first ever five-year textile policy in 2009 with a financing plan of Rupees 188 billion for various short-to-long term initiatives aimed at sustainability of textile value chain. The Ministry of Textile is in process of formulating the new five year textile policy which will be ready by June 30 this year and will be implemented in the next five financial years (2014-19) with major thrust on value-added sector. The policy will propose major incentives for the value added textile sector and also attract new investors in order to enhanced exports up to $ 26 billion in next five years.

Global Overview

According to International Statistics report the export of textile and clothing trade has slightly increased from US $ 706 billion in 2011 to US $ 709 billion in 2012 showing an increase 0.425 percent. Besides this the exports of Pakistani textile and clothing trade has decreased from US$ 13.7 billion in 2011 to US$ 12.9 billion in 2012 about decrease of 5.84 percent. However, world exports of textiles and clothing recorded US$ 286 billion and US$ 423 billion in 2012 showing decrease of 2.72 percent in textiles and increase of 2.67 percent in clothing as compared to last year. The share of Pakistani textile and clothing decreased to 1.81 percent in 2012 while it was 1.94 percent in 2011. Half of the top ten exporters achieved export growth (between 0.2 and 7.5 percent) but the other half recorded decline and vary between –2.3 and –8.0 percent. The highest growth in exports (7.5 percent) was achieved by Vietnam. China continued to be the leading exporter of textiles and clothing. Its share in world exports increased to 33 percent for textiles (up from 32 percent in 2011) and to 38 percent for clothing (up from 37 percent). The European Union and the

United States remained the major markets for clothing, accounting for 38 percent and 20 percent respectively of world imports in 2012.

Table 3.3: Export of Textile and Clothing (US $ Billions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
World Textile	195.5	202.4	220.4	240.4	250.2	209.9	250.7	294.0	286.0
World Clothing	260.6	276.8	309.1	345.8	361.9	315.1	351.5	412.0	423.0
Total:-	456.1	479.2	529.5	586.2	612.0	525.0	602.2	706.0	709.0
Pakistan Textile	6.1	7.0	7.5	7.4	7.2	6.5	7.8	9.1	8.7
Pakistan Clothing	3.0	3.6	3.9	3.9	3.9	3.4	3.9	4.6	4.2
Total	9.1	10.6	11.4	11.3	11.1	9.9	11.7	13.7	12.9
Percentage of World Trade	2.00	2.21	2.15	1.93	1.81	1.89	1.96	1.94	1.81

Source: World Trade Organization (WTO)

Domestic Overview

There is notable improvement in gas supply as evident from 8.0 percent uptick in textile exports during the period July-March 2013-14 as compared to corresponding period last year. The exports basket contains a wide range of items such as cotton fibers, yarn and cloth, yarn other then cotton yarn, tents, canvas, made-ups and variety of garments. The textile industry of Pakistan has prospective for performing better productions and in export by virtue of its inherent competition in the international market for its conventional products. However, to maintain its position and moving in high value added products for the value increased market share, a large investment in machinery equipment and new technology is essential. The training of workers, improvement in labour productivity, research & development, product diversification and branding are the immediate areas to focus. The export performance during the period under review is given in the Table 3.4.

Table 3.4: Export of Pakistan Textiles (US $ Millions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13 (Jul-Mar)	2013-14 (Jul-Mar)	% Change (Jul-Mar) 13-14/12-13
Cotton & Cotton textiles	9,308	9,754	13,147	11,778	12,652	9,352	10,093	7.9
Synthetic textiles	319	446	608	546	406	278	289	4.0
Wool & Woolen textiles	145	137	132	121	122	88	97	10.2
Total textiles	9,772	10,337	13,887	12,445	13,180	9,718	10,479	7.8
Total exports	17,782	19,290	24,810	23,624	24,515	18,017	19,082	5.9
Textile as % of exports	55	54	56	53	54	54	55	--

Source: Ministry of Textile

3.2.1 Ancillary Textile Industry

The ancillary textile industry includes cotton spinning, cotton cloth, cotton yarn, cotton fabric, fabric processing, home textiles, towels, hosiery and knitwear and readymade garments. These components are being produced both in the large scale organized sector as well as in the unorganized cottage / small and medium units. The performance of these various ancillary textile industries is discussed below.

(i) Cotton Spinning Sector

The Spinning Sector is the backbone in the ranking of textile production. At present, as per record of Textile Commission Organization, it is comprised of 515 textile units (43 composite units and 472 spinning units) with 12.31 million spindles and 181 thousand rotors installed and 11.29 million spindles and 148 thousands rotors in operation with capacity utilization of 92 percent and 82 percent respectively, during July –March, 2013-14.

