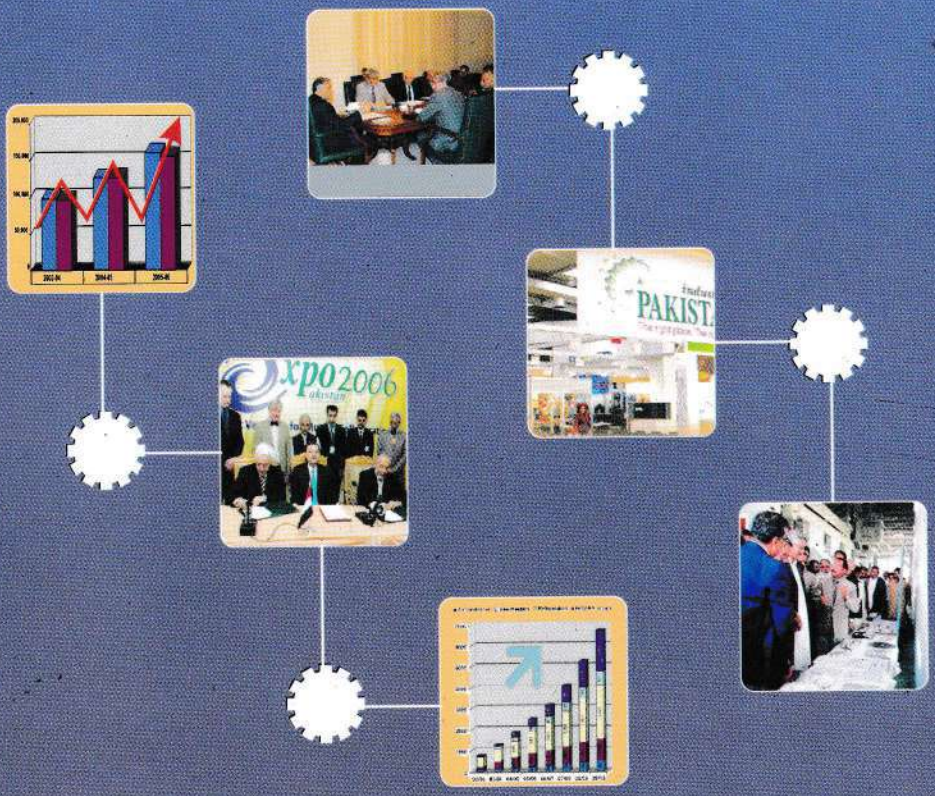
Performance Review 2005-06



Engineering Development Board
Ministry of Industries, Production & Special Initiatives
www.engineeringpakistan.com

Preamble

Strong Engineering Industry is the key to economic well being of any nation. The world's largest economies have flourished by developing and strengthening such industries which can give value added, high quality production and work with innovative technologies. Pakistan on the other side has been relying on manufacturing and exports of low value added textile based products. The result is a narrow export base with 63% contribution coming from textile products and becoming a Cotton Economy.

Feeling the shift in the World's Economic landscape, the Government of Pakistan restructured Engineering Development Board (EDB), with a view to create a strong export driven engineering base. The major focus was to modernize and strengthen the Engineering Sector of Pakistan in order to venture out and seek new markets, enter into technology partnership for adopting innovative technologies and creating competitiveness for global positioning.

EDB, after its restructuring, is emerging as an Organization committed to develop and strengthen the Engineering Sector of Pakistan on modern lines, enabling it to become technologically sound and globally integrated.

I feel honoured in presenting the first Performance Review Report of the restructured EDB, which started its journey from December, 2004 when the merger of EDB and Experts Advisory Cell (EAC) become effective.

Shaping the structure of this Organization with a market led approach was my first priority followed by giving a new face to the Organization to act as a facilitator instead of a regulator. This was a real challenge for which a complete change of mindset was required both among the industry as well as within the Organization. By the Grace of God, today we have been successful in achieving the set target and our Engineering Community is not only becoming well aware of the changing business horizons but they are also ready to respond positively for long term sustainability.

The Review Report for 2005-06 would appraise about the major activities initiated by EDB ranging from Sectoral Policy Formulation to Tariff Rationalization. Some of our real accomplishments are introduction of a transparent and competitive Tariff Based System (TBS) to replace the Non-TRIMS complaint deletion programmes, framing of a detailed Auto Industry Development Programme (AIDP)

for sustainable development of Auto Industry, providing a complete auto industry investment framework and updation of Custom General Order (CGO) by removing defects, discrepancies and anomalies. Apart from these, focus of EDB has been the identification of star performers in Engineering Sector by profiling and Bench Marking for need assessment of various sectors and their subsequent development for preparing them to become the champion industries for going global.

Alongside, EDB's awareness progammes through Seminars/ Workshops and Conferences specifically designed to appraise the Engineering Sector about the facilitation and support offered by GoP by way of different schemes to promote Exports of engineering products and services has been one of the key activities being performed by EDB.

In its endeavors to stimulate a proactive thinking among the Engineering concerns in response to globalization EDB has been organizing Pakistan's participation at leading international specialized trade fairs for giving them exposure to compete with nations like China, Malaysia and Thailand. These nations are enjoying competitive edge by having high-tech Industrial activities with higher production volumes, innovation and product diversification, enabling them to pave their way for integration into the global supply chain.

I believe that this is just a humble beginning and we have a long way to go to boost our Engineering Sector to make it the driving force for Economic growth. Striving hard to make Engineering Sector drive the business by achieving high value addition, adopting leapfrog technologies, achieving Economies of Scale and Venture new markets, EDB is on its way to provide an alternative to "Cottonomics" for this country.

Although, the task is enormous, it would be achievable with the support of GoP and our present Engineering Industry and we shall inshallah present our next Review Report in the capacity of Engineering Development Authority of Pakistan (EDAP) as decided by the Government of Pakistan.

Imtiaz Rastgar
Chief Executive

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About EDB


Deep Freezer
ECO-G

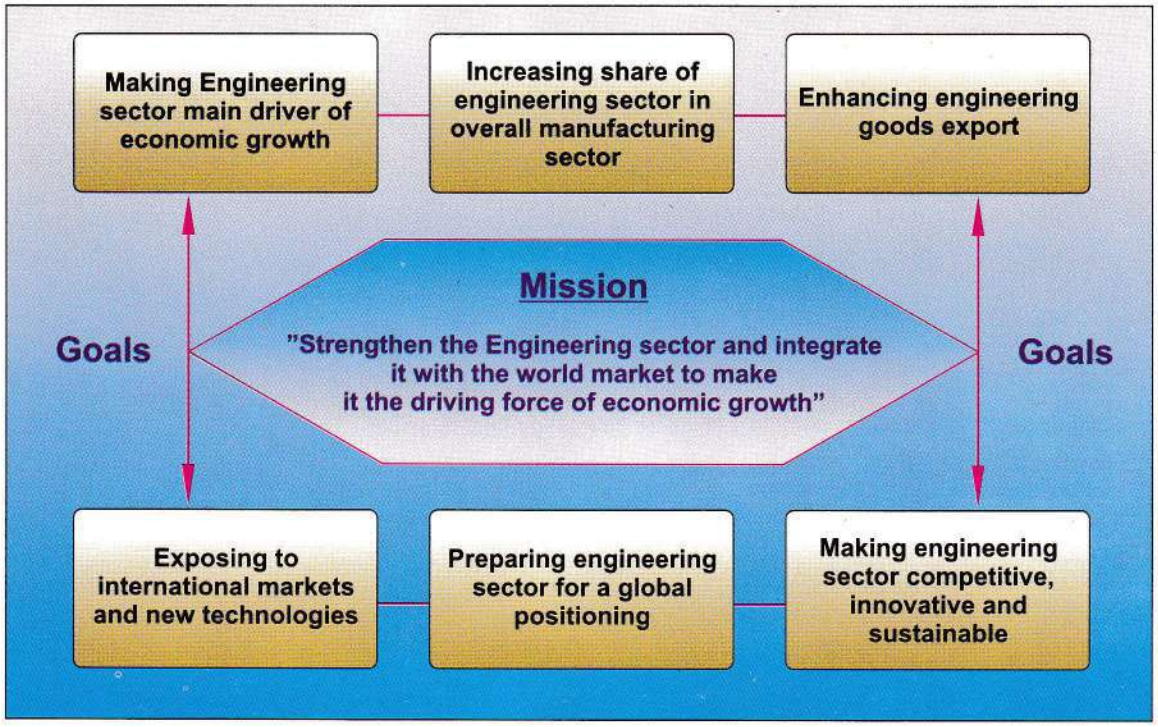
Overview of EDB

Established in 1995 as an autonomous body, **Engineering Development Board** (EDB) was carrying a mandate of Policy Formulation and Implementation for facilitating and encouraging Development of Engineering Industry of Pakistan. In December 2004, the GoP decided to further strengthen this organization by merging Experts Advisory Cell (EAC) with Engineering Development Board (EDB). **Experts Advisory Cell** (EAC) as a techno-economic arm of the then Ministry of Production was created in 1979 with the mandate to carry out Performance Monitoring and Evaluation of the Public Sector Industries. The role of EAC, however diminished with the accession of Privatization and Deregulation policies of the Government of Pakistan.

New EDB with a Market led approach is now a facilitator rather then regulator

EDB has worked as a bridge between the Government and Engineering Sector of the country and very effectively implemented Government's Indigenization Programme for the automotive sector and tariff rationalization for the entire engineering sector over the years. The merger of the two organizations was to give further impetus to the development of Engineering Sector to lead as a driving force for economic growth.

The restructured EDB has been mandated to uplift the Engineering Sector of Pakistan to make it a part of global supply chain. The Mission of the revamped EDB has been redefined to ***"Strengthen the Engineering Sector and integrate it with the world market to make it the driving force for economic growth".***



Operational Structure

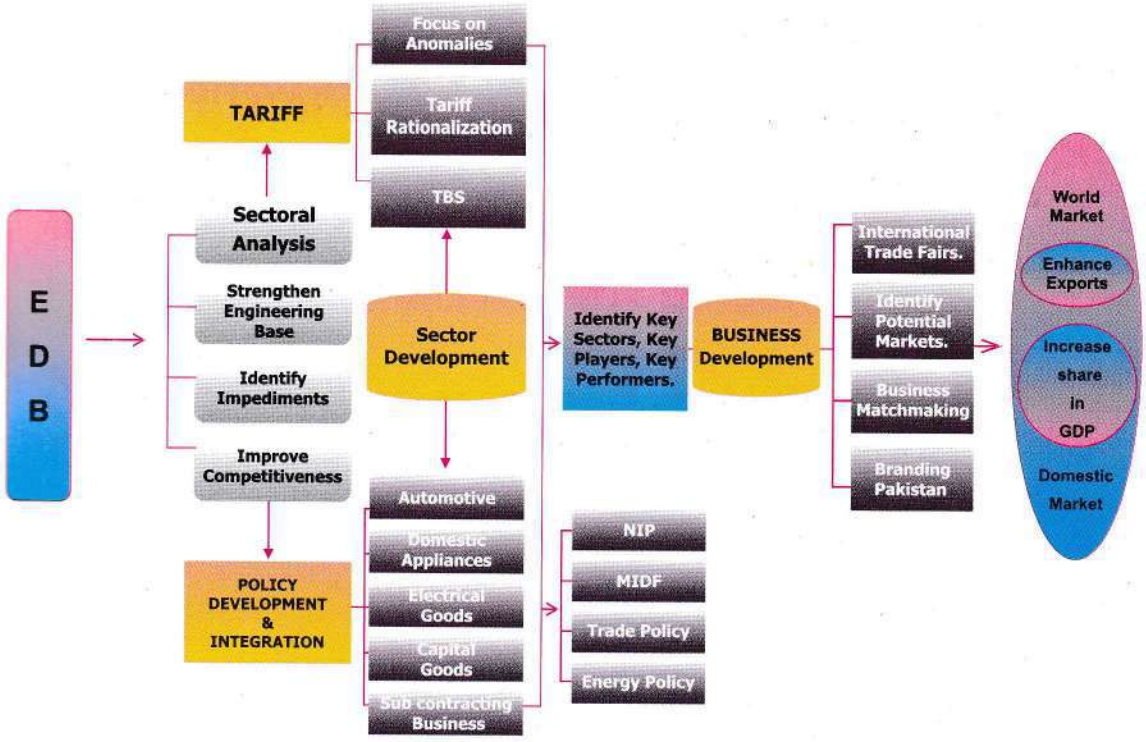
Operational structure of EDB put forth for achieving this mission spreads out to cover a framework of multifarious converging activities with the prime focus on development of Engineering Goods & Services Sector for making it competitive enough to respond to the emerging needs and requirements of the fast changing world.

