

ISSUE PAPER

Military's Commercial Interests

CIVIL-MILITARY RELATIONS | JULY 2014

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PREFACE

The subject of business and commercial activities by the Military has evoked much controversy in Pakistan. This issue has been approached differently by different people. This paper, commissioned by PILDAT and authored by **Lt. Gen. (Retd.) Humayun Khan Bangash**, is one of the latest views on the issue by a senior retired army officer, offering a rationale and details of the military's commercial and business activities.

It is often said that huge conglomerates provide economic power to senior Military Command which fuels their political ambition and the resultant political power is used for the benefit of these conglomerates. The Military strongly rejects this point of view. Military is very emphatic in stating that the funds generated by the commercial concerns are used entirely for welfare measures. This paper presents the perspective by the Armed Forces.

The objective of the paper is to generate fact-based debate and well-structured policy revision on the subject. The paper is part of PILDAT's work on Democratic Civil-Military Relations in Pakistan.

Disclaimer

The opinions, findings and conclusion or recommendations expressed in this paper belong to the author and do not necessarily reflect the views of PILDAT.

Islamabad
July 2014

July 2014

ABOUT THE AUTHOR



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Lt. Gen. (Retd.) Humayun Khan Bangash has had varied experience in Military, Diplomatic and Business fields. He served as Corps Commander Lahore, Force Commander Northern Area Gilgit Baltistan and Inspector General Frontier Corps Peshawar.

He is a graduate of Army Staff College Kimberley UK, Army War College Istanbul Turkey, Joint Warfare School UK and National Defence College Pakistan. He also commanded Joint Services Staff College and Infantry School at Quetta.

He is an interpreter of Turkish language. He served at Headquarter CENTO Ankara Turkey for two years and Pakistan Ambassador to Turkey from 1996 to 1999. After retirement he was the CEO of World Call Tele-communication company for five years.

Lt. Gen. (Retd.) Bangash has in-depth knowledge of the commercial activities of Pakistan Armed Forces. As Adjutant General of Pakistan Army he was a member of Committee of Administration of Fauji Foundation and Chairman of Army welfare Trust. He was the Founding Chairman of Askari Bank Limited, when it was setup in 1992. As a Corps Commander he was the Patron of Lahore Cantt Cooperative Society (Later D.H.A Lahore).

Lt. Gen. (Retd.) Bangash is a member of PILDAT Dialogue Group on Civil Military Relations. He lives in Lahore.

INTRODUCTION

The commercial activities of Defence Forces date back to 1942 when the Govt. of British India established a Military Reconstruction Fund. The Fund was later named "Post War Services Reconstruction Fund" and was used for the welfare and rehabilitation of servicemen who participated in the Second World War and their dependents (Defined as Beneficiaries). From the share that Pakistan received out of this fund, a humble beginning was made in establishing Fauji Cereal Company. Later on Fauji Gas and Fauji Corn were added, which proved commercially successful. Emboldened by the initial success of its enterprises, the Foundation ventured into major sectors and acquired control of mega projects in Fertilizer, Sugar, Cement, Power Generation and Oil sectors. It has now become the largest industrial conglomerate of the country with the current asset worth of Rs. 321 billion. The earnings of Fauji Foundation are utilized for the welfare of Ex Servicemen and their families. The number of these Ex Servicemen now stands at nearly 1.3 million. There are over 8 million beneficiaries of the services that Fauji Foundation is providing in the fields of health, education technical and vocational training and social welfare. Last year a sum of Rs 5 billion was spent on these welfare measures.

Encouraged by the success of Fauji Foundation and faced with their own paucity of welfare funds, the three services also started commercial projects with varying degrees of success. Army Welfare Trust was established in 1971 to supplement the support to the Shuhada of 1965 war. It started with small projects but undertook major projects in 1990 in Financial Sector, Cement, Sugar and Knitting. The Pakistan Air Force followed the Army in establishing its own Foundation in 1977. Its activities were mainly confined to the Aviation but it also ventured into other fields like Real Estate, IT and knitwear. Pakistan Navy followed suit and in 1982 established Bahria Foundation. Logically it undertook projects related to the profession like Harbour Services, Dredging, Diving and salvaging and coastal services. It took major stake in real estate and housing scheme with limited success.

Defence Housing Authority was set up in Karachi on land leased from the Government. It developed barren land into plots which were allotted to the officers of all the three services. With time it developed into a modern and most sought after area of Karachi. Similar housing schemes but with land purchased directly from the owners were established under Defence Housing Authorities in Lahore and Islamabad which were as successful as Karachi.