(ii) Cloth Sector

There are three different sub-sectors in weaving i.e. integrated, independent weaving units, and power loom units. The power loom sector is modernized and registered a phenomenal growth over the last decades. The growth of power loom sector is due to favorable government policies as well as market forces. Production of cloth in mill sector is reported while non-mills sector is not reported and therefore is estimated. This sector showed growth and served as the main strength for downstream sectors like Bed wear–Made-ups & Garments. The table given below

showed production and export of clothing during the period under review.

Table 3.5 Production and Export of Clothing Sector

Cloth Production	July-Mar 2012-2013	July-Mar 2013-2014	%Change
Mill Sector (M. Sq. Mtrs.)	771.13	776.50	0.70
Non Mill(M. Sq. Mtrs	6,059.45	6,064.10	0.10
Total	6,830.58	6,840.60	0.15
Cloth Exports			
Quantity (M.Sq Mtr.)	1,571.98	1,764.78	12.26
Value (M.US$)	1,986.28	2,125.21	6.99

Source: Ministry of Textile

(iii) Textile Made-up Sector

Being value added segment of textile industry, made-up sector comprises different sub groups namely towels, tents & canvas, cotton bags, bed-wear, hosiery & knitwear & readymade garments including fashion apparels. Export performance of made-up sector during the period July-March 2013-14 is presented in Table 3.6.

Table 3.6: Export of Textile Made-Ups

	2012-2013 (July – Mar)	2013-2014 (July-Mar)	% Change
Hosiery Knitwear			
Quantity (M.Doz)	73.386	84.248	14.80
Value (M.US$)	1,513.292	1,667.748	10.21
Readymade Garments			
Quantity (M.Doz)	19.971	21.806	9.19
Value (M.US$)	1,308.002	1,430.430	9.36
Towels			
Quantity (M.Doz)	128.131	124.352	-3.09
Value (M.US$)	576.076	561.412	-2.55
Tents/Canvas			
Quantity (M.Doz)	23.832	20.925	-12.20
Value (M.US$)	82.834	63.088	-23.84
Bed Wears			
Quantity (M.Doz)	195.159	236.434	21.15
Value (M.US$)	1,318.370	1,600.317	21.39
Other Made up			
Value (M.US$)	433.653	511.439	17.94

Source: Ministry of Textile

a) Hosiery Knitwear Industry

There are about 12,000 circular knitting machines, 10,000 flat knitting and 18,000 Socks knitting machines spread all over the country and the capacity utilization is approx 70%. There is greater reliance on the development of this industry as there is substantial value addition in the form of knitwear. This sector has achieved remarkable export performance during July-March 2013-2014 worth US$ 1667.748 million were exported as compared to US$ 1513.292 million in comparable period of last year. Even in quantity terms the export of knitwear industry has increased by 14.8 percent. The export performance of knitwear during the period under review is given below in Table.3.7

Table 3.7: Export of Knitwear

	(July–Mar) 2012-2013	(July–Mar) 2013-2014	% Change
Quantity (M.Doz)	73.386	84.248	14.80
Value (M.US$)	1513.292	1667.748	10.21

Source: Ministry of Textile

b) Readymade Garment Industry

Readymade garment industry has emerged as one of the important small scale industries in Pakistan. Its products have large demand both at home and abroad. The local requirements of readymade garments are almost met by this industry. Garment industry is also a good source of providing employment opportunities to a large number of people at a very low capital investment. It mainly uses locally produced raw materials. Most of the

machines used by this industry are imported or locally made and assembled.

Production of garments by units depends on export orders directly or indirectly. These orders have somewhat risen in terms of value, but have been fluctuated widely in terms of quantity. Generally export earnings from garments have increased tremendously. Exports increased from 19.971 million dozens in various types of readymade garments worth US$ 1308.002 million in July-March 2012-2013 to 21.806 million dozens worth US$ 1430.430 million in July-March 2013-2014, thus showing an increase of 9.36 percent in terms of value.

Table 3.8: Export of Readymade Garments

	(July–Mar) 2012-2013	(July–Mar) 2013-2014	% Change
Quantity (M.Doz)	19.971	21.806	9.19
Value (M.US$)	1,308.002	1,430.430	9.36

Source: Ministry of Textile

e) Towel Industry

There are about 10,000 towel looms including shuttle and shuttle less in the country in both Organized and unorganized sector. This industry is dominantly export based and its growth has all the time depended on export outlets. The existing towels manufacturing factories have been upgraded to produce higher value towels. The export performance of towel sector during the period is given below in Table 3.9.