EDB has been structured in a way to achieve its mission and to respond to the emerging needs and requirements of the fast changing world. Cognizant of the role already played by EDB, the core functions of the restructured organization have been redefined as follows:-

- Development of growth strategies for Engineering sub-sectors.
- Integrating Engineering Sector with global markets by creating technological strengths.
- Focusing on tariff rationalization, indigenization, new product and technology, and competitive sectoral development.
- Giving international exposure to local engineering industry about the latest technologies and innovative business practices and image building of Pakistan as producer of Engineering goods and services.

- Handholding and business matchmaking of the local industry.
- Creation of a comprehensive databank of local Engineering Industry.
- Benchmarking & Training.

In pursuit of the above, EDB has instituted an extensive operational strategy for developing inter-linkages between its diversified activities. The same is depicted below:



Various operational groups at EDB are working in close coordination, creating cohesive and well functioning teams and through fair consultation with stakeholders n various sectors/ sub-sectors to create level playing field.

From the indepth sectoral analysis carried out at EDB, emerges effective, efficient policy framework providing an enabling environment for growth of Engineering sector. The group activities ranges from sector profiling to benchmarking and exposing the Enterprising Businesses to the World's leading trade fairs.

Being a Business Support Organization (BSO), EDB is working to promote and develop International Trade Promotion Network for unconventional goods and services to unconventional markets thus making the World market our target.

Shaping
A Strong Performance Culture and actively balancing the interest of stakeholders with quick moves by wisdom gained from their experience, EDB is striving hard to achieve its Mission.

The logo of EDB has been changed with the slogan

دنیا ہماری منڈی

This is a clear signal to the Engineering Industry to expand its market by going into exports

Functional Linkages

Board of Directors

VC/CEO

- CEO Sectt.
- Finance/HRM
- Regional office Karachi

Tariff Department

- Tariff Based System (TBS)
- Tariff Rationalization
- CGO Updation
- Removal of Anomalies
- Convert crises to Opportunities
- Input Output Ratios (IORs)
  - Automotive Parts
  - Engineering/Industrial Goods

Policy Development

- Sectoral Strategy and Policy formulation
- WTO/SAFTA/RTA's
- Improve competitiveness
- Policy Impact Analysis
- Cluster Development
- MoIP&SI related activities
- JMC/JEC
- Special Studies

Sector Development

- Identify Key Technologies, Sectors, Players and Star Performers
- Sectoral Research
- Trade & Market Analysis
- Gap Analysis
- SWOT Analysis

Business Development

- International Exposure
  - Trade Fairs
  - Exhibitions
    - International
    - Local
- Business Matchmaking
- Training
- Collaborations
- University Industry Linkages
- Web Management

Functions

Information Technology/MIS

Functions:
Database Development and Networking
Data Repository of Public & Private Industry

Transparent Operations at EDB

Auto Indistry Development Programe:

Draft of the Auto Industry Development Programme Prepared and placed at EDB's website for comments and views of stakeholders.

Tariff Based System:

Consensus based document prepared through intensive delebrations held at the level of Indigenization committee, OEM's , Vendors and CBR.

Coustom General Oorder:

Local manufactures desirous of enlisting their products invited through press release, advertisement and direct mail shots. Draft list placed at EDB's website for review and comments from the Chamber of Commerce & Industry, Associations and the industrialists.

Input/output Ratios:

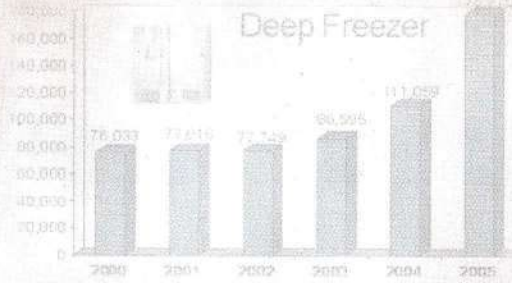
Ratios placed at EDB's website to make the regulatory environment transparent and predictable.

Tariff Rationalization:

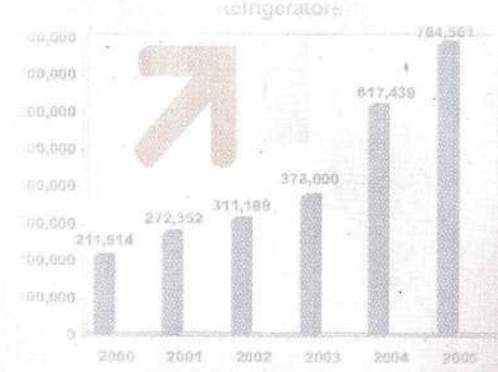
Finalized with active participation of Stakeholders in the Engineering Sector and placed at EDB's website.

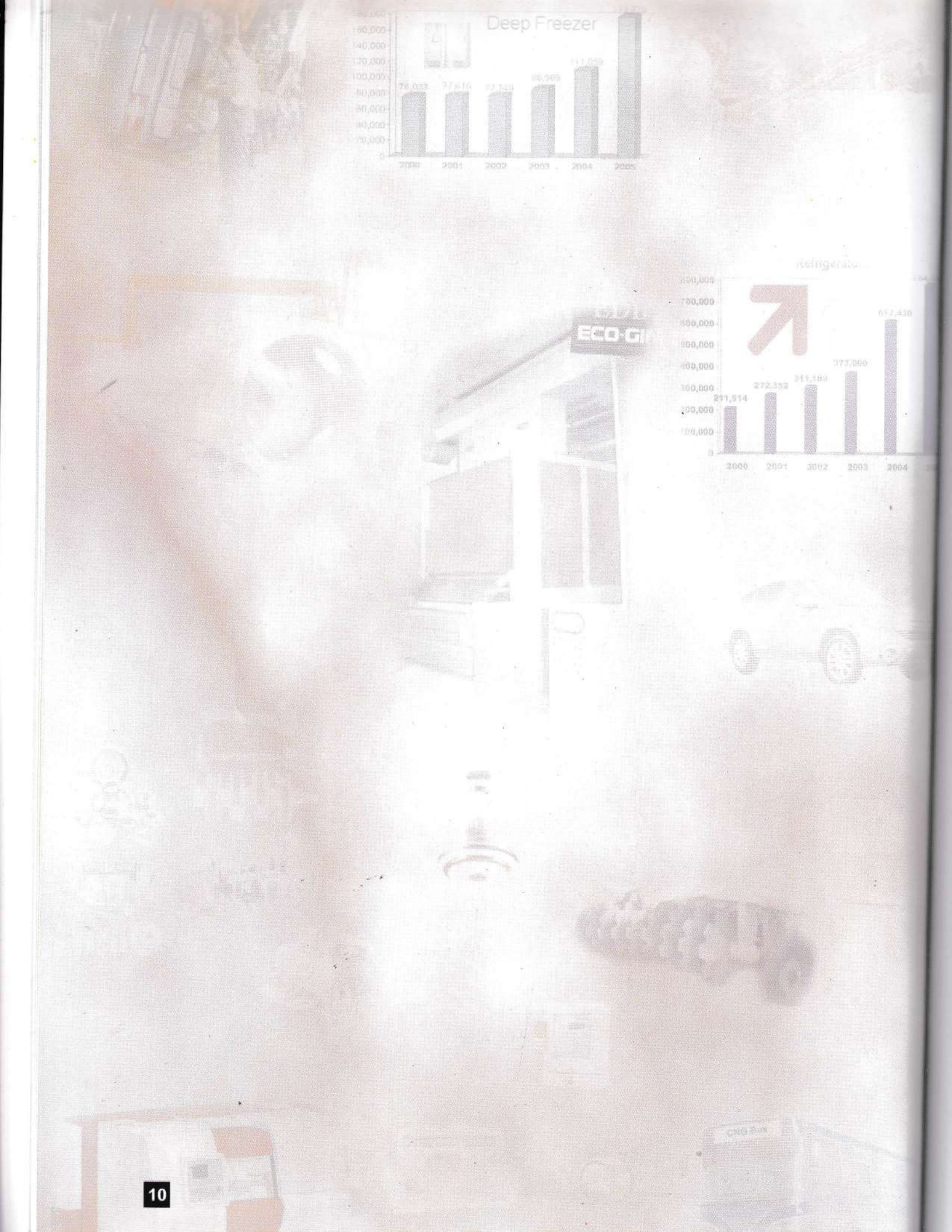
Reports/Strategies:

Various Reports and Sectoral Strategies prepared and placed at EDB's website for comments and views of the relevant stakeholders.



Creating Conducive Business Environment and a Level Playing Field Through Tariff Regime




Deep Freezer
2000
2001
2002
2003
2004
2005
2000
2001
2002
2003
2004
211,514
272,352
311,189
373,000
617,436

Tariff Rationalization 2006-07

Tariff Rationalization aims for expansion of Export markets in the global trade.

In continuation of the Budget exercise during the last five years, EDB initiated Tariff Restructuring exercise for the year 2006-07 through a Committee on Tariff Restructuring (consisting of 18 Sub-committees with Conveners from the Private Sector).

A separate Committee on simplification of SROs was also constituted comprising of renowned Industrialists. The broader TORs of the committee were to firm up proposals regarding changes in Customs Tariff, Rules/Procedures/ SROs, Sales Tax, Income/With Holding Tax, Federal Excise and Customs Act, 1969. Ultimate aim remains to increase competitiveness of sectors both domestically and globally. Guiding Principles of the exercise were to:

- Rationalize tariff viz-a-viz primary raw materials, secondary raw materials, intermediary and finished goods.
- Reduce the input cost for industry by proposing lower tariff on inputs.
- Increase competitiveness and capacity expansion with emphasis to high value added goods by lowering undue protective tariffs which were in place for a long time.
- Create conducive environment for FDI and local investment for economic growth and development en-route to economic self sustenance and development.
- Encourage assembly/manufacturing in the country through tariff cascading and dispersion effects.

Mr. Imtiaz Rastgar, CEO, EDB presiding over a meeting on Auto sector on May 20.

EDB officials in a meeting with Auto Industries representatives.

Representatives of Auto Industry

Comprehensive & consultative exercise was carried out through the above Committees, stake holders as well as with CBR, MOIP&SI, M/o of Commerce. As a result of this exercise:

- Duty on around 500 items out of 2300 proposed by Sectoral Committees, CBR, FPCCI, Chambers, NTC, Associations, etc, was rationalized.
- 96 new tariff lines were created based on the need of various sectors.

Highlights

- *Duty on 500 items rationalized.*
- *96 new tariff lines created.*
- *Duty on 227 items in concessionary SRO reduced.*
- *Separate heading for CDMA Phones created.*
- *Duty reduced on Primary/ Secondary Chemicals.*
- *Additional Regulatory Duty on Export of Ferrous & Non-ferrous waste & scrap.*

- Duty on around 227 items in the concessionary SROs was reduced.
- Duty reduced on Primary/Secondary chemicals like PVC, Alkyd Resin, Polyurethane, Primary Silicons, etc., Knives and screens for paper industry, Kilns, oil refining machinery, fork lifter, machine tools, industrial compressors, high speed hacksaw, HT motors, Essential Oils, Fatty Acid Distillate and Acid Oils, items relating to steel industry like Basic raw materials of Foundry & Forging Industry, Basic Minerals, Ferrous products obtained by DRI (Direct Reduction of Iron Ores), Iron Ore & Scrap, Billets, Seamless Steel pipes/tubes, m 25%, Waste & Scrap of Copper & Lead, Zinc, Lead, Refractory cement, Chemicals used for Tanning Leather, Earth colors, Pharmaceutical chemicals, Plastics sheets, Solutions for rubber etc, Flat rolled steel products and articles, Chemicals used in textile processing industry, Computer hardware and parts.
- Duties were also reduced on inputs of Aluminum Foil, footwear Ind., Boilers, CNG dispensers, CNG Kits, diapers and sanitary napkins, Textile machinery & parts, Soap and detergent industry, vehicles tracking system, electronic meters, evaporators and condensers, electric fans, gas appliances, split air conditioners, horticulture, master batches, air screw compressors, electric sockets & switches, seamless pipes, steel products, foundry, casting & forging, PVC industry, refractory products, articles of stationary, bicycle chain parts and components, packaging material for dairy & juice industry etc.
- Additional Regulatory Duty on export of ferrous & non-ferrous waste & scrap also come into effect.

Trade Policy 2006-07

Import policy related recommendations were prepared in close coordination with stake holders and forwarded to MOIP&SI for onward submission to M/o Commerce. A total of 302 items including primary raw materials and machinery items not manufactured locally were recommended for import from India which were approved by the Cabinet.