Faced with the problem of constant inter-provincial movement of its personnel and varying syllabi in the provinces, the Army established its own schools with a standard syllabus. Admission was also given to the civilians where vacancies existed. Fauji Foundation also establishes schools and colleges mainly in sub urban areas primarily for Ex Servicemen. PAF and Pakistan Navy followed suit and their institutions grew in number, size and reputation. Foundation Air and Bahria blossomed into reputed universities.

In 1950s, Fortress Stadium Lahore was constructed on A-1 land and a few shops were created from the vacant space under the spectators' stands. Later it was expanded and has developed into one of the largest and most popular shopping and entertainment areas of Lahore. A similar stadium was constructed in Peshawar. A-1 land was also utilized by PAF to make markets and cinemas while some marriage halls were constructed by the Army. The incomes from these projects are utilized by the local commanders to augment the meager funds allotted by the government to maintain old buildings and hospitals and to construct urgently needed accommodation and other welfare measures.

Other projects, which were started to meet a particular situation need or crisis, continued even when the particular situation was over and turned into mega projects.

1. Frontier Works Organization (FWO) was raised in 1966 to provide manpower and technical support in construction of Karakoram Highway. It also provided useful services in construction of roads in insurgency affected areas and coastal road in Baluchistan. The FWO works under Ministry of Defence and is staffed by the Army Corps of Engineers. During the "idle period" when it is not engaged in its primary task, it undertakes civil works in open competition with the civil engineering companies. In the 1990's FWO was utilized in minefield clearance operations in Kuwait after the Gulf war and earned millions of dollars for the country.
2. The National Logistic Cell (NLC) was created in 1978 to tackle the acute problem of transportation of wheat from Karachi to up country and to manage and remove bottlenecks created at the port of Karachi by the inefficiency of Pakistan Railways [PR]. The direct intervention and management of Pakistan Railways by NLC increased the capacity of PR manifold initially. However, when the control & management was returned to PR it reverted to previous levels of inefficiency. It was then decided that a parallel mode of transportation be set up to supplement the

railways. The NLC, working under the Ministry of Communication grew into the largest goods transportation company of the country with over 2000 vehicles. It also undertook construction of roads, bridges and wheat storage facilities. Presently, NLC is the preferred organization of provincial governments of Punjab and Sindh because of the quality and speed of work.

3. Special Communication (SCO) was established in 1976 to set up and maintain telecommunication networks in Azad Jammu & Kashmir and Northern areas. With time, and spread of telecommunication, it too has grown into a sizeable company. Like the FWO and NLC it is manned and operationally controlled by Army personnel but works under the Ministry of Information and Technology.

With the growth of military influence in the political life of the country especially after 1977, the rationale of Defence Forces indulging in commercial activities started being questioned. With the return of democracy in 1988, the political governments took measures to stop or reduce the preferential treatment/concessions that these organizations were enjoying. However these organizations continued to grow in 1990s by undertaking mega projects in public limited companies in partnership with the civil sector. The turn of century saw the country again under the rule of a Military dictator. The intensity of criticism grew with the freedom granted to the media.

Raison d'être for the Commercial Projects

Importance of Armed Forces

Armed Forces are the backbone of any state, large or small. They are the main instrument in projecting economic and political power of stronger states. In case of small, ideological states, they assume greater importance and relevance. Whatever political, economic or strategic goals that a state sets for itself and the interests that are defined by its rulers, require a matching military ability to achieve/defend these goals/interest. The quality of manpower and leadership assumes paramount importance especially in states when the economy cannot fully support a large standing army.

To attract right material in manpower and leadership, attractive terms of service, transparency and merit in promotion/advancement and assured post retirement welfare and rehabilitation are essential. But the most important element is the manner in which families of those who lay down their lives for the country are treated and looked after. The post retirement benefits entail financial compensation and services such as health, housing education and re-employment opportunities. The armed forces around the world recognize the significance of providing welfare measures and offer additional perks and privileges to their personnel in order to attract good personnel and to be able to retain these people in service. In US post retirement system "is designed to serve as an inducement for enlistment and re-enlistment, to create an orderly career path and to ensure 'youthful and vigorous' military forces". In India the Directorate General of Welfare was created in 1947, to cater for the welfare of retired Military personnel. In the Indian Ministry of Defence there is a Directorate of Resettlement, which trains over 60,000 retirees every year to acquire additional skill for a second career as most of the retirees are young. The Employment Directorate registers the ex-servicemen and tries to find a job for them. The Self Employment Directorate in cooperation with the Ministry of Energy and Finance encourages the retired service personnel to set up Coal loading and transport companies. It also allots oil products agencies, CNG's and dairy products shops for which subsidized financing is provided by the Directorate of Entrepreneurs. In the United Kingdom the Army Benevolent Fund, the Army Dependents Trust, Lady Groves Fund and Poppy Scotland and other charities provide for the welfare of Ex-servicemen. This is in addition to the social security system enjoyed by every citizen. In Egypt, Turkey, Indonesia and China, the Armed Forces are encouraged to generate funds for the welfare of retired personnel. Maintaining large standing defence forces is