Table 3.9: Export of Towel sector

	(July–Mar) 2012-2013	(July–Mar) 2013-2014	% Change
Quantity (M.Kgs)	128.131	124.352	-3.09
Value (M.US$)	576.076	561.412	-2.55

Source: Ministry of Textile

d) Canvas

The production capacity is more than 100 million Sq. Meters. This value-added sector has also great potential for export. The 60 percent of its production is exported while 40 percent is consumed locally by armed forces food department. Pakistan is the cheapest source of supply of tents and canvas. During July-March 2013-14, export in this sector stood at $ 63.1 million as against $ 82.8 million in the comparable period of last year, thereby showing a decrease of 23.8 percent. Even quantity exported decrease by 12.2 percent.

iv) Art Silk and Synthetic weaving industry

During July-March 2013-14, synthetic textile decrease fabrics worth $ 289 million were exported as compared to $ 277.3 million showing an increase of 4.2 percent in comparable period of last year. But in quantity terms the export of synthetic decreased by 7.3 percent.

v) Woolen Industry

The main products manufactured by the woolen industry are carpets and rugs. The exports of carpet during the period July-March 2012-13 and July-March 2013- 14 is given in the Table 3.10.

Table 3.10: Exports Of Carpets and Rugs (Woollen)

	(July – Mar) 2012-2013	(July – Mar) 2013-2014	% Change
Quantity (M.Sq.Mtr)	2.202	2.506	13.81
Value (M.US$)	87.791	97.282	10.81

Source: Ministry of Textile

vi) Jute Industry

The main products manufactured by the jute industries are jute sacks and hessian cloth, which are used for packing and handling of wheat, rice and food grains. The installed and working capacity of jute industry is given in the Table 3.11.

Table 3.11: Installed & Working Capacity

	July-Mar 2012-13	July-Mar 2013-14	% Change
Total No. of Units	10	10	0
Spindles Installed	36,172	25,712	-28.92
Spindles Worked	23,858	23,443	-1.74
Looms Installed	1,851	1,175	36.52
Looms Worked	1,005	1,016	1.30

Source: Ministry of Textile

The production of the Jute goods for the period of July–March 2012-2013 and 2013-2014 is 74,023 and 78,683 metric ton respectively showing an increase of 6.30 percent.

3.3 Other Industries

Although Pakistan's export are mostly confined to cotton and textile products in the international market, there are other industries as well which progressed rapidly and also contributed to the manufacturing sector.

3.3-1 Engineering Sector

Engineering Development Board (EDB) in pursuit of its mission to strengthen and promote the engineering industry of Pakistan, has compiled the

"Directory of Engineering Goods Exporters 2013" which is the first of its kind containing profile of almost 150 leading engineering goods exporters from almost all the engineering sub-sectors. The directory is being widely circulated to all foreign diplomatic missions, Pakistan's missions aboard, local/foreign chambers of commerce & industries, associations and all the relevant organizations engaged in promoting and enhancing exports. This directory would not only prove to be a tool for enhancing the scope of trade activities but also bring in opportunities for business development and networking between our local engineering industry and other international organizations.

Engineering Development Board (EDB) plans to assist and collaborate with Punjab Skills Development Fund (PSDF) in providing skills and vocational training opportunities in light engineering sector which is one of the important and significant sector. PSDF is set up under the Companies Ordinance 1984 by the Government of Punjab in collaboration with Department For International Development (DFID) UK. PSDF aims to provide skills and vocational training opportunities to the underprivileged and vulnerable population of four most under-developed districts of Punjab for improving their ability to find work or progress in their current employment or develop an enterprise. In collaboration with EDB, PSDF is conducting skills need assessment exercise to assess the skill needs of light engineering sector. After successful completion of skill for jobs 2012-13, PSDF has launched the skill for jobs 2013-14 and it targets imparting training to 22,000 candidates. Initially, four light engineering sectors i.e. Fans, Cutlery, Pumps & Motors and Surgical equipments are being included in the programme which will be followed by trainings in other light engineering sectors. Under the scheme, training support to candidates covers at fixed stipend @ Rs. 1500/- for day scholars and Rs 3000/- for boarders receiving training outside the PSDF districts. Additionally, if the training is conducted outside the target district, boarding and lodging, including meals for the trainees are to be arranged by the Training Service Provider as per specified standards. In lieu of these services, training providers will be paid according to the following rates: Rs. 7000/- per month per trainee in case of Lahore/Rawalpindi/Islamabad, Rs 9000/- per month per trainee in case of Karachi.

The government is taking effective steps to increase the progress of country's industrial sector on account of interest showing by the international companies.

