



# COMPETITIVENESS SUPPORT FUND

Linking Finance to Innovation and Competitiveness

## ANNUAL PROGRESS REPORT

March 15, 2006 - March 15, 2007





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UPGRADING THE COMPETITIVENESS OF PAKISTAN'S ECONOMY TO RESPOND TO  
NEW CHALLENGES AND OPPORTUNITIES IN THE KNOWLEDGE-BASED ECONOMY



Competitiveness Support Fund  
Annual Progress Report

## TABLE OF CONTENTS

**THE COMPETITIVENESS SUPPORT FUND: Annual Progress Report**  
**March 15, 2006 to March 15, 2007**

<b>1. EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>2. INTRODUCTION .....</b>	<b>6</b>
2.1- Objectives .....	7
2.2- The Four Core Instruments .....	7
<b>3. SET- UP OF ADMINISTRATION AND OPERATIONAL STRUCTURE .....</b>	<b>9</b>
3.1- Founding Documents, Approvals and Authorizations .....	9
3.2- Management, Staff and Employment Criteria .....	10
3.3- Operational Set-Up .....	11
3.3.1- Development of CSF Website .....	11
3.3.2- CSF Brochure .....	11
<b>4. TECHNICAL ASSISTANCE .....</b>	<b>12</b>
4.1- Industry Level Technical and Financial Assistance .....	12
4.2- Competitiveness Library .....	13
4.3- Organized Conferences .....	13
4.3.1- Visit of Competitiveness Expert Professor Michael J. Enright .....	14
4.3.2- Fact Finding Missions to Asia and Europe .....	14
4.3.3- TCI Regional Conference on Competitiveness .....	14
4.3.4- Innovation Journalism Fellowship Program at Stanford University .....	16
4.4- Partnership with Pakistan Higher Education Commission (HEC) .....	18
4.4.1- Cooperation with Universities & Research Institutions for Knowledge-based Enterprise Development .....	18
4.4.2- Action Plan HEC/ CSF .....	19
4.5- The Pakistan Competitiveness Learning Platform .....	20
4.6- Partnership with Pakistan Agricultural Research Council (PARC) .....	22
4.6.1- Action Plan .....	22
4.7- Cooperation with the Government of Sindh .....	24
4.7.1 Action Plan .....	25
4.8- Participation in The Competitiveness Institute's (TCI) Lyon Conference .....	27
4.9- The Mechanism to Carry out Policy Analyses and Slection of the Expert .....	28
4.10- Policy Analyses on Competitiveness of the Economy and Targeted Sectors in Pakistan..	30
4.10.1- Policy Analysis of the Motorcycle Industry in Pakistan .....	30
4.10.1a - Quantified Impact of Interventions in Motorcycle Industry .....	32
4.10.2- Action Plan for Fish Quality and Value Adding at the Karachi Fisheries Harbor .....	33
4.10.2a - Quantified Impact of Interventions for Fish Quality and Value Adding at Karachi Fisheries Harbor .....	34



# Competitiveness Support Fund Annual Progress Report

4.10.3- <i>Competitive Advantage of the Food Processing Industry</i> .....	34
4.11- State of Pakistan's Competitiveness Report .....	35
4.11.1- <i>Initiation and Launch of 'State of Pakistan's Competitiveness Report'</i> .....	37
4.11.2- <i>Quantitative Analysis of 'State of Pakistan's Competitiveness Report'</i> .....	37
4.11.3- <i>Improving Pakistan's Competitiveness: Identified Agenda for Immediate Action</i> .....	38
4.12- Gender Contribution to Economic Growth .....	43
<b>5. MATCHING GRANT FACILITY</b> .....	<b>46</b>
5.1- Eligibility Criteria .....	46
5.2- Project Submission Procedures .....	47
5.3- Investment Process .....	49
5.4- Projects Received .....	50
5.5- Coordination with PISDAC Project .....	50
<b>6. BUSINESS INCUBATOR/ VENTURE CAPITAL FACILITY</b> .....	<b>52</b>
<b>7. BRANDING STRATEGY FOR THE COMPETITIVENESS SUPPORT FUND</b> .....	<b>53</b>
7.1- Communication Strategy .....	53
7.2- Print Media .....	53
7.3- Electronic Media (Radio & Television) .....	54
7.4- Internet and Website .....	55
7.5- Below the Line Activities .....	58
7.6- Conferences and Events .....	58
7.7- Brochure .....	61
7.8- Impact of CSF Communication Strategy on Industry .....	61
7.9-Media Platform to Enhance Innovation and Competitiveness (MPEIC) to Highlight USAID Activities in Pakistan and the Government of Pakistan Economic Reform Program .....	61
7.9.1- <i>Benefits to Stakeholders</i> .....	62
7.9.2- <i>Methodology</i> .....	63
<b>8. PARTNERSHIPS WITH OTHER ORGANISATIONS</b> .....	<b>64</b>
8a Domestic Partnerships .....	64
8b International Linkages .....	67
<b>APPENDIX I: IMPACT OF CSF INTERVENTIONS</b> .....	<b>70</b>
<b>APPENDIX II: LAYOUT OF THE MECHANISMS/ PROCESSES OF THE PAKISTAN COMPETITIVENESS LEARNING PLATFORM</b> .....	<b>81</b>
<b>APPENDIX IIIa: MATCHING GRANT PROJECT PROPOSALS RECEIVED TO DATE</b> .....	<b>87</b>
<b>APPENDIX IIIb: MATCHING GRANT PROJECT PROPOSALS SHORT LISTED</b> .....	<b>91</b>
<b>APPENDIX IV: APPLICATION AND FINANCING PRODECURE FOR MATCHING GRANT FACILITY</b> .....	<b>94</b>
<b>APPENDIX V: BUSINESS INCUBATOR/ VENTURE CAPITAL (VC)</b> .....	<b>105</b>