challenging even for the developed countries and they use different methods to counter it. Turkey, Switzerland, Israel and Singapore use universal conscription to cut down the cost. Countries in Europe make alliances and military pacts to share the expense and responsibilities within a region. China uses its large standing Army on projects of nation building and tasks it to generate a sizeable percentage of its own budget. United States uses high technology weapons like drones, quick reaction forces and nuclear deterrent to affect savings on maintaining large standing Armed Forces. Most of these countries have very attractive terms for the servicemen and the state apparatus looks after their post retirement needs.

The Geo political compulsion of Pakistan necessitates maintenance of large standing armed forces, the size of which has been determined by the political/strategic goals that Pakistan has set for itself. However, the economic capacity of the country has never been able to support such a large force. A sizeable portion of National Budget is spent on maintenance of defence forces. Since 9/11, the burden of maintaining armed forces actively engaged in war on terror has become acute. The problem has been accentuated by stoppage of funds by the US due to break up of relation with the US in 2011. Very little amount, if any is, therefore, left for welfare measures and maintenance of accommodation. Economic meltdown in the country and the resultant galloping inflation has made the matters worst. The major burden of looking after over one million retired personnel therefore lies with the Armed Forces of Pakistan. As would be seen from the ensuing chapters almost entire earnings from the business concerns are spent on welfare measures.

Caring For Shuhada

During 1965 war the Armed Forces of Pakistan suffered over 2000 martyrs. While the public and government response to the supreme sacrifice made by soldiers, sailors and airmen was overwhelming, the compensation in real financial term was paltry. This was the primary reason for establishment of Army Welfare Trust which was established in 1971 for "Generating funds for orphans, widows and martyrs, disabled soldiers and providing for rehabilitation of ex servicemen". Before any worthwhile project could be undertaken for generation of funds over 5000 additional martyrs were added in 1971 war. (See Table-1).-

Over the next 30 years, there was a surge in the expansion and earnings of Fauji Foundation and Army Welfare Trust. However, with the start of war on terror in 2003 the army started suffering large number of casualties (See Table-2). The casualties are continuing

and may cross a figure of 4000 by the time this paper is published. In addition to martyrs, there are a large number of disabled personnel whose welfare needs are as much as martyrs.

The current compensation package being provided by the Government (Enhanced in 2007) is given in Table-3. Even a cursory examination of the package would make it clear that it is insufficient to meet the needs of the families of martyrs. Army has, therefore, implemented its own compensation scheme to supplement the compensation package of the Government. For this funds generated by AWT, Army Group Insurance Scheme and plots provided by the Defence Housing Authorities are utilized.

The additional package for Shuhada being given by the Army from its own resources is given in Table 4

Table 1: Shuhada 1971 War (Army)

Category	Number
Officers	207
JCOs	157
Soldiers	4811
Total	5175

Table 2: Shuhada 2003-June 2012

Category	Number
Officers	196
JCOs	183
Soldiers	3522
Total	3901

Table 3: Compensation Package of Govt. to Shuada

No.	Benefit	Officers	JCOs	Soldiers
1.	Family Pension			
a.	Special Family Pension	100% of last pay ¼ of special	Same as officers	Same as officers
b.	Gratuity	Family Pension in lump sum	Same as officers	Same as officers
2	Death Gratuity	12 months pay	Same as officers	Same as officers
3	Children Allowance (PM)	100-200	70-130	70-130
4	Group Insurance	Not for officers	22500	
5	Death Compensation	Col & below 1,000,000 Brig & above 1,500,000	500,000 to 1,000,000	
6	Writing off of Housing Building Advance			

Table-4: Compensation to Shaheeds Being Provided From Army Resources

No.	Benefit	Officers	JCOs	Soldiers
1.	Group Insurance (Self subscribed)	1,500,000	700,000	500,000
2	Distress Grant	-	50,000	50,000
3	Subsistence Allowance (PM)	2500-3500	900	650
4	Children Allowance (PM)	400-500	200	200 ¹
5	Bereaved Families Grant	House free	Flat free	Flat free ²
6	Plot	1 Kanal	5/8 Marlas	5 Marlas

¹. Max. 4 children

². W.e.f Oct 2011

Note: In addition, Funeral Allowance, Dependent Allowance, free education to children, free medical facilities in CMH, retention of accommodation for 5 years and providing job in civil organization of respective services.