3.3-2 Automobile Industry

The Automobile Industry is very dynamic driven by consumer choice, comfort, safety and design. This industry includes 2-3 wheelers, motorcars, light commercial vehicles (LCVs), jeeps, tractors, buses and trucks. In this competitive environment, the government is encouraging development of R&D centers, school for advanced learning of auto technology and development of quality control instruments to create an enabling environment for the auto component industry to grow. Although Pakistan has achieved some level of localization, it plans to move to the next level of value addition. The Table 3.12 shows comparative position at glance.

Table 3.12: Production of Automotive Industry (No of units produced)

Category	Installed Capacity	2012-13 (July-Mar)	2013-14 (July-Mar)	% Change
Cars	240,000	84,489	85,357	1
LCVs	43,900	10,438	13,355	28
Jeeps	5,000	620	830	* 34
Buses	5,000	400	445	11
Trucks	28,500	1,380	1,807	31
Tractors	65,000	36,121	24,000	-34
Two/Three Wheelers	2,500,000	618,439	586,580	-5

Source: Pakistan Automotive Manufacturer Association
* a new product Toyota Fortuner was introduced in February 2013

The Two/Three wheeler sector has remained a high point for the auto sector for decades. This sector offers most preferred and economical means of transport and a best alternate in the absence of public transport and thus holds out considerable opportunities of growth.(Box-I)

Box-I : New Entrant Policy for Motorcycle Manufacturing Industry in Pakistan

Government has approved following new entrant policy for motorcycle manufacturing industry with new technology:

1. Ministry of Industries and Production will process the case of new entrants under this policy and make recommendations for the approval of the ECC.
2. "New Technology" will be defined by the Engineering Development Board (EDB) and would be approved by the ECC on the recommendations of the Committee comprising representatives from BOI, Ministry of Commerce and chaired by Secretary Industries and Production.
3. The new entrants shall have the incentive of importing localized CKD kit in any form at custom duty leviable on non-localized CKD kit (10 %) in any form for a period of five years subject to localization plan. The additional custom duty leviable shall not be charged on sub-components and components imported in any kit form. The concessions shall be withdrawn on parts localized by the new entrant each year, in accordance with the approved localization plan.
4. At the start of commercial production by new entrants, localization level shall be kept at a minimum of 25 percent localization per annum.
5. By the end of five years, localization level shall reach a minimum of 85 percent at an average rate of at least 15 percent per annum each for the subsequent four years.
6. The minimum investment for any New Entrant in Motorcycle Manufacturing Industry with new technology will be US$ 100 million as per localization plan.

Productions of passenger cars were 84,489 units and 85,357 units in the July-March 2012-13 and 2013-14, respectively, representing a meager 1 percent growth. The reason for this continued depression and further downturn during July-March 2013-14 was on account of 82,054 units of used cars cleared under the previous 5 year age limit policy and the amnesty scheme whose adverse impact continued post July 2013. Additionally, used cars continued to be imported, still in large numbers, during the year under review undermining the sale volume of locally produced cars. Liberalized import of used cars is the single most important factor that has hampered the growth and it is partially exempted amount of duty on used cars, under SRO 577/2005, that makes them feasible in the market vis-à-vis locally produced cars.

The consumption of automobiles in Pakistan is much lower than the countries of the region and there is latent demand and the potential to grow. However, the recovery in the industry would be a matter of consistency in policy by the government. The auto industry is presently not provided with any auto policy. The previous policy (2007-12) has since expired on 30th June 2012. The new long term policy has been in the process of formulation. There are some signs for the recovery of the economy and one important manifestation to that effect is substantial appreciation of Pak rupee. As this may spur growth, so would grow the auto industry subject to long term policy which only is the key to sustain stable growth.

3.3-3 Fertilizer Industry

The fertilizer industry, being provider of one of the key inputs for crop production has a significant role in the agricultural growth of the country. It has both forward and backward linkages in national economy. In Pakistan, there are nine urea manufacturing plants, one DAP, three NP, three SSP (18 percent), two CAN and one plant of blended NPKs having a total production capacity of 8,965 thousand tonnes per annum. Although, the installed production capacity for all products has attained the level of 8,965 thousand tonnes per annum the actual production for all products remained at 5, 828 and 6,805 (estimated) thousand product tonnes for 2012-13 and 2013-14 which is less by 35.0 and 24.1 percent, respectively, than the installed production capacity.

