

# Private-public partnership with FIEDMC: a case study



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## Introduction

Historically, the responsibility for social service delivery and infrastructure development has rested primarily with the government.

However, the private sector is increasingly playing an important role in the delivery of services even in the countries with dominant public sectors.

Governments have, thus, begun to explore ways in which to involve the private sector in social services delivery and infrastructure development without compromising public interest.

During the last two decades private sector institutions have emerged as active development actors in Pakistan.

Today, almost all stakeholders, including government, the civil society and donors generally recognize the increasing role of the private sector institutions in promoting participatory, equitable and sustainable development.

Despite this recognition, there continues to be a degree of resistance and reservation among some circles regarding the willingness and capacity of the private sector to participate in the infrastructure development efforts, where the profit maximization objective of the private sector does not find good incentive.

This article aims to dispel the above perception with theory backed by a case study.

## DEFINING PUBLIC-PRIVATE PARTNERSHIP (PPP)

Public Private Partnership is not a new phenomenon localized in LDCs only. In fact, it is pervasive all over the globe. Various definitions of PPP are:

### European Commission's Directorate General for Regional Policy Definition:

A partnership between the public sector and private sector for the purpose of delivering a project or a service traditionally provided by the public sector."

### Canadian Council for PPP Definition:

A cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards."

### Government of Ireland has defined PPP in its State Authorities (PPP Arrangements) Act 2002 as:

PPP is a partnership between the public and private sectors for the purpose of delivering a project or service traditionally provided by the public sector. Rather than simply providing an up front asset to the specifications of the public sector, the private sector can be responsible for various elements of the project including designing, building, and financing the asset, operating and maintaining the asset and providing a

long term service relating to the asset. This arrangement involves a transfer of risk to the private sector and allows the local authority to draw on economic and other resources that might not have been otherwise available.

Considering the above definitions, a more realistic definition would be:

PPP is a cooperative venture between private and public sectors where the best potentials of both the sectors are pooled to achieve optimum results in infrastructure or social sector development in specified projects within the triple constraints of time, quality and resources.

## TYPES OF PPP

PPP can take many shapes. Concepts of Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and Build-Own-Operate-Transfer (BOOT) are very familiar forms of PPP. However, there can be other variations as well.

For example, private money can be used to undertake a project normally, in the realm of

public sector. Such an arrangement involves profit maximization of private sector which may not be in the best public interest. In such cases, the public sector only provides permissions and licenses.

Another form of PPP would be just the opposite of the above. In this case, public money is used to undertake a project with management expertise provided by the private sector.

Public sector lends all its support in form of permissions, licenses etc. This type of PPP is a more preferable form in many instances. One such project could be development of capital intensive infrastructure, which infact is the need of private sector development.

Private sector, however, cannot undertake it because of high investment on long term basis with little returns. Industrial Estates are one such example which are needed for private sector development but are capital intensive.

Their success, however, is beneficial to all the stakeholders like government, industrial-

ists, professionals and society at large.

## FIEDMC: A CASE STUDY

Faisalabad Industrial Estate Development and Management Company (FIEDMC) is a classical example of PPP where the public money is being gainfully managed by the private sector to achieve optimum results.

Established in late 2004 under Companies Ordinance Act 1984 on the basis of Public Private Partnership, the company is managed by a 21 member Board of Directors-16 from private sector and 5 from public sector. The role of public sector directors is more facilitative than monitoring.

The private sector directors provide their services without any remuneration on voluntary basis. This eliminates the profit earning aspect of the private sector and puts them under heavy moral obligations for judicious use of public money. They are ever conscious of the confidence vested in them by the public sector and other sections of society.

The company was assigned

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the task to develop two industrial estates viz Value Addition City (VAC) and M-3 Industrial City (M-3 IC). The entire development cost has been provided as seed money by Government of the Punjab.

**Value Addition City (VAC)**  
VAC is a fully functional state

of the art aesthetically developed industrial estate catering for the needs of SMEs. It is spread over an area of over 200 acres where nearly all the plots have been sold out and industries have started mushrooming this city.

It has provided an unprecedented relief to industrialists who were in search of a piece of land where all utilities and facilities would be available at their door step. Some of the industrialists have described it as the most beautiful industrial estate of Pakistan. Security has been given top most priority and effective steps have been taken to ensure the safety of assets of the investors.