Welfare of Ex-Servicemen

There are over 1.3 million pensioners and over 33,000 are being added every year to this number. Majority of the soldiers retire below the age of 40 while the JCOs retire before they are 50 years old. While the three services try through their foundations to find jobs for them, only minimal number get absorbed in their existing projects. There is no government scheme to utilize them even for limited period in police or Paramilitary forces. While the Ex Servicemen are entitled medical treatment in the CMH, their families are not authorized. Since there is no housing scheme for them, and they can't find jobs, they end up going back to their villages in rural areas. This is where Fauji Foundation is concentrating and is being supplemented by Shaheen Foundation and Bahria Foundation who provide employment, educational support and financial grants to their retired personnel. 72 per cent of Fauji Foundation earnings are spent annually in providing, health education, and vocation training to about 8 million beneficiaries. According to Dr. Ishrat Hussain, "This particular figure represents a substantial portion of the population and the fact that these welfare foundations provide a social security network for that number of people naturally justifies their commercial ventures" Details of welfare projects are given in part 2 of this paper.

Welfare of Retiring/Retired Officer

There are about 800 officers retiring from the Defence Forces every year. Majority amongst them retire below the rank of Colonel or equivalent and their retiring age is in between 43-49 years. Till 1982 retiring officers did not have a house. An order passed by General Zia Ul Haq to allot 10% of the vacancies in civil departments to retiring officers was deeply resented and was never implemented. Infact this was used as a cover to induct serving officers into Police and civil services who were sons/relatives of politicians.

The retired officer and their families are entitled to medical treatment in CMH and they have access to Army Public Schools at concessional rates. In 1982 an Army Housing Scheme was launched where a flat/house was allotted to the retiring officer. Government land was used for this purpose while the officer paid the construction cost. In June 2012, the terminal cost of a constructed house (structure only) is about 3.5 million. The commuted pension of a major (majority of the retiring officers) is approximately 2.5 million. Even with the payment that the officer had made during his service, he finds it hard to pay for the house and live in it. Resultantly he is forced to sell the house to the civilians who pay a small premium for the

land which they are getting in addition to structure. Since 1982 out of a total allotment of 16,000 houses 43 % have been sold to the civilians. In order to help the officers to be able to own a house on retirement, a system of allotment of minimum of one plot (one Kanal) in DHA was introduced in 1999. By selling this plot the officers are able to pay for their allotted house. This is aptly demonstrated by the fact that 75% of the plots in DHA are owned by civilians.

Welfare of Serving Personnel

Defence Forces of Pakistan specially the Army is woefully short of accommodation since 1966. When the expansion of Army started, the raising of a unit or formation did not cater for the corresponding increase in living accommodation. Even the 'new' cantonments constructed in Kharian, Gujranwala and Okara are over 50 years old and the remaining are nearly 100 years old. Against the Government's policy of providing 14% of the cost of building for maintenance the actual allotted amount is less than 1%. There is also an acute shortage of married accommodation for all ranks. Army's decision to allow the widow of shaheeds to retain the accommodation till allotment of house/flat has put additional pressure. Funds generated by the stations are being spent mainly for construction and maintenance of accommodation for soldiers. In addition these funds are also utilized for the welfare of soldiers like establishing families welfare centres, creating sports and recreational facilities, provision of troop buses for families and celebrations of special occasions like Ramzan, Eid and Christmas.

A Brief Examination of the Commercial Projects with emphasis on the welfare, control and regulation measures

Fauji Foundation [FF]

Pakistan received Rs. 40 million from the Post War Services Reconstruction Fund on partition. By 1954, the fund was reduced to Rs. 22 million when the fund was consolidated under a single control and Fauji Foundation was established as a trust under the Charitable Endowment Act 1890. The Committee of Administration of The Fauji Foundation has Secretary Defence as the Chairman and has serving principal staff officers from the three services as members. The Central Board of Directors functions at the executive level for control, management, supervision, planning and direction of all industrial, commercial and welfare operations of the foundation within the policies and mandate laid down by the Committee of Administration. The Managing Director of Fauji Foundation directs and oversees the daily operations of the foundation.

With a humble beginning of setting up a cereal factory with equity of Rs. 1.6 million, it grew phenomenally through judicious investment and efficient management. Parallel with its growth and expansion of projects and income, it also widened the scope of its welfare activities across the country. As of today, it is the largest and unique conglomerate of welfare cum Industrial units with an asset value of over Rs 323 billion and a net worth of Rs 166 billion. The beneficiaries of Fauji Foundation are mostly Ex-servicemen and their families and are well over 8 million or nearly 5% of the population of Pakistan. In 2011- 2012 FF paid over Rs 61 Billion to the National exchequer in various forms of taxes. It also spent over Rs 5 billion on welfare projects for the soldiers and their families.

It is worth mentioning that for a small subscription fee all these facilities are also available to civilians.