Fertilizer sector is the second largest consumer of gas after the power sector, however, on account of prevailing energy crisis in the country; the supply of natural gas to fertilizer industry is affected very badly. The problem of gas curtailment has disturbed the smooth supplies of natural gas to national fertilizer industry which has resulted into low production, undue price hike, increase in imports & subsidy, and erosion of investment especially in case of urea. Smooth supplies of natural gas to urea plants are essential to run the plants at 100 percent of their installed capacity for making urea available (as per requirement) at stable/affordable price and avoiding its import. At least minimum required gas supply for feedstock purpose may be ensured to fertilizer manufacturing plants. At present, the installed production capacity (6323 thousand tonnes)

of urea fertilizer is more than national demand of 6200 thousand tonnes per annum but the actual production is much below than required level. The annual production of urea for 2013-14 is estimated as 5050 thousand tonnes, which is less by 20.1 percent of installed capacity of urea fertilizer. To bridge the demand/supply gap, the Government is importing urea and providing at subsidized rate.

3.3-4 Cement Industry

Cement Industry is playing a vital role in socio economic development to promote the export and create employment opportunities to skilled and unskilled manpower. During July-April 2013-14, cement industry dispatched 21.3 million tonnes in the local market, posting a growth of 2.7 percent as compared to the local dispatches during the same period last year. The overall situation during the first 10 months of the current fiscal year showed a growth of 1.17 percent as compared to the same period of the last fiscal year, as total dispatches increased to 27.986 million tonnes against 27.664 million tonnes from July 2012 to April 2013.

Cement dispatched touched an all-time high of 3.21 million tonnes during April, raising the industry hoped of a long-awaited turnaround. The sector has achieved capacity utilization of 75.23 percent during the first 10 months of the current fiscal year that is the highest level achieved during the last five years and it is expected that it will increased to 80 percent by the end of June 2014. The exuberance in the sector is based on some encouraging revival in the construction sector and public sector development programmes.

The buoyancy in domestic market is a great relief for the sector, as the capacities were increased basically to cater to the local demands as well as the construction sector is the most potent accelerator of growth and employment and is the integral part of every construction activity that boosts 42 allied industries.

Table 3.13: Cement Production Capacity & Dispatches (Million Tonnes)

Years	Production Capacity	Capacity Utilization (%)	Local Dispatches	Exports	Total Dispatches
2006-2007	30.50	79.23	21.03	3.23	24.26
2007-2008	37.68	80.14	22.58	7.72	30.30
2008-2009	42.28	74.05	20.33	10.98	31.31
2009-2010	45.34	75.46	23.57	10.65	34.22
2010-2011	42.37	74.17	22.00	9.43	31.43
2011-2012	44.64	72.83	23.95	8.57	32.52
2012-2013	44.64	74.89	25.06	8.37	33.43
2013-2014 (Jul-April)	44.64	75.23	21.30	6.69	27.99

Source: All Pakistan Cement Manufacturers Association (APCMA)

Cement production is the most energy intensive within Large Scale Manufacturing (LSM). In Pakistan, all cement manufacturers shifted from natural gas to coal in the early 2000s, which means this sector was largely immune to the worsening energy shortages in the country. However, number of cement manufacturers (e.g. DG Khan Cement, Lucky Cement, Fauji Cement) have started using bio-fuels. In addition, Bestway, Cherat, Fecto, Lucky and DG Khan, have also installed heat recovery plants to generate their own electricity.

3.5: Privatisation Programme

The government is committed to pursue privatisation as an integral policy to address structural imbalances, liberalizing economy and opening it to competition. The goal is to enhance productivity growth and reduce poverty in the country. Pakistan's privatisation program is one of the most successful program in the region as it successfully managed to complete 167 privatisation transactions, generating revenue of over Rs.476.4 billion including Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) of US$ 6 billion.

For the past few years, the privatisation program entered into lean period due to domestic and global challenges including, poor law & order and negative economic outlook which adversely effected investment climate in the country. Also, the global financial crisis of 2008-09 and the Euro zone sovereign debt crisis effected flow of investment into the country.

In June 2013, the new government was sworn in and it is one of its high priority to turn around the loss making Public Sector Enterprises through restructuring with the assistance of strategic sector partnership, who has the capacity to invest and provide capable management.

On 3rd October, 2013 the Cabinet Committee on Privatization (CCoP) earmarked a list of 32 PSEs in Banking & Finance, Oil & Gas Sector, Power, Industries, Transport and Real Estate, for early implementation, out of a list of 69 units of broad-based privatization programme. The Commission has initiated the process for first batch of PSEs, like disinvestment of GoP shareholding in OGDCL, PPL, UBL, ABL & HBL; privatization of HEC, NPCC, FESCO and GENCO III (TPS Muzafargarh) and LESCO and soliciting private sector partnership in core operation of PIA.