Revision/ Up Dation of Locally Manufactured Goods(CGO-10/2003)

Engineering Development Board initiated an exercise to revise / update the list of locally manufactured goods (CGO-10/2003) to prepare a comprehensive list of local products and their producers in July 2005, with the following objectives:

- To revise and update list of locally manufactured goods.
- To remove defects, discrepancies and anomalies from present list.
- To ensure transparency in compilation of lists.
- To provide detailed H.S. Codes (up to 8 digits) in order to facilitate customs operations.

Modus Operandi

All local manufacturers desiring to enlist their products were invited through Press Releases, Advertisements and Direct Mail Shots, to provide online information through filling a questionnaire available on EDB website.

The draft of the list of the locally manufactured products containing 206 companies with 799 products was placed on the web site of EDB for review and final comments from the Chambers of Commerce & Industry, Associations and the relevant Industries.

The final list after incorporating the reviewed modifications and new tariff lines created in the budget (2006-07) was submitted to CBR in June, 2006 for further notification.

Status

- Old list comprised of 327 companies with 182 composite PCT Headings
- New list comprises of 218 companies with 909 entries of PCT Headings up to 8 digit.
  - 257 companies from old list disappeared
- Applicant companies asked for:
  - Business Development Plan
  - Export Marketing Plan including Brand Development Strategy
  - Future Investment Plans.

Tariff Based System (TBS) For Automotive Sector

In compliance to TRIMS agreement TBS was introduced in the Budget 2006-07 to do away with the deletion programmes. EDB/Ministry of Industries, Production and Special Initiatives, had detailed deliberations with the stake holders (i.e. OEMs & Vendors) for over two years to formulate a system to suit future needs of the auto

CEO-EDB chairing a meeting on TBS

industry as a replacement to the deletion programs, The defined framework of TBS included:

i) Encourage further localization and to prevent roll-back.

ii) Protect the existing & planned investments by the OEM's & Vendors.

iii) Promote Job Creation.

This transparent and predictable environment Works on the Principles of higher tariff rates on Indigenized Parts And lower tariffs on un-indigenized parts.

Salient Features of TBS

- Maintaining the existing rates on components for assembly/ manufacture of vehicles in any kit form, imported by the local manufacturers/assemblers of automobiles, which have not been indigenized. (SRO 656(I)/2006 dated June 22, 2006).
- Fixing 50% Import duty on all localized components of cars, motorcycles & trucks of less than 5 tons load carrying capacity and 35% for common parts for tractor, bus and truck.
- Creation of 421 new tariff lines of the localized parts in 1st Schedule of Customs Act and a special customs duty of 15% through SRO 693(I)/2006 dated 1st July, 2006.
- 35% customs duty on all other non indigenized replacement parts, irrespective of the type and category of the vehicle.
- Reduction in duty on import of raw materials, sub-components required for the manufacture of components & assemblies of cars, buses, trucks and motorcycles to zero and 5%

The system would lead the industry to restructure its priorities with high focus on efficiency, productivity, timely supplies in a fair and competitive environment.

respectively from 5% to 10% (SRO 655(I)/2006 dated June 22, 2006).

- Reduction in duty on import of CKD & CBU of Prime Movers from 10% & 30% to 0% & 15% respectively.
- Trucks of g.v.w. exceeding 5 tonnes capacity from 20% & 60% to 10% & 30% & on Trailers reduction in duty on import of 60% to 30% & CKD at 5%.
- Reduction in duty on fully CNG dedicated buses from existing 20% to 15%.
- Exemption of CD on import of CKD kits for assembly of CNG kits at 0% from present level of 10-20%.

Input Output Ratios (IORs)

i) Automotive Industry:

In Budget 2004-05, EDB was assigned the task of determination of Input Output Ratios (IORs) for Automotive Vehicles and Parts through SRO 453(I)/2004 dated June 12, 2004, which was also continued in Budget 2005-06. EDB, after detailed investigation, examination and verification determined the IORs for 93 Vehicles (Motorcycle 49 Nos, Motorcycle/ Auto Rickshaw 12 Nos, Cars 7 Nos, Tractors 6 Nos & Commercial Vehicles 19 Nos.) & 79 cases pertaining to Automotive Parts & Assemblies. Input Output Ratios, so determined are being placed on EDB Website, for the first time in the history, to make the regulatory environment transparent and predictable.

ii) Engineering/Industrial Products:

In budget 2005-06 the task pertaining to determination of Input Output Ratios (IORs) for Engineering/Industrial Goods under SRO 565(I)/2005 dated 06.06.2005 was also assigned to EDB through references forwarded by the various Collectorates of Sales Tax & Federal Excise. This exercise was also continued for the year 2006-07. EDB, after detailed examination and verification, determined the IORs for around 93 references forwarded by Collectorates of Sales Tax & Federal Excise, Karachi, Lahore, Islamabad and Faisalabad.

Duty & Tax Remission For Exports (DTRE) Scheme

The DTRE Rules were first notified vide SRO 185(I)/2001 dated 21st March. 2001 to boost the traditional sector exports i.e. Textile, Leather and Garments etc. Due to certain technical problems, several facilitation features were notified in November 2002 to make these rules user friendly but the response remained poor.

The existing framework of the DTRE did not suit other sectors especially the engineering sector due to its unique features. In sharp contrast to the traditional sectors, the engineering products are non standardized and made to customers

specifications. Minor design changes may drastically alter the supply chain. The raw materials are mostly imported and involve high value addition.

In order to address above issues VC/ CEO, EDB met with Chairman CBR on 20th October, 2006. Chairman CBR appreciated the efforts of EDB in this regard and offered all possible support in order to make DTRE more conducive for the Engineering sector.

The Chairman entrusted EDB to draft a scheme exclusive for the Engineering Sector, suiting to its requirements.

Highlights

- *Clear definition of the process of availing DTRE Scheme by the Engineering Sector:*
  - *Advance input requirement for Exportable finished products.*
  - *Details of locally procured raw-materials etc.*
  - *Submission of Export contact by new Exports.*
  - *Details of Commercial documents for deemed export.*
- *Post Export Procedure for submission of claims:*
  - *Sales tax paid on inputs purchased locally.*
  - *Duty drawback on inputs purchased locally*
  - *Reconciliation*
- *Reconciliation Process:*
  - *By the third party*
  - *Details of un-consumed material by the third party.*

A committee having representation from leading Engineering companies has been constituted to draft a scheme exclusive for Engineering Sector.

Committee On Valuation/Under Invoicing/Mis-Declaration/ Smuggling of Engineering Goods

In order to deliberate the issues pertaining to Under Invoicing, Mis-declaration & Smuggling a Committee was constituted by the Board of Management (BOM) of Engineering Development Board (EDB), in its 22nd meeting held on October 4, 2004 having representatives from CBR, local OEM's, PEMA and PFMA

Six meetings of the Committee were held on January 13 & 27, April 11, July 21, October 24 & November 22, 2005 to deliberate on the issue of under-invoicing, smuggling & mis-declaration and certain recommendations in this regard were also made by the Committee.

Recently, Directorate General of customs valuation has fixed the prices of some motorcycle parts under section 25-A vide letters No. Misc/31/2005-VIA dated 02-09-2006 & No.Misc/31/2005-VIA/6364 dated 27-09-2006.

Contending over the prices fixed through above notifications Association of Pakistan Motorcycle Assemblers (APMA) approached EDB to deliberate on the issue. EDB has convened a meeting of the above referred Committee and concerned stake holders in November, 2006 to discuss the issues. Prices of most of the items have been recommended after consensus. The representative of D.G valuation participated in these meetings.

Building a Strong Engineering Sector Through Strong Engineering Companies


Deep Freezer
Refrigerator
ECO-G
CNG Gas

Sector Development Programme (SDP)

For integrating Pakistan's Engineering sector into the international supply chain, EDB has embarked upon a detailed Sectoral Development Programme. Studies of various sectors and sub-sectors are being carried out so as to determine indigenous capabilities/ capacities and assess export potential of these sectors. Keeping track of the growth of engineering sector and identification of the needs to keep pace with future growth is the key focus of this Programme.

EDB regularly interacts with the stakeholders of thrust sectors for Quantification & propagation of identified needs in order to create awareness and readiness to meet future demands.

As per EDB's policy for involving the stakeholders at all stages for consultation, sectoral committees comprising private sector stakeholders have been constituted for making recommendations to overcome the issues faced by relevant engineering sub-sectors. The studies carried out are categorized as follows:

i) Industry specific

ii) Location Specific

Information gathering through industrial surveys to:

- Develop an interface with the engineering industry
- Profile key players.
- Evaluate star performers and champions.
- Carryout need analysis for improving quality, technological up gradation, capacity & productivity enhancement for becoming competitive in global markets.
- Assess Human Resource and Skill Development Needs

THRUST SECTORS

- Automotive
- Domestic Appliances
- Electrical Goods
- Capital Goods
- Sub-Contracting Business

→ *Handholding of selected Companies from among the existing ones for their capacity building to generate exportable surplus*

Industry Specific Initiatives

In the Industry specific studies, not only established engineering sectors but emerging sectors have been analyzed for further development. Besides these, new thrust sectors were also identified on the basis of their potential to contribute to the economic growth of country.

With the above objectives certain sectoral studies have been carried out at EDB in order to develop and prepare them for entrance in the global market:

1. Domestic Sewing Machines Manufacturing Industry
2. Electrical Fittings Manufacturing Industry
3. Aluminum Forging Industry
4. Domestic Fan Industry
5. Industrial Fan Industry
6. Woodworking Machinery Manufacturing Industry
7. Process Machinery and Equipment Manufacturing Industry
8. Replicas of Small Arms & Hunting Guns
9. Sword, Daggers & Replicas
10. Wrought Iron Furniture Manufacturing Industry
11. Bicycle & Parts Manufacturing Industry
12. Packaging Machinery Manufacturing Industry
13. Pharmaceutical Machinery Manufacturing Industry
14. Hotel and Fast Food Kitchen Machinery Manufacturing Industry

Detail reports on all the above sub-sectors are available with EDB.

Scope of Studies

The scope of these studies cover thorough situation analysis of the sector/sub sector and global trade (global import trends and global export trends of the major importing and exporting countries); Benchmarking & sectoral strategy development for improving competitiveness and seting quantifiable targets for entering into export markets is being done through active involvement of the concerned stakeholders to venture in export markets.

Pakistan's Trade analysis

- Identification key local Players
- Major Raw Materials and their availability
- Manufacturing Processes
- SWOT Analysis
- Technology Status
- Technology needs
- Quality Status
- Certification requirements
- Business Opportunities (Potential Markets, Potential Products, Value addition)

Location Specific Initiatives

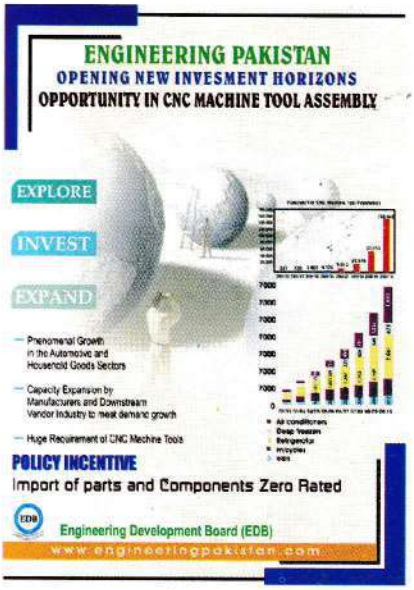
Location Specific studies have been carried out with an aim to highlight the industrial potential of a specific town or city which has not been formally explored before. These location specific studies also focus on a specific product from that specific city which has the potential for export. Location specific initiatives were undertaken by EDB during the period under review and profiles of the following locations were prepared:

i. Gadoon Ammazai Industrial Estate
ii. Okara (Sewing Machines, Deep Freezers, Agricultural Implements)
iii. Sahiwal (Agricultural Implements, Autoparts, Trailers)
iv. Mian Channu (Agricultural Implements)
v. Daska (Agricultural Implements)
vi. Sargodha (Electrical Fittings Industry)

In addition to the above, detail study of various sub-sector in Gujranwala is in pipeline to discover industrial Potential of various sectors like washing machines, desert coolers, sanitary ware, building hardware, forging, ferrous castings, wood working machines and gas appliances.

Assembly of CNC Machine Tools in Pakistan:

The current demand of Machine Tools is met through imports and Pakistan has limited local capability of manufacturing only conventional machine tools. Whereas tremendous demand of CNC Machine Tools would be generated with the growth of Engineering Sector in the years to came. With this in view, EDB took an initiative to promote assembly of CNC Machine Tools in Pakistan.