Some of the projects which are being financed by FF are given in the following paras:

Health Care Services

Fauji Foundation Health Care Services started in 1959 with a 50 bed TB Hospital at Rawalpindi which has now grown into a 740 Bed Teaching Hospital with a Medical College.

Fauji Health Care today is the largest medical chain in the country outside the Government sector. It has 116 medical facilities with nearly 600 doctors and 2000

Para Medical staff and at one particular time has 1.3 million registered patients. Since the commencement of medical services over Rs. 80 billion have been spent on 80 million indoor and outdoor patients. The health care system comprises the following:-

i. Fauji Foundation Hospital (classified as Urban, Semi Urban)	12
ii. Fauji Foundation Medical Centres	24
iii. Dispensaries	31
iv. Mobile Dispensaries	1
v. Artificial Limb Centre	1
vi. Nursing School	1
vii. Medical College	1

Education and Training

The emphasis of Fauji Foundation has been on establishing vocational training centres in rural areas which cater for the needs of families of Ex servicemen. So far it has established 65 vocational training centres. It has also set up a Technical Training Centres. 99 Model School and 122 Secondary High Schools have also been established in rural areas of Punjab, KPK, AJK, Balochistan and G.B areas. It has also set up colleges for boys and girls in Rawalpindi.

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Foundation University

Foundation University was established in 2002 with the following governance scheme.

1. Chancellor - Secretary Ministry of Defence
2. Principal - MD Fauji Foundation
3. Rector
4. A retired Judge of High/Supreme Court appointed by the Chief Justice of Supreme Court.
5. Chairman HEC
6. VC of a public sector university
7. Three eminent scientists or educationist nominated by BOG.
8. Three eminent businessmen or professionals nominated by BOG.
9. Five members nominated by FF.

Presently it comprises of following institutions:-

1. Institute of Engineering and Management Sciences
2. Foundation University Medical College
3. Foundation University College of Arts and Science

Commercial Operations

The welfare and educational activities enumerated above are the real reason for the existence and commercial operations of Fauji Foundation. Fauji Foundation Group has 16 Industrial and commercial ventures out of which 6 are fully owned. The rest are Partnerships and joint ventures in which FF has major share holding and board control. Out of a Rs 323 billion total worth, the holding shares of FF is Rs 191 billion. All these investments are across diverse sectors of the economy viz fertilizers, power, oil and gas exploration and distribution, oil and marine terminal operations, financial services, cement and cereals. It is now expanding into banking sector and is in the process of acquiring Askari Bank Limited.

The fully owned projects of Fauji Foundation are:-

- a. Fauji Cereal
- b. Foundation Gas
- c. Fauji Corn Complex
- d. Overseas employment services
- e. FF experimental and seed multiplication Farm
- f. Fauji security services (Pvt) Ltd

The Associated companies are:-

- a. FFC
- b. Mari Gas
- c. Fauji Fertilizer Bin Qasim

- d. Fauji Oil Terminal and Distribution Company
- e. Fauji Cement Company Ltd
- f. Fauji Kabirwala Power Company Ltd Fauji
- g. Security (Pvt) Ltd
- h. Pakistan Maroc Phosphate S.A
- i. Fauji Akbar Portia Marine Terminal (Pvt) Ltd
- j. Foundation Power Company Dharki Ltd.

All the companies have shown robust performance, consistency, highlighting share holders confidence in their management. Investors queue up to partner with it and most readily trust its board control. The Fauji Foundation carries no default, pays all its dues, invests in well regulated sectors only, gets no grant/or preferential treatment from the government, and meets all requirements of its welfare operations from its own resources. It employs professional civilians and ex servicemen and has no serving officers or men on its payroll.

Army Welfare Trust

Army Welfare Trust (AWT) was established in 1971 with a capital of Rs.700,000, out of the GHQ welfare funds. It is registered under the Charitable Endowment Act of 1890 with the specific purpose of "generating funds for orphans, widows, martyrs, disabled soldiers and to provide for rehabilitation of Ex Servicemen. Unlike Fauji Foundation, it does not run welfare projects and is concerned with the generation of funds which it places at the disposal of GHQ. The Army uses these funds to execute various welfare schemes for martyrs and ex servicemen.