Privatisation Commission aims to market the capital market transactions namely OGDCL, UBL and PPL to the international and domestic institutional investors, high net worth clients, and general public within next 4-6 months. The preparatory work for privatisation of HEC, NPCC, FESCO, TPS Muzafargarh and restructuring of PIA would be carried out in parallel on fast track basis.

Success of the privatization program is contingent upon the support of all the stakeholders including various government agencies, departments, organizations and most importantly the people of Pakistan.

3.6: Small and Medium Enterprises

Small and Medium Enterprises Development Authority (SMEDA) is an apex organization for development of the SME sector in Pakistan. SME-led economic growth has been a hallmark of economic prosperity in the developed and emerging economies of the world. It has an encompassing mandate towards fostering growth of SMEs along with a broad service portfolio spread across SME sectors and clusters, skills development services and collaborative projects with international development partners.

Salient activities/achievement of SMEDA during July -April 2013-14 are given below:

a) Prime Minister's Youth Business Loans Scheme

SMEDA has been tasked with an advisory role in implementation of the PM's Youth Business Loan scheme both in terms of developing information tools and resources and also guiding and disseminating information to loan aspirants. Under the scheme, subsidized loans with debt-equity ratio of 90:10, mark-up 8.0 percent and tenure of 08 years, inclusive of 1 year grace period, are being provided to new and existing entrepreneurs between the ages of 21-45 years. Loans from Rs.0.1 million to Rs. 2.0 million will be provided to one hundred thousand (100,000) individuals in the first year, across the entire country. In this regard, SMEDA has as many as Fifty six (56) Business Prefeasibility Studies developed along with information resources and tools including, FAQs on Pre-feasibility studies, Financial Calculators, Guidelines/Template on developing Business Plan and 7 training video documentary. Around 11.03 million pre-feasibility studies and other tools and resources have been downloaded from SMEDA website till 5th April, 2014. The information tools and resources are available in both English and Urdu languages. Exclusive Help Desks have also been established by SMEDA at 28 locations in 19 cities for facilitation of loan applicants. The scheme has seen a tremendous response and a total of 19,630 loan applicants have been facilitated at SMEDA's exclusive Help Desks across the country up to March 31st, 2014.

b) SMEDA Internship Portal

SMEDA Internship Portal launched on November 08, 2013, is a strategic initiative towards an innovative and knowledge based economy, through provision of quality human resources. This 'No Cost' e-platform for Private and Public sector organization and university students provides an opportunity for match making internship opportunities from a diversified HR pool for strengthening the human capital of the country. Private and public sector organizations are provided with a user interface, whereby they can place their human resource requirements. Each student registering on the Portal has, his/her own user interface, whereby they can post their profiles and apply for internship opportunities advertised by employers. Provision of support and guidance for students in building resumes is also part of the initiative. In order to operationalize the Portal, SMEDA has engaged Academia, Industry, SMEs, Chambers of Commerce and Industry, Trade Associations and Public Sector Organizations to generate internship opportunities across the country.

c) SMEDA 5 years SME Development Plan (2013-18)

In order to lift the growth trajectory of SMEs in a globally competitive environment, SMEDA has developed a 5 year SME Development Plan, with a renewed commitment and mission to "Assist in Employment Generation and Value Addition to the National Income through Development of the SME Sector. The Plan envisages exponential growth of key emerging and conventional SME sectors,

selected primarily on the basis of their respective growth potential in terms of employment, contribution of GDP and exports. The proposed plan builds on key game changing drivers across SME Value chains, related infrastructure and policy & regulatory environment, besides developing an entrepreneurial ecosystem, focusing on access to finance, youth and women of the society.

SMEDA has prioritized thirteen (13) sectors for development interventions. Firm and industry value chain analyses in the context of the domestic and international business environment has been carried out for each sector, indentifying game changers that can transform the entire dynamic of the sector and accrue benefits across the entire spectrum of the value chain. In addition to the value chain based need-gap analyses conducted for each of the indentified sectors, SMEDA over the last few months carried out an extensive exercise of consultation where more than 850 stakeholders, primarily from the private sector were engaged and proposed interventions validated thereof. Thus, adopting a programmatic approach, interventions for each sector have been identified in the areas like Policy & Regulatory Environment, Business Development Services and Strategic Initiatives Infrastructure and Networking. The identified priority sectors are Logistics, Gems & Jewellery, Horticulture, Construction, Fisheries, Energy, Dairy & Livestock, Engineering, Minerals, Leather, Tourism and Textile.

