

Chapter 23 | MANUFACTURING, MINERAL AND COMMERCE SECTORS

Economic growth and development of a country substantially depends upon robust performance of the manufacturing sector. Continuous value addition, a permanent feature of dynamic manufacturing sector, is linked to technology up-gradation, enhanced technical skills, access to credit and better management. Pakistan's manufacturing base is narrow and concentrated in few sectors. Country's main industries are textile, cement, fertilizer, iron & steel, tobacco, pharmaceuticals, construction materials, automotive industry, sugar, food processing, chemicals and light engineering etc.

Manufacturing sector faces many challenges including non-existence of Industrial Policy, low ranking on ease of doing business and global competitive index, less innovative products, poor & ineffective academia-industry linkages, low level of integration in global value-chains, and rising cost of production due to input factors. In order to be competitive at international level, Pakistan Vision 2025 and 11th Five Year Plan envisage strengthening of institutions; removing infrastructure bottlenecks, promoting public private partnership, encouraging investment, developing skills and building knowledge economy, easing of doing business, increasing labour market efficiency, using of ICT, and tapping large domestic and regional markets.

Performance review 2016-17

Manufacturing sector recovered from sluggish performance due to improved energy supply and better law & order situation and posted healthy growth in the first nine months of the review period. Industrial growth mainly relies on availability of energy, raw material, skilled manpower, value-addition, and market forces. Government made considerable efforts in creating a conducive environment to foster private sector investment and increased growth. During 2016-17, the overall Large Scale Manufacturing Sector (LSM) has shown growth of 5.06 per cent for the period of July-March 2016-17 when compared with the same period of previous year which was 4.70 per cent.

According to National Accounts Committee (NAC), in 2016-17, the industrial sector grew at the rate of 5.02 per cent against targeted 7.69 per cent, manufacturing sector by 5.27 per cent against targeted 6.06 per cent, LSM by 4.93 per cent against targeted 5.9 per cent, while SME grew at the rate of 8.18 per cent against targeted 8.22 per cent. These growth rates are provisional and final figures for full year will be determined later. The main growing industries in 2016-17 were textile, automobile, food, beverages & tobacco, pharmaceuticals, fertilizers, electronics, paper & board, iron & steel products, and non-metallic mineral products.

An amount of Rs1,159.55 million was allocated for 15 development projects of the Industries & Production Division in PSDP 2016-17, against which Rs762.02 million were released till May 2017.

On the development side, Ministry of Commerce was allocated an amount of Rs796.86 million. The projects executed in 2016-17 include “Purchase of Equipments, Furnishing, Curriculum Development and Training of Pakistan Institute of Fashion Design” Lahore (Costing Rs755.75 million) reflected 99.04 per cent financial progress, while the physical progress remained 87 per cent and the project “Restructuring of Pakistan Institute of Trade and Development” showed 11.21 per cent financial progress while physical progress remained 7.34 per cent. Project titled “Expo Centre Peshawar” was provided with additional amount of Rs300 million through re-appropriation of funds from project titled “Expo Centre Islamabad” for quick take off.

In order to reduce cost of doing business, the Government took a major step of reducing electricity tariff by Rs3 per unit for the industrial units with effect from 1st January 2016. Furthermore, the export infrastructure is being continuously improved, capacity of Expo Centre Lahore has been doubled, ground-breaking of Expo Center Peshawar and at land ports at Torkham, Wagha and Chaman are also expected in the current year.

Prime Minister has announced the country’s biggest export package worth Rs180 billion to enhance foreign trade.

Outlook 2017-18

Pakistan’s manufacturing sector is gradually reviving and flourishing. With the improvement in energy, law and order situation, investment opportunities, increasing government expenditure in infrastructure development like Industrial Estates / Special Economic Zones (SEZs), announcement of Automotive Development Policy (ADP) and New Textile Policy, it is expected that Pakistan’s manufacturing sector would gain further momentum in 2017-18. Likewise proposed Industrial Parks / SEZs along-with CPEC route would bring investment therein through shifting of some production units from China, which would further improve the industrial output in coming years. To enhance export competitiveness, the strategy is to increase the number of products in the export-base so as to decrease dependence on textiles and rice, the two major sectors. Approach to be followed for the improvement of the Sector includes exploration of lucrative and approachable markets and diversification along with better competitiveness of our products through structural reforms.

Table-1
Sector-wise allocation in PSDP 2016-17 and 2017-18

Sector	(Rs million)	
	2016-17	2017-18
Ministry of Industries and Production	1,029.53	1,100
Ministry of Textile Industry	150	150
Ministry of Commerce	796.86	900

Programmes

The federal government has launched different projects to revive and boost the industrial growth. Major interventions to be undertaken these projects include developed infrastructure, skilled workers, marketing facilities, and common facility centres to attract and facilitate the investors. Some of the important projects are listed below:

- Light Engineering Up-gradation Centre for SMEs in Balochistan (LEUC), Hub Lasbela;
- Water Supply Scheme for Hub Industrial Trading Estate (Phase-II);
- Establishment of Bostan Industrial Estate (Phase-I), Bostan;
- Provision of Infra-structure in Quetta Industrial Estate (Phase-IV), Quetta;
- Establishment of Gems and Jewellery Training and Processing Centre in Muzaffarabad, AJK.