Like Fauji Foundation, the AWT had a humble beginning with small projects like farms, shoes and garment factories. In 1984 it established a sugar mill at Badin with the crushing capacity of 4000 tons. Major expansion of AWT was done in 1990s when it entered the financial sector with the establishment of Askari Bank, Askari leasing and Askari Insurance Companies. Askari Bank with the AWT equity of Rs.150 million, grew into one of the leading banks of the country with 228 branches. Encouraged by the success of the financial sector, AWT expanded its activities to Real Estate, Aviation, Marketing of Petroleum products and supply of weapon and equipment to the Armed Forces. A major investment was also made in the cement sector with plants at Wah and Nizampur. These plants had initial problems of cash flows and received bailouts from the Government. However, presently they are functioning profitably and are contributing substantially to the earnings of AWT whose worth has grown to over Rs. 50 billion. The major projects of AWT are as follows:-

- a. Askari Bank Ltd
- b. Askari cement Ltd
- c. Askari General Insurance Company Ltd
- d. Mobil Askari Ltd
- e. Askari Aviation Ltd
- f. Army Welfare Sugar Mills
- g. Askari CNG
- h. Askari Projects (Shoes and Woolen)
- i. Askari Real Estate
- j. Askari Guards
- k. Askari Farms and Seeds
- l. Askari Enterprises (Pvt) Ltd
- m. Blue Lagoon Restaurant

Since most of the major projects are public limited companies, they are subject to full audit and payment of taxes. No preferential treatment is received by these projects and they complete in the market on level playing ground.

AWT is managed by GHQ through a Committee of Administration headed by the Adjutant General and includes Principal Staff Officers at GHQ and MD of AWT as members.

Shaheen Foundation

Shaheen Foundation (SF) was established in 1977 as a welfare organization under Charitable Endowment Act of 1890 with initial capital of Rs.5 million. Its purpose is to promote welfare and benefit of serving and retired PAF personnel as well as their dependents. Its organization is similar to AWT with a Committee of Administration headed by the Chief of Air Staff. It includes Vice Chief of Air Staff and Principal Staff Officers of Air Headquarters and MD of SF.

The welfare measures include providing employment to ex servicemen within the country and abroad especially in the technical and aviation industry. Although families of retired PAF personnel are authorized to receive medical treatment from the Fauji Foundation Hospital, SF provides assistance to heart patients by subsidizing stents and pace makers. The SF has an elaborate education scholarship scheme extending financial support to talented and needy children of PAF personnel both serving and retired. Financial grants are also provided to SF beneficiaries for meeting any untoward/emergency or distress situation and to cover expenditure beyond their medical entitlement.

The project size of SF is relatively small. Shaheen Air was sold in 2004 and only Shaheen Insurance is listed on the stock exchange. Other major projects are Aero Services, Real Estate, Information Technology,

Advertising and Education. Shaheen Air Port Services is the largest set up in providing complete Ground Handling Services to domestic and International airlines at all major airports of Pakistan. Shaheen Air Cargo is the largest cargo handler in Pakistan specializing in all kinds of cargo. Shaheen Aero Traders store and manage goods of China Aero Tech Import and Export for prompt delivery to PAF and defence establishments. Shaheen Knitwear, manufacturers and exports knitted fabrics, garments and other hosiery items. Shaheen Medical Services provide medicine and equipment to PAF hospitals. It also operates a software company, travel agency, radio station and CNG stations.

Bahria Foundation

Following the AWT and SF, Bahria Foundation [BF] was established by Pakistan Navy in 1982 with a working capital of Rs 3 million. It is setup and managed like its sister services, with the Chief of Naval Staff as the head of the Committee of Administration and Principal Staff Officers at Naval HQ and MD BF as members.

Logically, Bahria Foundation (BF) ventured into profession related projects like Harbour Services; ship breaking, dredging, diving & salvaging and deep sea fishing. However, the activities are restricted to mainly providing manpower to the existing companies in the field. Although its largest project of Real Estate was hijacked, it still has a few housing schemes and Bahria Complexes which are providing reasonable income to cater for the welfare needs of naval personnel. In the field of Education, Bahria University has established itself as a reputed institution. Bahria Holding, Falah Trading Agency, Bahria Paints and other small projects like Bakery and Catering have also been undertaken.

Commercial Projects in Lahore Cantt

Commercial projects built on A-1 lands in Cantonments have been subject of discussion/criticism. Lahore Cantonment with Fortress Stadium, Marriage Halls, PAF Cinema and PAF Bazaar is the focal station where commercial activity is being carried out on A-1 land.