3.7: Mineral Sector

Pakistan is bestowed with all kinds of resources which also include mineral resources. Pakistan possesses a large number of industrial rocks, metallic and non-metallic minerals. The major hurdles and barriers are capital and technological flaws in order to not capturing the full potential of these resources. Mining of metallic minerals in Pakistan is restricted to chromites and few other minerals while Non metallic minerals are exploited by a large number of small private companies with crude methods which add less value addition. There is dire need to undertake further laboratory studies on these deposits for accelerating the pace of development of minerals resources and mineral industry in the country.

The Mining and Quarrying sector estimated to grow at 4.4 percent in 2013-14 as against 3.8 percent last year. Sulphur, Chromite, Bauxite, Dolomite, Coal, Lime Stone, Crude Oil and Rock Salt posted a positive growth rate of 74.7 percent, 70.8 percent, 53.3 percent, 40.7 percent, 16.0 percent, 14.3 percent, 11.6 percent and 10.7 percent, respectively. However some witnessed negative growth rate during the period under review such as the growth of Barytes declined by 41 percent followed by Magnesite 39.6 percent, Cooper 28.4 percent, Soap Stone 9.2 percent and Phosphate 9.1 percent respectively (Table 3.14).

Table 3.14: Extraction of Principal Minerals

Minerals	Unit of Quantity	2011-12	2012-13	2013-14(P)	% Change 2013-14/2012-13
Coal	M.T	3,178,986	2,809,071	3,257,767	15.97
Natural Gas	MMCFT	1,558,959	1,505,838	1,488,987	-1.12
Crude Oil	JSB(000)	24,573	27,840	31,068	11.59
Chromite	M.T	179,203	136,443	233,094	70.84
Magnesite	M.T	5,444	6,705	4,049	-39.61
Dolomite	M.T	198,392	335,819	472,375	40.66
Gypsum	M.T	1,260,021	1,249,967	1,208,051	-3.35
Lime Stone	M.T	35,016,411	38,932,472	44,517,242	14.34
Rock Salt	M.T	2,135,760	2,159,939	2,390,103	10.66
Sulphur	M.T	25,560	20,610	35,996	74.65
Barytes	M.T	48,510	118,471	69,956	-40.95
Bauxite	M.T	30,223	25,288	38,762	53.28
Calcite	M.T	170	550	461	-16.18
Soap Stone	M.T	55,515	93,214	84,610	-9.23
Marble	M.T	1,750,578	2,360,114	2,465,431	4.46
Cooper	M.T	17,931	12,285	8,794	-28.42
Phosphate	M.T	69,400	104,961	95,373	-9.13

Source: Pakistan Bureau of Statistics (PBS)

Balochistan

Balochistan province has the major share in minerals being produced in Pakistan. Balochistan constitutes about 42 percent of the total national land and has been endowed by nature with substantial mineral wealth. The province's mineral potential is much bigger than the current production statistics. This gap between the potential and actual production is affected by law & order situation, absence of necessary infrastructure and lack of technical capacity for the mining. The Government of Balochistan provides institutional arrangements but still there is dire need for the development of technologies for processing different indigenous ores to extract products of high commercial value which will bring socio-economic uplift, create job opportunities and induce more investment by contributing to export enhancement. Presently more than 51 metallic and non metallic minerals have been discovered in the Balochistan Province out of which 29 are being exploited including minerals such as chromite, copper, iron, lead, zinc, manganese, antimony and gold etc whereas the non metallic include barite, fluorite, calcite, magnesite, granite, coal and dimension stone such as marble both onyx & ordinary, granite, gabbro basalt and dunite etc.

Punjab

The Government of Punjab mines and mineral department is striving hard to follow a road map. Two important minerals, Coal and Iron ore are prioritised to combat the energy and metallic minerals need of the province. Following are the achievements:

1. Coal

Coal resources estimation study in Salt Range and Trans Indus Range is completed in January 2013, through M/S Snowden, an Australian firm. The coal is estimated at JORC standards reporting 597 million tones. Having this confidence of estimates, the power generation investors from World over are taking keen interest in establishing the coal-power generation projects in Punjab. Department is also focusing to optimise the production knowing the promising/proved locations, semi mechanisation of mines, consolidation of mining areas, identification of larger mining zones and bringing efficient players to set up mining in new areas.

2. Iron Ore

i. Chiniot-Rajoa Iron Ore

Potential iron ore resources of high quality i.e. 110 million tones and 500 million tones near Chiniot & Rajoa respectively are known but the geophysical, drilling, quality and resource estimation data was not sufficiently enough/reliable to acceptable international standards for making feasibility for steel making and to attract the investors. Mines department through an international competitive bidding process has awarded the project to M/S MCC ,a Chinese company for Resource estimation of iron ore and associated metallic minerals.