Vision 2025 has suggested a cluster based development model to transform manufacturing sector. Detailed value chain analysis is underway that will help in identifying important clusters of Pakistan which development will be prioritized in the long-term industrial transformation plan. It is expected that the project “Cluster Development Based Industrial Transformational Plan – V2025” will immensely help manufacturing sector through targeted interventions. Under the project titled “1000 Industrial Stitching Units”, one thousand stitching units would be established which would further boost up our garment sector by bringing in value-addition, cluster development, and improving productivity. In commerce sector, prominent projects, which will continue during 2017-18, include the “Expo Centre Peshawar”, costing Rs2,500 million, while project titled “Expo Centre Islamabad” is in pipe line.

The Government has recently announced Auto Industry Policy which will attract new investment in this sector and the allied industries will get benefit from it. Textile Policy 2014-19 is under active implementation to boost up the textile sector, particularly its exports. Work on CPEC is also progressing on fast track and Industrial Parks / Special Economic Zones (SEZs) have been identified by provinces which will create new economic opportunities and boost up industrial growth.

Mineral

Mineral Sector provides raw materials in different forms to most of industries. Countries with strong and robust industrial sector have showed more economic growth and resultantly higher national income and better living standard of their population. Inadequate facilities for exploration and production of mineral resources, poor infrastructure, poor management and non-availability of new technology are the main hurdles in development of mineral sector. Government has taken various steps to overcome these hurdles. The Geological Survey of Pakistan is striving hard to strengthen data base on natural resources of the country so that its due share could be utilized for the uplifting of the economy of the country, well-being of its population and increasing reserves of the foreign exchange.

Performance review 2016-17

Public Sector Development Programme (PSDP) allocation for Mineral Sector was Rs444.51 million for two development schemes i.e. “Acquisition of Four Drilling Rigs for Geological Survey of Pakistan” and “Exploration and Evaluation of Metallic Minerals, in Uthal and Bela Areas, District Lasbela, Balochistan”. Detail regarding these projects is given below:

- **Exploration and evaluation of metallic minerals, in Uthal and Bela areas, district Lasbela, Balochistan**

Teams of geophysicists and geologists have been carrying out the detailed geophysical surveys and geological mapping at selected sites. Samples of different

exposed rock units and stream samples have been collected and are in process of analyses. Base map on the basis of previous literature has been prepared. Induced Polarization and Magnetic Surveys have been carried out at the Sukhan, Sap Dohro and Shumali areas near Uthal Town. Potential bodies have been selected for large scale mapping on the basis of Integrated Geophysical Surveys.

- **Acquisition of four drilling rigs for the Geological Survey of Pakistan**

Review of specifications of latest drilling rigs available in international market has been completed. Preparation of technical specifications of drilling rigs is in process. Preparation is under process for advertisement in different newspapers. Two, new, 275 HP, Hydraulic, Truck Mounted Multipurpose Drilling Rigs with drilling capacities of 1300-2000 meters HQ and 2000-3000 meters NQ, with accessories and spare parts of rigs and trucks have been purchased from Italy on FOB basis. Rigs with accessories have been received in GSP, Headquarters Quetta on 10-09-2016.

- **Cluster development based mineral transformation plan – V2025**

Ministry of Planning Development & Reform has started new initiative Cluster Development Based Mineral Transformation Plan-V2025 at cost of Rs62.21 million with the aim to improve productivity in the mines and mineral sector, enhance exports, increase value addition and create jobs.

Outlook 2017-18

During 2017-18, the strategic focus of the mineral sector would be on the following areas:

- Encourage private sector for development of downstream industry in coal and other minerals.
- Develop skilled human capacity through skills development programme, training and in house professional exams.
- Provide technology through technological up-gradation; provision of sophisticated machines, equipment, tools and spares in Common Facility Centres and develop machine pools;
- Infra-structure development in remote areas.
- Development of Research and development (R&D) facilities.
- Encourage exports by meeting demands of competition, technology and higher labour productivity.

A number of annual field programmes/projects are planned by GSP in minerals investigation, geological mapping, geophysical exploration, exploration and evaluation of coal, geochemical exploration of precious metals, geo-environmental & ground water studies, exploration of iron ore, geo-hazard assessment & geotechnical projects, geochemical analysis and medical geology.

Programmes

Prominent projects which will continue during the year 2017-18 include “Exploration and Evaluation of Metallic Minerals, in Uthal and Bela Areas, District Lasbela, Balochistan”, “Acquisition of Four Drilling Rigs for Geological Survey of Pakistan” and “Cluster Development Based Mineral Transformation Plan-V2025” The basic objective of these

projects is the provision of various facilities to investors like developed infrastructure, skilled workers, marketing facilities, and common facility centers. China-Pakistan Economic Corridor (CPEC) would open new ways and means for technological development in Pakistan. This will create new economic opportunities for the people of Pakistan as there will be established industrial and export processing zones along with the corridor which will boost up our mineral processing growth.

New initiatives

Following projects will be undertaken by GSP:

- Groundwater Potential and Quality Evaluation in and Around Quetta Valley (2017-2019) Estimated Cost: Rs148.011 million.
- Investigations for Geothermal Energy in Pakistan (2017-2021). Estimated Cost: Rs991.91 million.
- 3D Mineral Survey to Evaluate Potential Economic Mineral Resources at two prospective sites, Moti joWandio area, District Tharparkar, Sindh and Mashkichah area, District Chagai, Balochistan (2017-2020). Estimated Cost: Rs663.51 million.
- Evaluation of Coal Bed Methane in Chamalang Coal Field, Balochistan (CBM). (2017-2019). Estimated Cost: Rs150 million.