The proceeds of income from these projects are managed by Soldiers' Welfare Organization [SWO], headed by a serving Brigadier who works directly under the Corps Headquarters. The funds generated are utilized for the following purposes:-

- a. Renovation/Maintenance of Military Accommodation. Military accommodation is one of the oldest in Pakistan. Against the Government

- policy of providing 14% of the cost of building for maintenance, the allotted amount is less than 1%. Additional funds out of SWO are utilized for maintenance of military barracks, wards and operation theatres in the CMH.
- b. Construction of New Accommodation. There is an acute shortage of accommodation in Army in general and Lahore Cantonment in particular. In a unit of about 700 personnel only about 5-6 houses are available for authorized strength of 20 officers. For JCOs only 10 quarters are available for strength of 28 while only 40 quarters are available for the soldiers who are allotted quarters by turn for a period of one year. The recent decision of the Army to allow widows of martyrs to retain accommodation till allotment of flat/house, has put further pressure on the state of accommodation. Funds from SWO are being utilized to construct married accommodation for all ranks.
 - c. Health/Hygiene/Sanitation. Human Upper Limb Surgery Unit has been established in CMH Lahore, which is the only state of art facility in the country. Since it is not authorized in the establishment of CMH, it is entirely funded from the SWO fund. Funds have also been used to develop expand and equip the Cardiac and Dental Centres. Electro medical and surgical medical equipment has also been provided to CMH. Other uses of this fund have been provision of safe drinking water, fighting epidemics like dengue, refuse disposal and setting up heat stroke centres and family welfare centres.
 - d. Security. In view of the current security situation a considerable sum is being spent to ensure security in the units and Cantonment as a whole. This includes installation of security equipment like cameras, scanning machines, security lights and secure communication equipment.
 - e. Construction/Improvement of Operational Defence Works. The bunkers and defence works constructed on the border require annual maintenance repair and replacement for which adequate funds are not provided. The SWO funds are utilized for these.
 - f. Education/Vocational Training. Lahore Cantt has the largest concentration of Educational Institutions. Expansion of these facilities, constructing and running hostels for children of personnel posted in the operational area, troop's family's vocational centres and troop family's welfare centres are also established and maintained by these funds.
 - g. Training and Sports. Funds are utilized to establish training and sports facilities for troops fitness

centres and organization of sports functions.

- h. Miscellaneous. These include provision of troop buses for transportation of children to educational institutions, transportation of troops families to medical centres, Ramzan, Eid, Special occasions celebrations etc.

Although the funds are used for welfare measures, taxes from the earnings of commercial projects are being paid regularly since 2008.

DHA Lahore

Civil and Defence Housing Society was raised in 1973. Later it was placed under 4 Corps and renamed Lahore Cantonment Cooperative Housing Society. The society was converted to Defence Housing Authority [DHA] in 1999 through a Provincial Ordinance. In 2002 it was federalized and validated by the Parliament in 2004.

The general direction and administration of the affairs of the Authority vests in the Governing Body which meets at least once a year, It consists of the following:-

- a. The Secretary,
Ministry of Defence - Chairman
- b. The Corps Commander
Lahore - Vice Chairman
- c. Administrator - Member
- d. Two co-opted civilians - Members
- e. Secretary of the Authority - Member

The Executive Board exercises all the administrative, executive and financial powers under the direction of the Governing Body. The executive board consists of Corps Commander, as its President and Administrator of the Authority; two co-opted resident civilian members are secretary of the authority as members. The Executive Board meets as often as may be required. The Executive Board submits to the Governing Body an annual report of accounts and balance sheet of the year.

The powers of Executive Board are elaborated in the Gazette of Pakistan Extraordinary dated Sep 19, 2002. It includes acquisition of land with Land Acquisition Act of 1894, plan, approve and execute mergers with other adjoining housing schemes and lease, purchase, acquire, sell, exchange or rent out any land/property vested in the authority.

Unlike DHA Karachi where most of the land is leased from the Government, DHA Lahore purchases land directly from the owners through cash but mostly through exemption where the land owners are given 20-25% of developed plot in the form of a promissory file

in exchange of the land provided by them. The authority of acquisition is seldom used only on critical spaces like link roads etc. Land bank of DHA is approximately 250 square kilometers. DHA Lahore provides residential plots to officers/JCOs/soldiers. The merit system and criteria laid down by GHQ and is strictly followed. Some extra plots are also allotted to civilians through a transparent ballot system. Till date DHA Lahore has 80465 members out of which only 19822 (25%) are Defence Services Personnel. The rest (75%) are civilians. The fact that most of the plots allotted to the Defence Personnel are purchased by the civilians clearly proves the good governance, administrative skill security arrangements transparency and operational utilization of funds.

DHA Lahore is taking care of the martyrs and critically injured/disabled officers, JCOs and soldiers. So far 130 plots to Officers and over 3000 plots to JCOs and soldiers have been allotted.

DHA Lahore spends Rs 7 billion annually on development works by employing contractors thus providing job opportunities to over 4000 skilled/unskilled workers.

There are 4450 employees out of which 1760 (39%) are ex Defence Servicemen while the rest (61%) are civilians. Thirteen uniform officers are posted whose pays are deposited in Govt Treasury during their duration of tenure with DHA. The Present status of DHA meets all legal formalities and tax obligations. House Tax is collected by Walton Cantonment on same rate from the civil and defence personnel.