The scope of work involves further geophysical surveys, drilling, sampling, analysis, 3 D modelling, isopachs and resources estimation. The project has commenced w.e.f 02.4.2014 and likely to complete within 18 months as per agreement. However, efforts are in hand to get it completed even before the given time period. On successful completion of the project and achieving the quantitative/qualitative reports, the province will have an opportunity to attract the investors for launching the steel mills and other feasible metallurgical processing facilities in Punjab.

ii. Kalabagh Iron Ore

According to the historical estimates and past studies about 292 million tones of iron ore deposits exist near Kalabagh, district Mianwali. Despite the more researched ore in the World, economic utilisation of this ore was still a question. The Government of Punjab desired to establish an economical and viable process for making steel using kalabagh iron ore. For this purpose, M/S IMC & SGA,a German consortium is engaged through a competitive bidding process against bid of about Rs.100 million. The project is likely to complete by the mid of this year. This can be a break through if an economically viable route is developed for the Kalabagh iron ore, considered to be a low grade iron ore.

3. Geophysical Survey of sub surface pre-Cambrian shield rocks in Punjab for mettalic mineral deposits

Owing to the continuation of metallic minerals in the sub surface pre-cambrian shield rocks in Punjab plains, Mines department has engaged Geological Survey of Pakistan w.e.f 26.5.2013 to undertake geophysical surveys and drilling to identify the anomalous zones in Punjab to determine the metallic minerals potential resources as a future development strategy. Semi detailed magnetic survey of about 13000 sq.km area out of 18000 sq.km area is completed. Detailed magnetic, gravity and integrated geophysical surveys are in hand. The project is likely to complete within next two years.

Sindh

The mines and mineral department Government of Sindh is the regulating & monitoring mining operations & activities in the mineral sector and also promote joint ventures especially with foreign investors for development of coal resources of the province. The details of ongoing schemes are given below.

i) Feasibility Study of Granite deposits in District Tharparkar Sindh

The scheme has been approved having total cost of Rs. 50 million and the main objective of the feasibility study of granite deposits project is to study the geology of granite deposits in district Tharparkar Sindh, areas, workable & mineable reserves, quality and quantity etc. The Consultant M/s Centre for Pure & Applied Geology University of Sindh Jamshoro have submitted the 26 monthly progress reports, inception and interim report which are being examined by a review committee and draft final report is also submitted by the consultant. The revised PC-II of the scheme for assessment of sub surface granite reserves is under preparation. The scheme will be completed by June-2014.

ii) E-government agency specific general application website on Geo data set up of Geo data center phase – II

The scheme has been approved having total cost of Rs. 31.67 million aiming to preserve data in a standardized format, maximize value of the resources by enabling data sharing to prevent duplication, ensure timely supply of data to investors. Development of GIS facility implemented on web integration of Google maps and technical trainings in the field of GIS from SUPARCO has been provided to the technical staff.

Khyber Pakhtunkhwa (KPK)

The Province of Khyber Pakhtunkhwa is blessed with lot of natural resources including precious metals, Gemstones, Iron, Ore etc. The Minerals Development Department Khyber Pakhtunkhwa is a major stakeholder of development of mineral resources in the province. The major achievements of minerals development department during year 2013-14 were:

i. Geo-chemical exploration survey /study completed in Peshawar, Nowshera, Mardan & Hangu Districts for exploring deposits of precious metals whereas geo-chemical survey / study in District Dera Ismail Khan is under process.

ii. Construction of three (3) regional offices of Directorate Generla Mines & Minerals one each in Abbottabad, Mingora and Karak as part of strengthening of field formations.

iii. Construction of 30 km road in mineral bearing areas of Kohistan, Shangla and Abbotabad to facilitate mining operations.

iv. R&D studies for up-gradation/ processing of metallic minerals including low grade iron ore.

v. Working group established for reform initiatives in mineral sector of Khyber Pakhtunkhwa. The group has started the work and preliminary framework has been prepared for next four (4) years.

vi. Work on delineation of exploration blocks for metallic minerals including gold and gemstones has also been initiated to grant the same as exploration licenses through process of competitive bidding to sound parties (local /foreign investors) as part of facilitating large scale investment in mineral sector of Khyber Pakhtunkhwa.

vii. Revenue generated through collection of royalty on minerals Rs. 600 millions up to April 2014.

viii. Receipt amounting Rs. 52.034 millions during first three quarters of this fiscal year collected through imposition excise duty on 61specified minerals by federal government, moreover Finance Department Khyber Pakhtunkhwa has set a target of Rs 80 millions.

ix. Grant in aid amounting to Rs. 59.2 millions for providing transport facility as well as ambulances for mine labours.

x. Scholarships amounting Rs. 350,000 for 200 mine labours children.