## M-3 Industrial City (M-3 IC)

This is the largest industrial estate development project in the country. The dynamics of such a large project are altogether different from any other project on a lesser scale. It involves innovative master planning catering for the needs of all business sectors, both industrialists and service providers. It entails the fulfillment of the needs and wants of prospective international buyers and investors- wants normally exceeding their needs but have to be addressed to.

The concept of 3rd party logistics (3 PL) would also be fully engrained in such a large industrial environment without which optimum results cannot be obtained. While the civil works

have been designed on internationally recognized standards, state of the art telecommunication system has been planned to match the best in the field.

An outstanding feature of this industrial estate is the provision of common facilities which are otherwise expensive for individual industries. Two Common Effluent Treatment Plants (CETPs) are being provided to ensure environment friendly disposal of the effluent. Transport facilities will be provided by the management of M-3 IC to ensure decent commuting within the industrial city. Labour colonies are being developed on a large scale at both ends of M-3 IC giving healthy environment for the labour. It will create nearly 3 million jobs both directly and indirectly. A huge amount is being spent on provision of high quality electricity which will be distributed through 11 grid stations.

## Conclusion

All the above has been possible through successful implementation of the concept of PPP. All the stakeholders- the government, industrialists, professionals, workers etc. stand to gain from these projects. Public money has been very diligently and economically utilized through the private sector which has produced the desired results. When completed it will be remembered as an icon in the precincts of public private partnership.

## FIEDMC striving for excellence: Customer's view

By Umar Abdul Latif CEO,  
Chem-Tech Chemical Ind Pvt Ltd,  
Owner of the First Industrial Unit  
in Value Addition City

**C**hem-Tech Chemical Industries (Pvt) Ltd and Chem-Tech International are engaged in production and distribution of Textile and Specialty chemicals. We are at present supplying a wide range of chemicals to Textile Processing Mills in Faisalabad, Lahore and Karachi.

Our qualified and experienced specialists located at these three locations are always ready and willing to meet needs of customers expeditiously and cost effectively. Our objective is to provide our valued customers with top of the line innovative products and services, thus helping them stay ahead of competitors in the local and international markets.

With this objective in mind we have set ourselves very high goals of setting up one of the most advanced and technologically superior production facilities for Textile and Specialty chemicals in Pakistan. The main deciding factor in locating our new Production Plant in the Value Addition City (VAC - a project of

FIEDMC) was the exceptionally well-planned layout of the Industrial Estate and fast developing services, utilities and infrastructure.

Subsequently it was a matter of great satisfaction for us to find out that FIEDMC had a very well organized team of dedicated professionals working under very competent and capable leadership. We found the entire team always willing and eager to help us in all matters related to setting up of the Industrial Unit. Chem-Tech Chemical Industries Pvt. Ltd (Chem-Tech International) has the proud distinction of being the first company to start construction work at the VAC. The full support and co-operation extended by the FIEDMC has got our construction work rolling at a very good speed.

The fast pace at which development work is progressing for providing services and utilities, indicate that it would not be long before VAC becomes a well established Industrial Estate presenting a model for others to follow.

The VAC has potential to become an important contributor to Pakistan's Industrial growth with a substantial export element. This is a vision we all share, and will one day achieve InshaAllah. We hope that together we will all be able to further the cause of Industrialization and self-reliance of Pakistan.

## STEP INTO A VIBRANT BUSINESS ZONE

### Where Your Business



**M3  
INDUSTRIAL CITY  
FAISALABAD**

Pakistan's Largest Industrial Estate

Located at the Sahianwala Interchange on Motorway M-3 Faisalabad

- 4 Acres to 21 Acres Plots
- Flexible Payment Plan
- Equipped with international standard industrial infrastructure
- First Industrial Estate Project on Motorway

### FEATURES:

- One Window Operation
- Industrial Zoning
- 250 ft Wide Fully Illuminated Main Boulevard
- All Utilities Connection at door step.
- Potable Water Supply System
- Storm Water Drainage
- Combined Effluent Treatment Plants
- Centralized Security Surveillance System
- State of the Art Telecommunication System (FTTH)
- Supporting Commercial Areas.
- Dry Port / Ware Houses.
- Labor Colonies
- Country Club
- Helipad / Aero Landing Strip

First Completed Project of FIEDMC  
VALUE ADDITION CITY  
A Fully Functional State-of-the-Art  
Industrial Estate



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BOOKING  
OPEN

SECURED BY  
GUARANTEE OF  
THE PUNJAB

Plots in  
M-3  
Industrial  
City  
available  
on "First  
Come  
First  
Served"  
basis