Conclusion

Size of the Armed Forces

It is apparent that the National economy of Pakistan cannot meet all the essential needs of its armed forces. Not enough funds are being provided for maintenance of old and dilapidated buildings and construction of new accommodation which is woefully short. No provision is made in the budget for welfare and rehabilitation of Ex Servicemen, war veterans and martyrs which can adversely affect the quality of induction and efficiency of the Armed Forces.

There is, therefore, a need to review the policy and strategic objectives which are commensurate with the economic capacity of the country. Over the last ten years, the war on terror has stretched the resources of the country and its armed forces to the limit and has added the responsibility of looking after additional 4000 martyrs. The relationship with our neighbours and the threat perception needs serious review.

There is also a need for innovation in restructuring of Armed Forces which can help reduce the cost of maintaining large standing armed forces. Unless the state is in a position to meet all the needs of maintenance and welfare of its armed forces, and the Ex Servicemen, the three services will continue to pursue commercial undertakings.

Management of Industrial Conglomerates

The large industrial conglomerates of the Armed Forces of Pakistan understandably attract attention and raise doubt and questions about the purpose and dangers of running such large industrial/financial units. This study has shown that they are being managed and operated in a professional and efficient manner. In fact they are leaders in their respective fields and investors, both local and foreign are clamoring to enter into partnership with them. Fauji Fertilizer plants are the market leaders while Askari Bank Limited has grown into a highly successful bank with 228 branches, 31 of which are Islamic banking branches and has minimal non performing loans. The three cement plants being operated by Fauji Foundation and AWT are functioning profitably. All the major industrial and financial units are listed on stock exchanges whose accounts are audited and they pay their taxes regularly. Only Fauji Foundation pays over Rs. 60 billion annually to the national exchequer in the form of duties, taxes and levies. Although providing employment to Ex Servicemen is one of the aims of these organizations, professional competency is never scarified. The financial sector of AWT employs over 90 % civilian professionals. Out of nearly 13,000 employees of Fauji Foundation approximately 60 % are professionals from the civil sector.

Defence Housing Authorities

DHA's have been success stories in real estate, town planning and land development. The fact that 75 % of the plots originally allotted to the service personnel are purchased by the civilians clearly shows the trust that has developed over the last fifty years on the efficient manner in which these DHA's are being administered. There is an effective and transparent control system in place and the bylaws are strictly followed and implemented. DHAs are performing the primary job of providing at least one plot to every officer and JCO to help them in their post retirement life. They are also providing plots to widows and next of kins of martyrs.

Use of A1 Land

Although not desirable but the income from this source is well regulated and being utilized in a useful and efficient manner to supplement the maintenance and construction of accommodation and other welfare measures for the soldiers and their families. These commercial ventures are paying their taxes and excise duties.

Trained Man Power – An Asset Wasted

Every year over 34,000 young trained personnel retire from the armed forces of Pakistan, who are in need of a second career. They include drivers, technicians in medical, electrical, mechanical, communications, construction and administration fields. They are a national asset not utilized but wasted. It is the State's responsibility to utilize them profitably and create job opportunities for them. We could follow the example of India where full fledged Government efforts are made for training the ex-servicemen for a second career, finding jobs for them; encourage self employment by creating opportunities for them and providing easy credit facilities.

NLC/FWO/SCO

These organizations have matured into efficient and well regulated companies and are working satisfactorily under the respective ministries of Communications, Defence and IT. Without changing the basic organizations radically the

serving personnel in these organizations could be replaced by qualified ex service men on merit. This will relieve the Army of its additional responsibilities and provide job opportunities to ex service men.

Educational Institutions

The educational institutions set up by the Army, Fauji Foundation, Shaheen Foundation and Bahria Foundation are providing quality education not only to the children of Armed forces personnel but also to a large segment of the civil population. The Foundation University, Air University, NUST and Bahria University have become brand names for quality.

Government/Parliaments Oversight

Most of the commercial projects work under the regulatory authorities under the Ministries of Defence, Communication and IT, Government of Pakistan. The Secretary Ministry of Defence is the Chairman of Committee of Administration and Ex Officio chairman of Central Board of Directors of Fauji Foundation. He/she is also the Chairman of the Governing Body of Defence Housing Authorities which approves the budget and report of the Executive Board. The annual report includes accounts, balance sheet and audit report. The Parliament, if it desires can obtain a report on the activities of Fauji Foundation, NLC, FWO, SCO and DHAs through the respective Ministries, Government of Pakistan. The activities of AWT, SF and BF are monitored and managed by the respective services and the funds are utilized for the welfare of their personnel. There is therefore no need for the parliament to delve into these activities.



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