OUR CAPABILITIES

- Foundry & Casting Facilities
- Metal Forming Facilities
- Availability of Manpower and Expertise in form of retrofitters

STARTING INTEGRATION

- Import in CKD form and Assemble
- Develop components locally
  - Sheet metal Shroud
  - Castings (Bed)
- Outsource different parts from international suppliers/manufacturers

Developmental Phases

Incentive

Step 1 — Custom Duty concession on Import of Parts of CNC in Federal Budget 2006-07

Propagating the Opportunity

Step 2 — Progressive technoprenuers - assembled on a platform to formulate concrete strategy for initiating CNC Machine Tool Assembly in Pakistan

Exposure to Industry

Step 3 — Machine Tool & Automation Pakistan -2006 provided a platform to present the opportunities forcefully to local & foreign manufacturers and buyers

For Ensured Deliverables

Step 4 — Constituting a task force to undertake the assembly of CNC Machine Tools.

EDB provided assistance for:

- *Handholding of interested businessmen*
- *Registration of CNC Machine Tool Assemblers*
- *Advisory Service*
- *Arrangement of Technical Consultants*

CEO, EDB chairing a meeting at MTAP-2006 | Pre fair briefing at MTAP-2006 | CEO-EDB's visit to PMTF - Karachi

EDB's Target:- Support assembley of low cost CNC Machines in Pakistan to substitute conventional Machine Tools.

New Saw - Gin Machine Developed by EDB

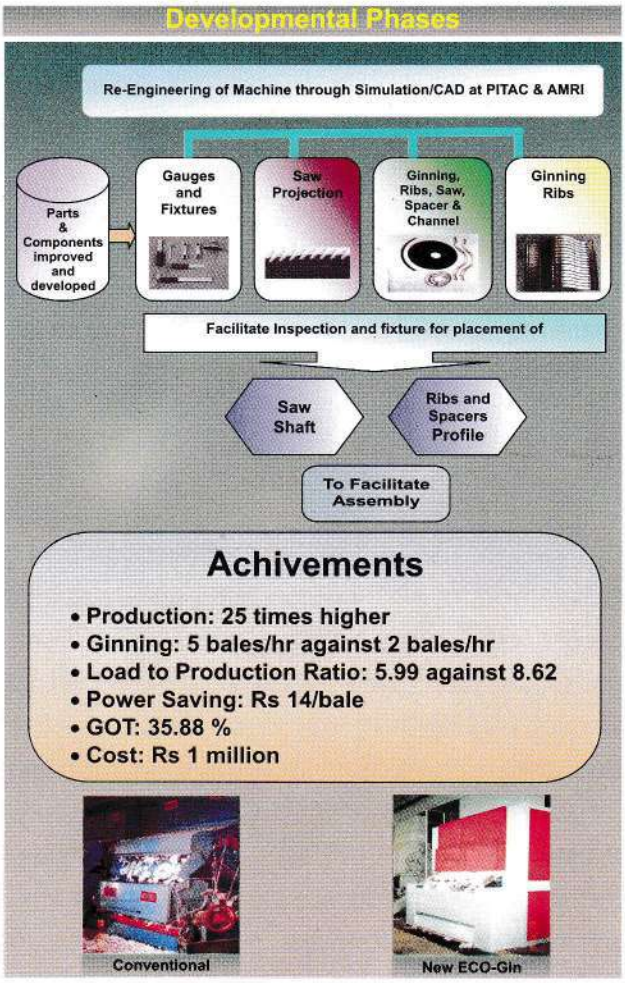
Ginning operations in Pakistan were inefficient due to non standard machinery and parts, non consistent feed rates, damaged staple length during ginning process, inadequate saw projection through huller & ginning ribs and inappropriate saw diameter & speed of the conventional machines. Recognizing the loses being caused by these inefficient operations, EDB took upon itself the job of

EDB ECO-GIN

indigenous development of Modern & Standardized Ginning Machinery with the help of a task force.

The conventional saw gin machine has been standardized and upgraded indigenously by EDB in collaboration with the private sector. Switching over to this new gin stand is going to bring energy saving of 34 MW, if 1,263 ginning factories of our energy starved country would switch over to the new Saw Gin Machine.

As a next step ahead work for patenting of design and registration of trademark and its subsequent licensing to the leading manufacturers is in pipeline. Simultaneously capacity building of the stakeholders as well as operators and technicians, fitters is being planned.



Workshop on "Opportunities in Ginning Sector"

Held in Multan on September 21, 2006, the workshop aimed at introducing the **"Newly Developed Eco-Gin Machine"** to the local ginners. Federal Minister for Industries, Production and Special Initiatives Mr. Jahangir Khan Tareen inaugurated the Workshop and lauded the efforts made by EDB in developing this machine.

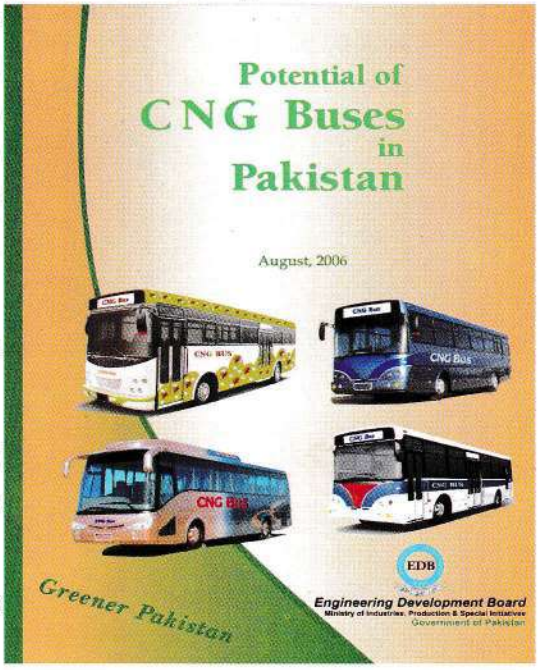
The local Ginners were briefed about the economics of the newly developed Eco-Gin. The positive

A committee headed by the Minister himself was constituted to coordinate with the manufacturers to upgrade at least ten ginning machines before the next cotton season. Gradual upgradation and replacement of all the old ginneries of 1950's is the next target of EDB.

features like better quality of lint, improved staple strength and energy efficiency were introduced to the ginners for upgrading their machinery befitting the demands of the textile industry.

Study on potential of CNG Buses in Pakistan

Internationally there is trend to deploy advance transportation technologies that reduce the nations import bill of oil and could improve the air quality. Diesel fuel buses pollute air by generating toxic gases and particulates having adverse effects on human health. Feeling the need to switch over to clear fuels instead of diesel in the Buses, EDB has published a report on the potential of locally manufactured CNG Buses highlighting the core Issues in the sector due to relating to absence of fueling infrastructure, narrowing gap between diesel & CNG prices, absence of an incentive regime to support & promote this sector and discourage import of used buses.



The relevant recommendations put forth in this regard were:

- Establishing infrastructure for CNG filling stations specially on the motorways to reduce the off road time
- Incentives for attracting transport

Current upsurge in oil prices demands to think in terms of switching over to CNG buses, not only to reduce the ozone forming pollutants but also taking a step forward towards cleaner transport technologies

operators to "fully dedicated CNG buses" by absorbing the interest on leasing/purchase of CNG buses by GoP as is being practiced by the Government of Punjab in case of CNG rickshaws

- Subsidized rates of CNG for such dedicated vehicles, developing stringent criteria for inspection of buses regarding environmental pollution cased by diesel buses
- Ban on the import of used CNG buses

CNG driven buses produce 50-60% lesser Oxides of Nitrogen (Nox), 85% lower Total Particulate Matter (TPM) and 89% lower Carbon Monoxide (Co)

Growth Strategy for Energy Meter Sector

The local meter manufacturing industry of Pakistan is in business for the past fifty years with business and technology purely centered to WAPDA regulations and its metering system. Although the industry has been nurtured by providing protection, yet it has not been able to focus on export orientation for sustainable growth. While the world market for energy meters is ever expanding with a global trade of over a billion US $ and annual growth rate of 21%, Pakistan's energy meter manufacturing sector is only catering to the needs of local market.

The meter reading infrastructure and power losses are causing immense revenue loss to the operations with consequent burden on the consumer.

It was therefore felt that Pakistan needs energy discipline on war footing basis. EDB has thus defined a framework for growth of Energy Meter Sector.

Adopting the latest technologies of solid state meters which are well integrated with the metering infrastructure, forming a complete smart pre-paid system is the solution to over come the problems being faced by this sector. The metering infrastructure and meter manufactures must be part of a system where meter hardware is standardized and regulated by independent bodies and the testing labs must have international accreditation for establishing credibility in the global market. This growth strategy for energy meter sector is being taken forward by EDB with the stakeholders to explore the export potential of energy meters.

Strengthening the Engineering Sector Through Policy Regime

Auto Industry Development Programme (AIDP)

With the elimination of compulsory local content conditions, commonly referred to as Deletion Programmes and coming into place of Tariff Based System (TBS) there was a need to provide a policy initiative for the Auto Sector to steer it safely through the transitional phase and to develop the industry on sustainable basis. EDB had the realization that after the replacement of compulsory local content conditions from 1st July 2006, the parts manufacturers would be exposed to sudden competition. A draft Auto Industry Development Programme (AIDP) was therefore prepared in consultation with stakeholders which started from 8th March, 2006 in a workshop at Islamabad.

Federal Minister for Industries, Production and Special Initiatives Mr. Jahangir Khan Tareen Chairs a Meeting on Auto Policy at the Ministry in Islamabad

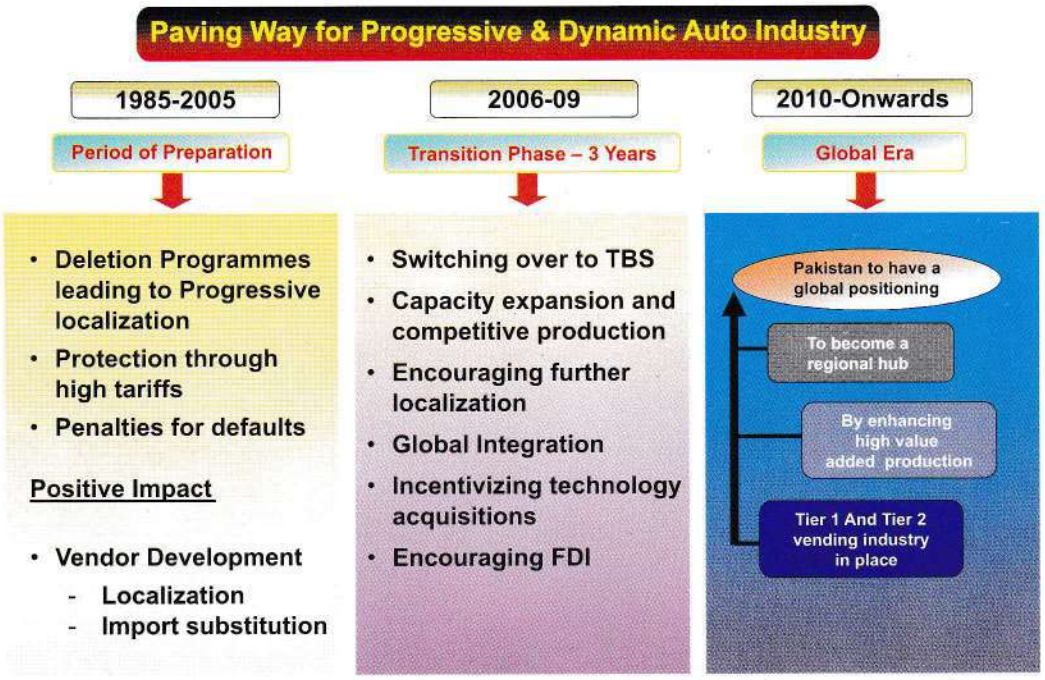
The draft AIDP has now been placed at EDB's website for comments. This fair consultation process will be concluded through a workshop scheduled for 12th December, 2006 and the policy document would be taken to the Government for consideration and approval.

AIDP provides long term pre-announced tariffs for the CKD and the CBUs of all the vehicle categories. This will ensure transparency and predictability and help industry to make long term investment and production decision. The Auto Industry Investment Policy providing the eligibility criteria, terms & conditions for the new entrants has also been provided. AIDP has projected Auto Sector contribution to GDP, its share in

The Government aims to encourage growth, promote domestic competition, enhance competitiveness and stimulate innovation through

AIDP

manufacturing sector, exports direct and indirect jobs and taxes and projected indicators for next five years. The programme provides details of incentives and their workability, procedures for approvals and verifications including the Productive Assets Investment, Technology Acquisition, Research & Development, HR and Auto Cluster Development, Auto Industry Development Committee, Emission Controls, Safety and Quality Standards, Emphasis on Road Net-Work and Used Vehicles Import Policy and the possible export incentives for the auto sector. EDB anticipate that the incentives proposed would lead to competitiveness, innovation, global integration and sustainable development of Auto Industry in the country based on its needs and requirement for the coming years.



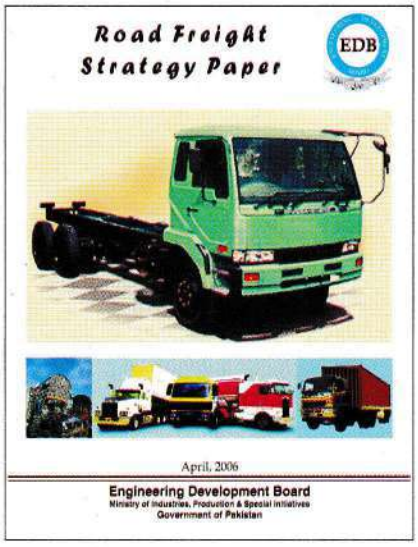
Highlights			
▪	Long term tariff Plan	▪	Capacity expansions through investment in critical infrastructure
▪	Technology acquisition	▪	Research & Development
▪	Cluster development	▪	Export of Auto parts
▪	Safety and emission standards	▪	Vehicle examination system
▪	Used vehicles and component imports	▪	Human resource development
▪	Foreign Direct Investment	▪	Global Integration

Small and fuel efficient cars, motorbikes and 3 wheelers remain the core

AIDP targets to double the contribution of Auto Industry to GDP from 2.8% to 5.6% in 2011-12 and its turnover to Rs 600 billion in the next five years, while achieving an export level of US $ 350 million and US $ 300 million for CBUs.

strength of Auto Sector, while LCVs have potential to grow. Tractors are most competitively priced in the region. Demand of trucks to increase, once National Trade Corridor is fully functional.

Road Freight Strategy "Modernization of Trucking and Trailer Sector"



Pakistan Road Freight Sector is operating in a highly competitive environment with huge informal and unorganized segment. The overland freight traffic is responsible for almost 96% of the total tons/ Kms and dominates the market owing to weak and unreliable railways.

While the road freight traffic is expected to grow by 6% with the opening up of new trade corridors, the need to modernize the trucking fleet to facilitate the expanding trade activities as well as to overcome losses arising out of sector inefficiencies was felt. In pursuit of Government's policy to open up the National Trade Corridors, EDB was mandated to work out a **"Road Freight Strategy"** with special focus on "**Modernization of Trucking Sector**", to cater to the growing trade needs of the country as well as its integration with the regional markets.

Accordingly, EDB has put up a strategy paper with recommendations to modernize the present trucking fleet. Replacement of the old Bedford trucks

Strategy Objectives

- *To reform and promote an enduring and sustainable modernization of the Trucking Sector in Pakistan.*
- *To integrate Pakistan's Trucking Sector with larger markets through North South Corridor.*
- *Improve efficiency by reducing cost*
- *Internationalize Trucking Fleet to compete with foreign firms.*
- *Expand export activities through exploration of new markets.*
- *Reducing cost to the economy due to fuel inefficacy, slow speed and road damage*

EDB Presenting on Modernization of Trucking Fleet, Minister for Industries, Production & Special Initiatives, Minister for Communications, Secretary MoIP&SI and Secretary Communications are present

with the Fuel Efficient, Long Haulage Trucks, Aerodynamic Designs for the Truck Bodies, Central Registration Systems, Enforcement of Environment and Road Safety regulations, Introducing cleaner engines with Euro I, II and III specs along with cleaner fuels, corporatization of the Trucking Sector to have access to soft term loans and insurance facilities were a few recommendations of the strategy. The paper was widely circulated among various stakeholders in this sector for their feedback.

Later, in collaboration with World Bank, EDB carried out an awareness campaign focusing on expediting the Modernization of the Truck Fleet through a consultative initiatives. Meetings were held with the stakeholders in various segments in this sector to give detailed briefings about various policy considerations, thus preparing them to adopt the planned changes. Views of the stakeholders were sought on the possible new regime in order to develop consensus on various schemes for the modernization of this sector.

Efforts are underway to organize a workshop. Specific schemes for Truck Replacement, Truck Buyback, Truck Breaking would be deliberated.

National Standards and Specifications for Trucks and Trailers

The non-standard trucking fleet plying on Pakistan's roads is operating under heavy economic pressures .This ultimately results in inefficiencies caused by low serviceability due to over loading, fuel inefficiencies, road damages as well as environmental hazards.

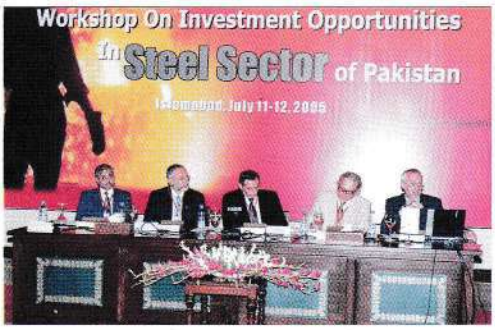
These National Standards are in line with International Standards for safe and fast movement of freight traffic and is a step forward for Modernization of Trucking and Trailer sector of Pakistan

As a follow up of the Road Freight Strategy worked out by EDB, the task of developing **"National Standards and Specification for Trucks and Trailers"** was entrusted to

CEO, EDB chairing a meeting on National Standards and Specification for Trucks and Trailers

EDB by the Ministry of Science and Technology. After due consultation with the key Truck/ Trailers Manufacturers and Experts in this field, Draft National Truck and Trailer Standards have been developed. The same shall be passed on for implementation to Pakistan Standards and Quality Control Authority after vetting by Senior Experts.

Steel Sector Policy Initiatives



With robust growth in GDP, there has been a surge in the steel demand. The per capita consumption of steel has gone upto 30 kg per annum creating a gap between demand/ supply. Large iron ore reserves of Pakistan, coupled with liberal investment policies, provides excellent opportunities in the steel sector for enterprising investors. EDB took the lead to organize an International Workshop on **"Investment Opportunities in Steel Sector of Pakistan"** in July,

Achievements in Steel Sector

Tariff Rationalization in the Steel Sector facilitated the large scale steel billets and rolling Mills

- *Sales tax equalized for all sizes of steel units.*
- *The industrialists have been sensitized for the need to become competitive through energy savings which is one of their major cost inputs.*

New Investments in Steel Sector

- *Dost Steel has entered into an agreement with Siemens Metal Division Germany for setting up a "Hot Rolling Mill". The plant would have a capacity of 350,000 tons/ annum and is being set up with an investment portfolio of Rs 2.8 billion.*
- *An MoU has recently been signed between MCC - BERIS China and Mughal Steel for setting up a commercial project of Section Mill and 500m Blast Furnace. This was the outcome of EDB delegation's visit to China and subsequent initiative to develop and implement a modern steel making solution, based on indigenous iron ore reserves.*

2005, which was attended by local leading steel manufacturers, industry champions, investors and technical experts, besides participation of delegates from Austria, Italy, India, China, England, Saudi Arabia etc.

Steel Delegation's visit to India

In pursuance of the outcome of the workshop, a 17 member delegation consisting of industrialists from steel sector and subject specialists i.e. Geologists, Metallurgists, Fabricators, Mine owners etc. visited Indian Steel Industry from Aug 18-24, 2005 to study the steel making process through DRI Technology.

Steel Delegation's visit to China

EDB also arranged a delegation of 10 local steel sector industrialists to visit MCC China from November 27-30, 2005 to explore the processes/technologies for **Beneficiation of the local iron ores** for production of steel. The delegation visited Shi Tic Ying Beneficiation Plant, Bang Me Shang Plant and Tang Shane Iron and Steel Plant.

These visits provided excellent opportunity to the delegates to acquire first hand knowledge of iron and mining, Beneficiation, Smelting and Steel Making Technologies to help them making future investment decisions.

Steel Policy

The Basic work on the development of the steel Policy has also been initiated. The guiding principle of the long term steel policy would be:

- Development and growth of steel-based manufacturing industry and value added products for domestic and export markets.
- To highlight the technological gap between practices in vogue and state of the art steel production technology in the developed world.
- To encourage investment in steel manufacturing and processing with a view to substitute imported steel for critical automotive, construction and value added engineering goods sector.

Workshop on "Romelt Process for Steel Making"

Technology upgradation and constant improvement by adopting efficient technologies is the key to economical operations. EDB in its enedavours to keep

Romelt Process

- Single Stage Smelting Reduction.
- Flexibility to use wide range of Iron bearing material including iron-ore, mill scale, sludge, dusts.
- Raw material preparation not needed
- Uses non-coking coal as fuel and as reducer
- Coke Ovens and Sintering plant not required
- Capacity to generate sufficient power to meet overall plant requirements including oxygen plant.

Process diagram of iron containing materials in liquid phase iron reduction process

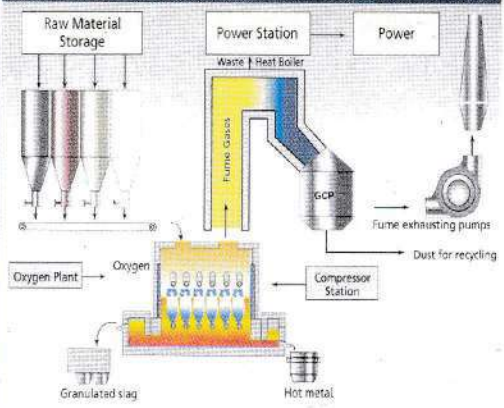
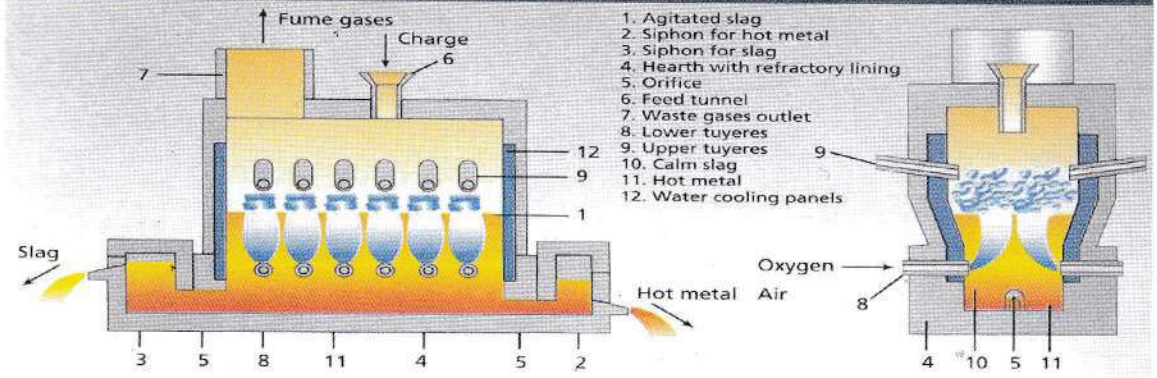


Diagram of ROMELT Furnace (longitudinal section and cross section)



businessmen updated about the new developments, conducted a workshop with the help of Russian Steel Delegation.

President Vo Tyazhpromexpost, Vice President Romelt, Director-Metokon and other senior Experts on Romelt were among the delegates. Special features of Romelt Process Technology are the cost of hot metal is expected to be lower by 10-15% as compared to BF route and at waste processing, the cost of Hot Metal to be lower by 20-30% compared to the hot metal produced through BF route.

Regional & Bilateral Free Trade Agreements

The new wake of globalization opens up a parallel process of Regional and Bilateral Trade Integration among various nations. With a view to complement the already existing trading system, Pakistan has also entered into trade agreements and is providing preferential market access by way of granting tariff concessions to many countries.

EDB, in the capacity of technical arm of the Ministry of Industries, Production & Special Initiatives has been actively involved in the negotiations with respect to **South Asia Free Trade and Area** (SAFTA), as well as **FTA's with Sri Lanka, China, Malaysia, Singapore and Indonesia.** These agreements have been initiated by the GoP in its endeavors to diversify trade activities between Pakistan and the respective countries. EDB's involvement in the FTA negotiations is sought for analyzing sectors/ products for which concessions could be given and demanded. Appropriate protection is provided to the local industrial sectors considered to be sensitive.

EDB representatives in Malaysia Exchange of Notification on Implementation of EHP Agreement Between Malaysia and Pakistan in June, 2006

5th round of negotiations on Pak - China FTA held in November, 2006 at Beijing China. RepresentativeS of EDB among Pakistani delegation.

The objectivity in this whole exercise is to get market access for Pakistan's products. EDB participated in the negotiations held in Pakistan as well as in the respective countries for finalizing the following trade agreements. Before finalizing

the drafts relevant stakeholders are invited to offer their comments. So far following agreements have been initiated.

1. South Asia Free Trade Area (SAFTA)
2. Pakistan-Sri Lanka FTA
3. Pakistan-China Early Harvest Programme (EHP)
4. Pakistan-Malaysia Early Harvest Programme (EHP)
5. Pakistan-Indonesia FTA
6. Non-Agriculture Market Access (NAMA) Under WTO
7. Pak-China FTA (5th Round of negotiations held in November, 2006)

Exploring the investment potential

EDB has been supporting the Ministry of Industries, Production & Special Initiatives in preparing investment proposals for various Joint Ministerial Commissions (JMC), Joint Economic Commissions (JMC) and Industrial Cooperation in various fields where investment opportunities exists. EDB has prepared such proposals for the following countries so far:

▪	Pak Kuwait JMC	▪	Pak-Malaysia JMC
▪	Pak- Bangladesh JEC	▪	Pak- China JEC
▪	Pak-Iran JEC	▪	Pak- Jordan JMC
▪	Pak-Romania JEC	▪	Pak-Korea Industrial Cooperation
▪	Pak-Morocco Industrial Cooperation	▪	Pak-Germany Industrial Cooperation
▪	Pak-South Africa JMC	▪	Pak-Egypt (JMC)

These proposals are focused on seeking support for new investments, modernization and technological upgradation in various engineering sectors and sub-sectors.

Potential Sectors for Investment

- *Automotive Sector*
- *Chemical Sector*
  - *Industrial Chemicals*
  - *Agro Chemicals/Fertilizer*
  - *Petrochemical Complex*
- *Machine Tools/Transmission Parts*
- *Food Processing*
  - *Fruits & Vegetables*
  - *Fish Industry*
- *Steel Sector*
- *Petrolem Processing Plants*
- *Construction Sector*

Creating Dynamic Partnerships with the Industrialized World

Business/Market Development Initiatives

The visit of Mr. Gerhard Schroeder, German Chancellor, paved the way for opening up the avenues of marketing Pakistan's Engineering Products to the International markets. A mini exhibition of Pakistan's Engineering products was arranged to showcase the engineering sector's manufacturing capabilities in the PM house which was highly appreciated by Mr. Schroeder. Impressed by the quality of these products, he proposed to expose them to international markets by taking them in international exhibitions and trade fairs. On the directions of the Prime Minister of Pakistan, Mr. Shaukat Aziz, it was decided to embark upon a strategy to expose Pakistan's Engineering Products in international markets on fast track basis and EDB was assigned the task to execute the plan of establishing a market connect.

Prime Minister of Pakistan and Mr. Schroeder visiting a stall at the Engineering Exhibition

Business Promotion through Global Connection is One of the Key activities EDB

Today, EDB is in the forefront for global integration and export promotion of engineering goods and services sector of Pakistan. EDB has so far **facilitated 100 engineering companies** to participate in world's leading technology fairs either as exhibitors or as members of business delegations to achieve the following objectives:

- Market goods, services and manufacturing capabilities at global level.
- Explore present business outsourcing and export development opportunities
- Facilitate Joint Ventures and Technical Collaboration agreements with foreign counterparts through business matchmaking
- Provide opportunities to study latest technologies and production techniques and benchmark themselves against emerging trends.
- Facilitate Transfer of Technology (TOT)

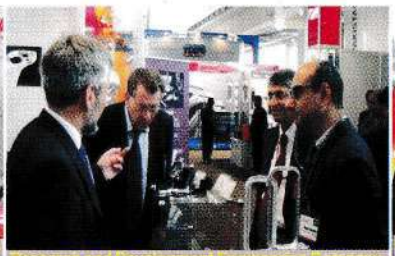
Prime Minister of Pakistan, Minister for MoIP&SI, Advisor to PM and CEO EDB, being briefed on Pakistan's Engineering Sector

EDB strives to achieve the above mentioned objectives through Pakistan's participation in the following leading technology fairs.

i) Hannover Messe 2006

Held at Hanover Germany, this fair branded Pakistan as an emerging outsourcing destination for engineering goods and services. The largest ever presence of Pakistan's engineering industry with a group of 58 participants in this world's leading technology fair was instrumental in projecting the engineering face of Pakistan to the world. The fair presented tremendous business development, technical collaboration and export development opportunities to the participating companies.

Minister Tareen Shakes hands with President KOBOLD, a German company which formed JV with Innovative Automation, a Pakistani company which will provide software solutions to KOBOLD ibollers in Europe.



Research and Development Engineering Company has to expand manifold to cater to the trade enquiries received during Hannover Messe 2006.

M/s Fast Tube has successfully collaborated with Fast, Germany & will sign an MoU to be the partner company for manufacture of Bowzers (LPG Tanks) and establishment of LPG filling stations in Pakistan.

EDB **screened, profiled, trained and fielded** a strong group of 58 engineering companies from diverse engineering sub-sectors to display goods and services in the three specialized technology categories at Hannover Messe 2006:

Products Displayed at Hannover-2006

Subcontracting Hall

Precision components, automotive parts/components, dies and molds, pressure vessels, process equipment, steel structures, CNG dispensers, LPG bowzers, plastic blow and injection molding parts, CAD/CAM/CAE, ceramic products, refractories, domestic appliances, optical fibre

Factory Automation Hall

Industrial automation and integration, designing, system engineering, Electronic controls and power networking solutions

Power Transmission Hall

Insulators, capacitors, energy meters, lightening arrestors, fuse cutouts and switches, small light forging parts for transmission towers like nuts, bolts, washers, connectors, clamps, diesel generating sets and switchgears

Engineering Sector Participation at HM-2006 brought home numerous successes in the form of:

- *Export Orders*
- *Capacity Expansion for executing export orders*
- *JV and technical collaborations*
- *Technology Acquisition Agreements*
- *Linkages developed with International Organizations.*

Highlights of Hannover Messe-2006

a) Participation of Academia

Participation at Hannover Messe 2005 and 2006 has resulted in improving the country's image and facilitating growth in our Engineering Industry.

Apart from the participation of engineering companies, EDB exposed academia as well to new technologies and global developments. Three professors from engineering universities were selected through HEC to represent the academia. They were required to study latest machinery / equipment, production technologies and manufacturing trends so that the knowledge gained from their participation and networking could be imparted to students back home.

b) Facilitating JV Agreement between R&D Engineering Company, Pakistan and Menzing Industries, the Netherlands

As a result of their participation in Hannover Messe 2006, the R&D Engineering Company reached an understanding with Menzing Industries of Pakistan to sign a JV agreement for cooperation and carrying out joint projects in Pakistan in future. The EDB facilitated the JV agreement between the two companies in Islamabad on June 28th 2006. The Dutch company shall also offer technology to their Pakistani counterpart and train their personnel for achieving higher manufacturing standards.

c) Electrical Machinery and Equipment Manufacturing Group

A Group of Electrical Machinery and Equipment Manufacturers, having tremendous export potential was fielded in the Power Transmission Technology Hall at Hannover Messe 2006. This was first ever exposure of the group in an international event which brought to surface the testing and certification issues as

the main hindrance in exports of electrical goods. Resultantly, a private sector led Committee on Certification (COC) was formed to study the issue and formulate recommendations in consensus with relevant government organizations.

The COC has been able to muster support of PNAC, PSQCA & Planning Commission to:

- Evolve a roadmap for setting up a National Certification Body (NCB)
- Identify testing laboratories in Pakistan that could be developed and upgraded for international accreditation to issue product certification.

The COC is compiling a detailed report and will submit it to EDB for onward submission and implementation by higher authorities.

d) Imparting Trainings to Engineering Sector Companies

The EDB in collaboration with CBI organized extensive training workshops for the engineering sector companies exhibiting at Hannover Messe 2006 on the subject of **Effective Trade Fair Participation Practices (ETFPP).**

ii) MIDEST 2005 and 2006

MIDEST is a leading industrial subcontracting show for Metal Processing, Industrial Fastening, Surface Treatment and Finishing, Plastics, Rubber and Composite Material Processing and Industry Services.

Products Displayed at Midest-2006

Forged and Machined Components, Aluminum and Zinc Pressure Die Cast Components, Injection Molding, Blow Molding, Fabrication, Sheet Metal Parts, Low and High Pressure Compressors, Towing Hook and Ropes for Heavy Equipments, Air Cleaners for Automobiles, Aluminum Castings, Precession Engineering Components & Assemblies, Plastic Parts for Automobile, Medical, Consumer and Packaging, Portable Gas Cylinder Valves, Brass Forging and Machining, Heat Treated & Machined Components, Transmission Gears

Pakistan Pavilion at MIDEST

CEO, EDB in a business meeting at MIDEST

In 2005 EDB organized first ever group of 9 exhibiting companies to venture at MIDEST. The number of exhibiting companies at MIDEST 2006 increased and 16 Pakistani companies displayed their products and services.

iii) EuroMold 2006

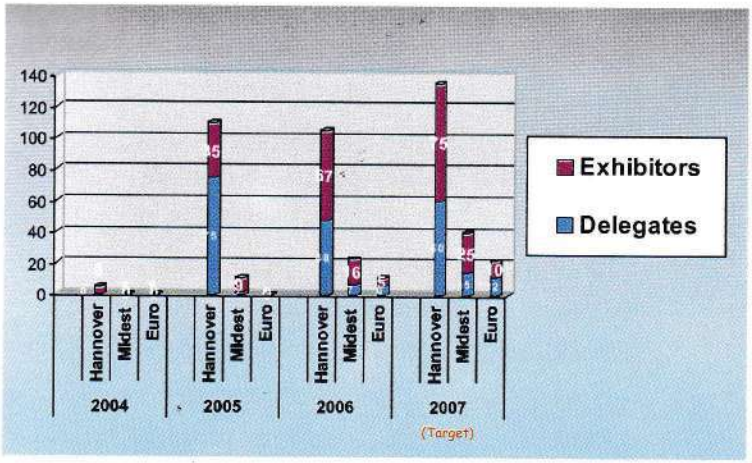
Engineering Development Board organized Pakistan's first ever participation at Euromold 2006 by fielding 5 companies to exhibit their goods and capabilities.

Representatives from 6 engineering companies also participated as delegates alongside the exhibiting companies in this fair held in December 2006 at Frankfurt Germany.

Euromold not only provided a unique opportunity to the participating companies for displaying their products but was also an opportunity to benchmark themselves against emerging technological trends.

Business match making at EuroMold 2006

Pakistan's Representation at International Exhibitions



Marketing of Goods and Services beyond the domestic market has become increasingly important for the Survival and Long Term Viability of Modern Business.

iv) Participation in International Exhibitions as Business Delegations

In addition to organizing Pakistan's participation at International Trade Fairs as exhibiting country, business delegations were provided opportunities to visit some

of the worlds leading technology exhibitions in Korea to expose the SME engineering sector to new technologies and manufacturing practices. EDB organized the following business delegations:

- **Korean Trade Fairs**
  - In collaboration with KOTRA, a group of 24 engineering companies and 5 professors was organized to attend three leading technology fairs namely Machine Tools, Machinery & Metal Processing Technologies Fairs in October 2005.

- **Seoul International Machine Tool Show (SIMTOS) 2006 Seoul, Korea**

  The 12th SIMTOS 2006 Seoul International Machine Tool Show

  - The event provided exposure to Pakistani delegation to latest technology trends in metal cutting and forming machine, factory automation, robotics, tooling and quality assurance.

A delegation of 25 people from various Engineering SME and one member of academia participated on self finance basis.

Local Exhibitions

Telecom Engineering 2005

Showcasing Local Telecom Manufacturing Capabilities.

The Telecom Engineering was unique in a sense that it established an interface between the Industry, Academia and Research Institutes for future collaboration.

The untapped potential of Telecom Engineering Sector was brought to the fore by the EDB in Telecom Engineering 2005 exhibition. A total of 15 telecom engineering companies, 3 universities, 1 research institute and 1solution providing company hosted their products and services from the platform of EDB.

The indigenous telecom engineering companies participated under the umberalla of Pakistan Telecom Manufacturers Association (PTMA) which was formed on the advice of EDB during the course of preparation for the exhibition. The exhibition was a great success and was widely appreciated by the relevant quarters. A two page supplement was also published by the dailies with informative articles on WiMAX, Local Telecom Equipment Manufacturing, Opportunities and Obstacles in this sector, and New Trends in the Telecom Market. A Directory was also published with complete profiles of the exhibitors.

Establishing Linkages with International Agencies

EDB has established strong linkages with various international organizations for improving its functionality. These organizations provide facilitation for:

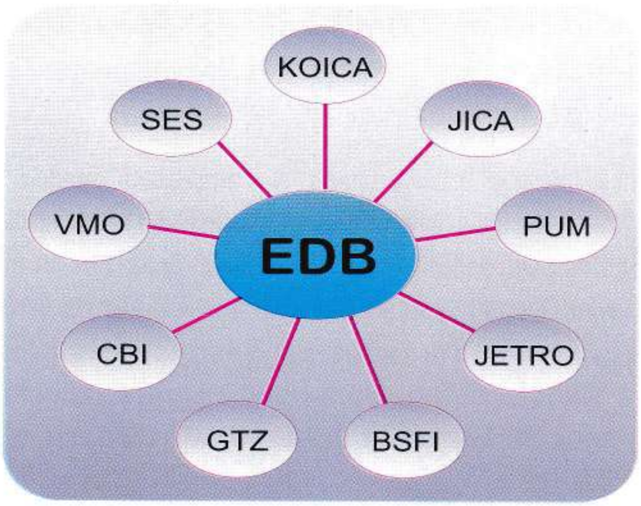
- Development of engineering sector on modern lines
- Business matchmaking between Pakistani companies and foreign counterparts
- Orientation and training of local engineering companies to various Export Development Programmes.
- Tapping the potential goodwill and expertise of the extensive network of Senior Experts working throughout

Enterprising people with rich Experience-ready to share knowledge with Pakistan's Engineering industry

the World. EDB now has a strong network with Senior Experten Services (SES), GTZ, PUM, CBI, JICA & JETRO. Foreign experts from these organizations are available for providing services to the Engineering Sector in the fields of:

- Technological up-Gradation
- Capacity Enhancement
- Production and Marketing Techniques.

- Some of them are also extending financial assistance for various sector developmental activities.



CEO, EDB & a representative from GTZ during meeting on energy conservation at Islamabad

Mr. Imtiaz Rastgar, CEO EDB, Mr. [illegible] country coordinator Pakistan and Mr. [illegible], CEO PUM addressing the press conference at Islamabad.

In the above context a Memorandum of Understanding (MOU) was signed between the Engineering Development Board (EDB) and Verenigde Maakindustrie Oost (VMO), Netherlands on 31st March 2006 at Karachi Expo 2006.

Mr. Martin J. Leushuis VMO, signing MoU with CEO-EDB in the Presence of Commerce Minister

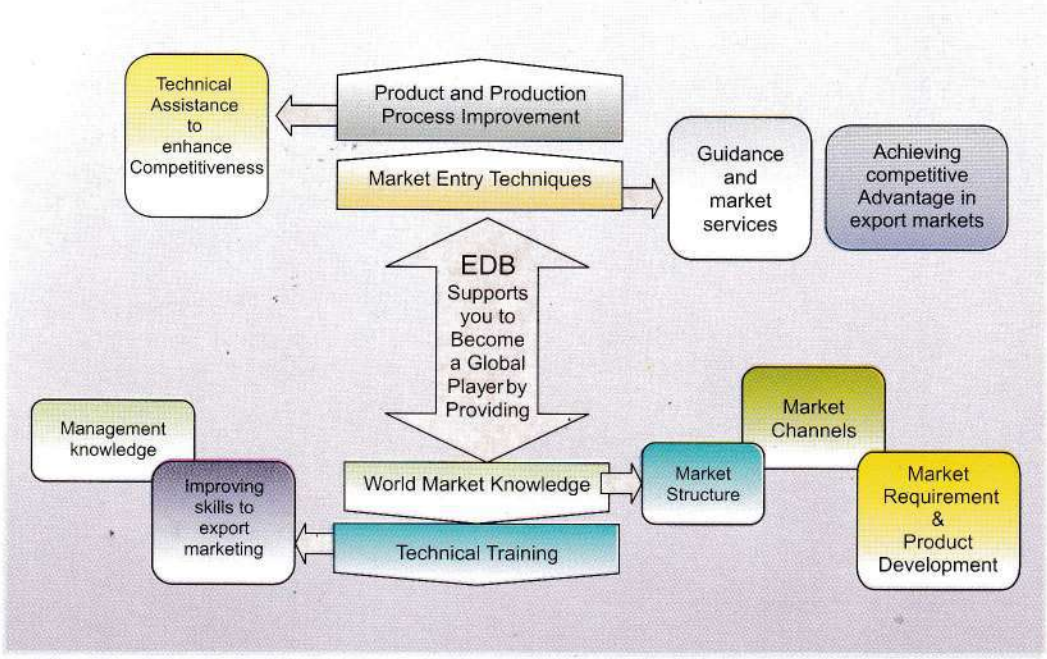
VMO is the Dutch Branch Association of businesses in the metalworking, electronics, mechanical, aerospace, automotive and allied sectors. Activities of its members cover all branches of Electro/Mechanics Engineering & machines building. It has around 150 members with illustrious names like Philips, Siemens, Stork & Thales

Both sides agreed to:

- Strengthen their relationship and ensure a mutually supportive economic, commercial and business cooperation.
- Contribute to analyze business conditions to facilitate cooperation between their members.
- Exchange information about products and industrial processes and to cooperate in activities for industrial and technological advancement.
- Contribute to identification of potential areas of joint activity also in third markets and endeavor to identify projects, which could be jointly undertaken.
- Support and publicize activities of each other through fairs, delegations, seminars conferences and trainings.

As a follow up, Mr. Martin J. Leushuis, MD, VMO, visited Pakistani stalls in Hannover 2006 and had a meeting with Minister for Industries, Production & Special Initiatives and discussed various potential collaboration / match making opportunities between Dutch and Pakistani companies. Both the parties agreed to enhance the role of private sector in improving trade relations between Netherlands and Pakistan. It was also emphasized that instead of waiting for initiatives of the Governments the private sector should take the lead to increase trade between the two countries.

Guidance and Market Services of EDB



Exposing the Engineering Sector to New Developments through Workshops/ Seminars and Conferences

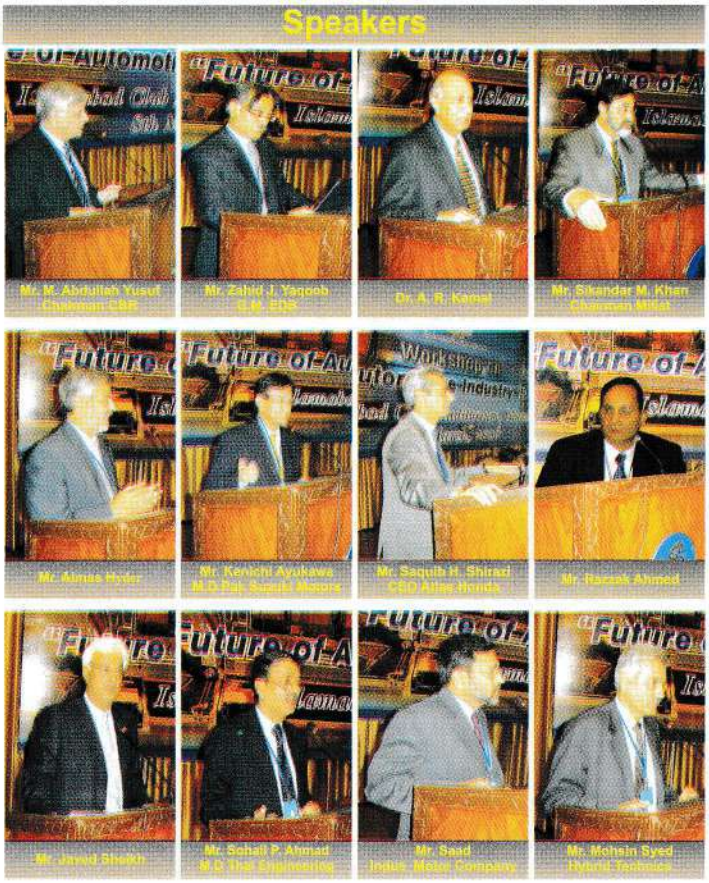
Workshop on " Future of Automotive Industry"

Automobile industry, world over is recognized as a key industry which helps to promote the Engineering Sector because of its deep backward and forward linkages. Rapidly changing global scenario in the automotive industry is paving out the way for many opportunities, provided timely actions in the form of new policy interventions are taken. With this in view, a one day workshop on the **"Future of Automotive Industry"** in Pakistan was organized by EDB on March 8, 2006 in Islamabad. The workshop was inaugurated by the then Secretary Industries, Production & Special Initiatives Mr. Kamran Rasool, presence of Chairman CBR. Presence of Mr M. Abdullah Yousuf and Mr. Razzaq Dawood Ex Chairman EDB was very encouraging for the participants of this Workshop.

The key speakers, majority of them representing the Auto OEMs and Vendors presented papers while focusing on the needs of this industry to transform it into a globally competitive and export oriented industry which needs:

- Foreign Direct Investment by new entrants in assembly of vehicles.
- Acquisition of latest technologies
- Expansion in existing capacities in view of projected production figures by year 2010-11.
- Required expansion of the auto vending industry to match the high production of vehicles.

Lower tariffs supplemented with various allowances accelerated growth in auto sector in India, South Africa, Thailand and Australia



While discussing the world experience of progressively transformed nations and their auto policies, case studies of many countries like Thailand, India, Australia, South Africa were presented elaborating on how these nations swiftly transformed from Local Content Programmes to various Export Incentive Regimes like, Import Export complementation scheme (Australia) and Motor Industry Development Programme (South Africa).

These programmes were featured by lower tariffs while certain allowances were allowed for industry's rapid growth and integration into global value chain. All such policy components were to be merged together in the proposed **"Pakistan Auto-Industry Development Programme".** Proposals for achieving higher localization through incentives and acquisition of new technologies were highlighted in order to internationalize Pakistan's Auto Chain & develop readiness to compete in Global Market, while devising ways and means to neutralize Foreign Exchange Component by the export of locally assembled CBU's and parts. Emphasis was laid on establishing Design & Styling Centres (to overcome industries dependence on Overseas Design & Development), developing Hybrid Engine Assembly and fuel Cell Production etc.

This workshop provided an excellent platform to initiate the dialogue process on the key issues of the Automotive Industry, challenges and related recommendations to trigger growth in this Industry.

Workshop on "Integration of Pakistani Businesses with ASEAN Industrial Supply Chain"

Developing strategic economic relationships with various regional blocks is the key to explore various trade and investment opportunities. In order to explore

immense opportunities existing for the Engineering sector companies of Pakistan for linking up with manufacturers and service sector companies of South East Asia, a one day workshop was organized by EDB at PITAC, Lahore on May 27th 2006, on **Integration of Pakistani Businesses with ASEAN Industrial Supply Chain**.

Formulating an Action Plan for integrating Pakistani Businesses / Industry with the ASEAN value chain leading to a mutually beneficial economic and strategic partnership was the main focus of this workshop.

Stakeholders from various important sectors were invited for putting up proposals for venturing business opportunities with ASEAN member states. Commercial counselors and Attaches from the Embassies of Thailand, Indonesia, Brunei D.S and Philippines were invited to promote active collaboration and mutual assistance with Pakistan's industries.

During the deliberations of various working groups, recommendations were put forth for Industrial cooperation and trade in the following areas:

- Export of:
  - Pharmaceutical machinery
  - Food & Dairy Machinery
  - Machinery for Sugar and Cement Plants
  - Power Plants using rice husk as fuel
  - CNG equipment

- Technical support from ASEAN member countries like Thailand, Indonesia and Malaysia in the field of Enrichment of Raw material in the Ceramics sector, production of high temperature resistant refractory bricks and investment in high tech ceramic products were key proposals.

Mr. Kamran Rasool, Ex-Secretary, MoIP&SI, Mr. Imtiaz Rastgar, CEO,EDB, Mr. Tariq Bajwa, J.S (P&I), MoIP&SI and Mr. Shahid Zubair, (Ex-GM EDB)

Mr. Yuyun Kahayun, Counselor, Indonesian Embassy (1st right), Mr. Attaullah Khattak, Assistant Chief, MoIP&SI

Thai Comm counselor, Mr Morni Tana, Secretary, Brunei H.C Mr. Marendar, Attache Philippines, Mrs Raazia Shakir, ADGM, EDB during the deliberations in the Workshop.

For the first time, recommendations like using ASEAN accreditation labs, Information Sharing on Standards, introducing Special Export Re-Finance Schemes for trading with ASEAN were thrown up for integrating Pakistani Engineering/ Automobile Industry into ASEAN value chain.

Final recommendations from this workshop were submitted in the 3rd ASEAN-Pakistan Joint Sectoral Co-operation Committee meeting (APJSCC) held at Islamabad from June 5-6, 2006.

Workshop on "Financial Incentive Schemes for Engineering Sector Exports"

With the opening up of Economies, the inexorable and inevitable slide towards freer trade brings in a lot of opportunities for Pakistan's Engineering Sector. Survival tools being applied to hide the local industry behind the shield of protectionism and policies of extending subsidies to enhance export base are no more workable. Instead, an approach of extending facilitation and support through policy regime has been adopted by the GOP. In pursuance of this, State Bank of Pakistan has offered revamped Long Term Financing Scheme for LMM with the objectives to help SMEs to:

- Enhance their production potential for export
- Meet the challenges of WTO
- Enhance existing manufacturing facilities.

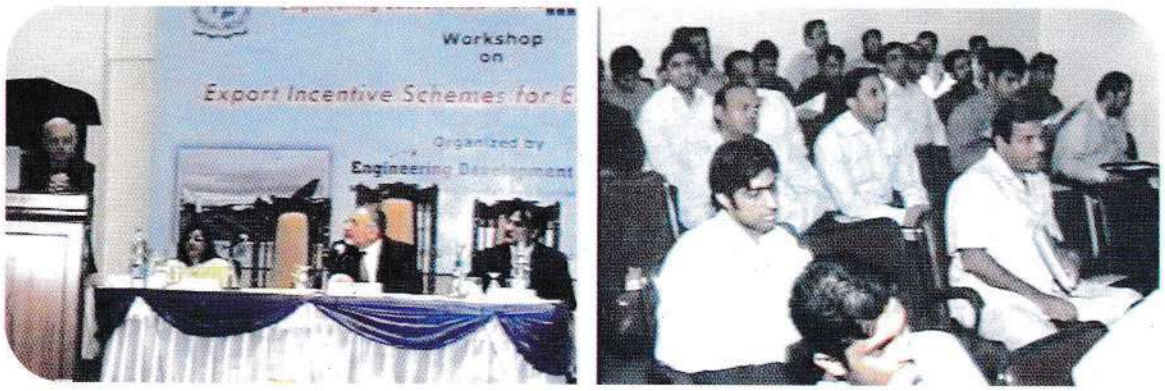
Engineering Industry can utilize these Schemes for building capacities to pave the way for bringing Industrial Revolution in the Country.

EDB while keeping its promise with the stakeholders for providing the requisite facilitation and awareness to boost the Engineering goods and services, organized a one day workshop on **"Export Incentive Schemes for the Engineering Sector"** at

TUSDEC, Lahore on September 20, 2006. The workshop aimed at information dissemination about various incentives and schemes being introduced by the Government of Pakistan in its endeavors to enhance export competitiveness of the Engineering Sector.

Speakers from State Bank of Pakistan, CBR and Adamjee Insurance Company presented papers on the revised and revamped policy regime of the GoP on LMM Financing Scheme, Export Re-Finance Scheme, Customs Related Procedure on Export of Goods and Revamped DTRE Scheme in the context of Engineering Goods. Role of insurance in exports was also highlighted. Mr. Klause Schaette, a German Consultant at EDB while sharing his experience deliberated on the role played by Engineering Sector for strengthening the economies of the nations.

The participants of this workshop eulogized EDB's efforts for arranging this enlightening session, as many of their queries were answered.



Workshops on "Tariff Based System" (TBS)

Automotive Industry has universally emerged as an important driver of the world's progressive economies. It puts multiplier effects on the economy and strengthen the industrial engineering base alongside accelerating the commercial and business activities. Like other developing countries, Pakistan's auto industry

was operating under the Deletion Programs. In order to make the auto industry WTO compliant in terms of TRIMs requirement, the industry was switched over — from **Deletion Programs** to **Tariff Based System** (TBS) in the Budget 2006-07

This shift from Deletion Programs to Tariff Based System brought about changes in the concessionary SROs along with new procedural and documentary requirements for the auto industry. Tariff structure was revised and new tariff lines were created to meet the requirements.

In order to create an **Understanding of the Tariff Based System (TBS)** EDB organized three workshops at Islamabad, Lahore and Karachi which were attended by a large number of OEMs, Vendors and their representatives. The objective was to create awareness about the newly introduced system and to make an interaction with the OEMs and vendors to:

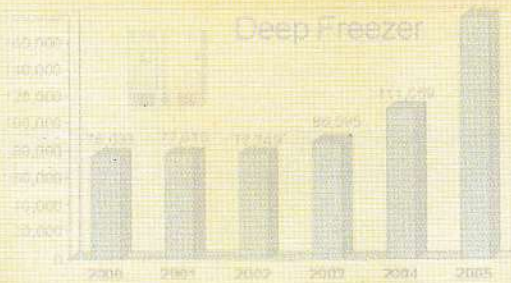
The anomalies emerged from the TBS, observed by the industry and EDB during these workshops were also deliberated.

- Analyze post TBS impacts
- Find solutions to the complexities and difficulties emerging from the new system
- Make deliberations and interpretation of TBS related SROs and anomalies and understanding various issues.

Apart from this, participants were provided guidelines for:

- Registration, Revalidation & Re-Issuance of Certificates
- Procedural & Documentation Requirements
- Submission of lists for importation of parts/components etc under the new system for verification at EDB and onward clearance of consignments from the custom authorities.

In the above perspective and taking into account possibilities of new investments by OEMs/vending industry, motivation towards further development of parts/components, EDB is in the process of making an overall evaluation of TBS with the help of stakeholders before the Budget 2007-08.



Creating Comprehensive Database for Engineering Sector


Deep Freezer
Refrigerator
211,814
272,352
311,189
373,000
517,439

Engineering Sector Database

EDB in pursuit of its mission to provide support to the engineering industry, has taken several steps to establish engineering database from various perspectives. This database would be accessible by the industry and would be an excellent source of information for the industry as well as for the decision makers.

i) Export/Import Database of Engineering Sector

In order to enhance the exports of engineering sector, EDB for the first time has created an automated system primarily sourced from Federal Bureau of Statistics (FBS). All the export figures are linked with 8 digits HS Code and data for the 3 years has been processed to provide commodity wise exports/imports analysis of engineering goods under 22 sub-sectors.

Export destinations of the Pakistani engineering products along with trends of country wise share would greatly help exporters to find new destinations for their products alongside increasing market share of the existing exports.

Monthly analytical and statistical reports on exports/imports of engineering goods would be published to disseminate information for the stakeholders.

ii) Listing top 50 Engineering Goods Exporters

Data of top 50 Engineering Goods & Services exporters of Pakistan has been consolidated by EDB for facilitating the Government and the private sector.

iii) Central Data Bank of Engineering Sector

A comprehensive Central Automated System of Engineering sector has been created at EDB. Complete profiles of Engineering Companies would now be available containing.

▪	Basic information of the company	▪	Export performance
▪	Raw material information	▪	Local sales
▪	Manpower position	▪	Availability of testing equipment
▪	Details of Plant and Machinery	▪	Certification, if any
▪	Infrastructure	▪	Product information
▪	Local vendors details	▪	Trade Fairs information

iv) Production Statistics of Large Scale Manufacturing Sector

A comprehensive data base of production statistics of 100 large scale manufacturing industries has been prepared in the following broad categories.

▪	Automobile Industry	▪	Electrical Goods
▪	Engineering Goods	▪	Iron and Steel
▪	Non-Metallic Mineral Products	▪	Tyres and Tubes
▪	Food Beverage and Tobacco	▪	Petroleum Products
▪	Jute Goods	▪	Textile and Leather
▪	Wood & Furniture	▪	Paper and Paper Boards
▪	Chemicals	▪	Pharmaceutical

v) Performance of Public Sector

On the basis of MIS Data Base, analytical reports of remaining public sector are being generated by EDB for usage in the Ministries and other Government Department on monthly and annual basis. Broader parameters covered includes.

▪	Physical production and capacity utilization	▪	Manufacturing cost & production index
▪	Net sales	▪	Pretax profit / (loss)
▪	Break-up of cost of sales and contribution margin	▪	Income statement
▪	Balance sheet	▪	Taxes & duties
▪	Manpower and salaries / wages	▪	Operating and financial indicators / ratios

vi) SWOT Analysis of Engineering Sector

EDB has recently conducted a SWOT analysis, to provide reference for the tariff, regulatory, standardization and competitive development of Engineering goods.

The analysis has identified the measures such as materials, innovations, standards and technology, acquisition as areas which needs to be attended urgently.

EDB's Special Initiatives


Deep Freezer
ECO-G

Special Initiatives

Textile Machinery Export Initiatives

A five member delegation of textile machinery manufacturers headed by CEO, EDB visited Uzbekistan from May 29-31, 2006 for exploring the possibilities of exporting textile machinery especially the newly developed Saw-Gin Machine. During the visit Pakistani delegation met the Uzbek Chamber of Commerce & Industry, Business Houses and held meetings with interested customers of textile machinery.

Export Development Initiatives

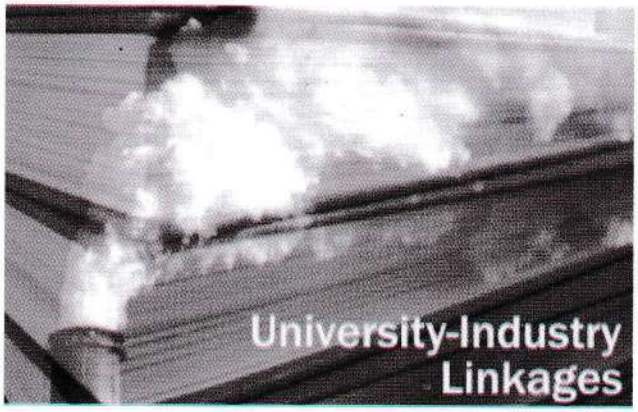
In order to work out the possibilities of export of various products from Pakistan and assess support / incentives needed for these sector to establish themselves in the international markets, following committees were constituted at EDB to facilitate them:

1. Refrigerators Committee for exports
2. Motor cycle Committee for exports
3. Energy meter Committee for export
4. Auto parts Committee for exports

These industries have been asked to come up with concrete export marketing plan including brand development strategy and future investment plans along with proposals of product diversification. International exposure shall be given to them for a better global positioning in international exhibition calendar to participate in international exhibitions.

University - Industry Linkages (UIL)

Engineering Development Board being an active member of UIL Committee of Higher Education Commission (HEC) is in the forefront of effectively establishing U-I linkages and is proud to give exposure to the professors in leading technology fairs. Up till now 9 professors have been taken to international trade fairs alongside the industry with the objective to provide them a unique



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opportunity of establishing understanding with private sector entrepreneurs, to understand the needs of industry as well as study new technologies and manufacturing processes. Participation in trade fairs have equipped the professors with knowledge that is now being utilized for the benefit of Academia in the form preparing technical proposals for setting up modern post graduate laboratories in their respective universities.

EDB's Website "www.engineeringpakistan.com"

EDB has developed and is operating its new official website, designed in a way to encourage the international investors to choose Pakistan as their favorite outsourcing destination

The main features of the website are:

- It presents a virtual exhibition of engineering goods and services of 200 companies under the "Made In Pakistan" link.
- Sectoral reviews of various engineering sub sectors
- Input/output ratios calculations
- EDB's exhibition calendar
- Web based registration and communication for ongoing exhibitions
- Managing **www.ownboss.com.pk**
- Search Engine Marketing
- Exclusive website developed for University students to accomplish the goal of making 10% of University graduates as self employed by 2010. The website is named **"Be Your Own Boss" (www.ownboss.com.pk)** Here the students can get their inspirations and serve as a catalyst in the development of Pakistan.
- EDB has developed a forum for students to interact freely on the subjects related to entrepreneurship, information on projects including potential business opportunities are also available. Students would find interesting articles and evaluation quiz which would help them in directing their goals in the field of their interest and aptitude.

Promotional/Marketing Plan

In order to raise curiosity among students and leading them to type the link on their browsers, posters have been designed for the web page by EDB. These Posters with the help of students and HEC are being distributed to all the Universities, colleges and schools with a view to bring awareness to the child at the high school level.

ENGINEERING DEVELOPMENT BOARD

EDB

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HANNOVER MESSE

industrial

PAKISTAN

The right place, The right time

MIDEST 2006 PARIS

EUROMOLD

SIMTOS 2006

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