## 1. Executive Summary

The Competitiveness Support Fund (CSF) is an independent body established to reposition the Pakistan economy on a more competitive global footing. It is a joint initiative of the Ministry of Finance, Government of Pakistan, and the United States Agency for International Development (USAID). The Limited Scope Grant Agreement (LSGA) titled “The Pakistan Competitiveness Support Fund (CSF),” authorizes US\$ 11,822,766 from USAID to be provided over a period of three years. According to the PC-1 submitted by CSF, the Government of Pakistan (GoP), through the Ministry of Finance, will match the funding provided by USAID and other donors, with the majority of this funding earmarked for business incubator and venture capital initiatives.

The CSF is the outcome of a USAID-sponsored benchmarking exercise of the enterprise competitiveness and economic growth policies of the Government of Pakistan. The work, which was carried out as a part of the USAID-sponsored Pakistan Initiative for Strategic Development and Competitiveness (PISDAC), aimed to identify shortcomings in enterprise competitiveness and development stakeholders operations that have prevented organizations from fostering competitiveness in Pakistan.

This benchmarking exercise identified several gaps in stakeholder performance and proposed a series of interventions that could accelerate the adoption of practical competitiveness-building initiatives in Pakistan. These gaps include:

- lack of innovative approaches;
- lack of linkages between the academic community and industry;
- poor dialogue on policy and reform issues;
- slow commercialization of innovation;
- weakness in the legal framework for a viable economic environment.

The study also emphasized that Pakistan lacks a vehicle, such as a competitiveness support fund, to finance and promote innovation and competitiveness. CSF is designed to address these gaps. The concept of CSF is based on similar funds established in other countries. CSF will support Pakistan’s goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. CSF will also provide technical assistance and co-financing for initiatives related to entrepreneurship, business incubators and private-sector-led initiatives with research institutes and universities that contribute to creating a knowledge-driven economy.



## Competitiveness Support Fund Annual Progress Report

The effectiveness of the CSF requires the involvement of the triple helix which includes academia, government and the private sector. The CSF carries out its objectives through four core instruments:

- I. Set-up of Administration and Operational Structure
- II. Technical Assistance (TA)
- III. Matching Grants
- IV. Business Incubators/ Venture Capital (VC).

The set-up phase of the project lasted approximately five months. During this period, founding documents and procedures were written and the necessary approvals were obtained. The Limited Scope Grant Agreement (LSGA) stipulating the creation of CSF was signed between United States Agency for International Development (USAID) and the Government of Pakistan, acting through the Ministry of Finance, in late January 2006.

Articles of Association and a Memorandum of Association for CSF quickly followed the signing of the LSGA. Working jointly with the Ministry of Finance, CSF registered with the Securities and Exchange Commission of Pakistan (SEC) on January 26, 2006. The fund is incorporated under the Pakistan Companies Ordinance, 1984, section 42 as a public company limited by guarantee. CSF received approval from USAID for its Work Plan and Performance Monitoring Plan (PMP). In terms of human resources, CSF developed employment criteria and hired most of the necessary staff. An initial CSF Board of Directors was approved by the Prime Minister in April 2006 and put into place. Finally, CSF established an office, opened accounts and launched its website.

The TA window of the CSF supports Pakistan's goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. It will further carry out policy relevant analysis that supports second-generation reform activities and/ or that focuses on the competitiveness opportunities and constraints in specific sectors with high growth potential and competitive advantage to grow.

TA progress by CSF in 2006 included considerable achievements in direct exchange of experiences, benchmarking exercises, development of best practices and education. These included the visit to Pakistan of notable competitiveness expert Professor Michael J. Enright, Director, Hong Kong School of Business and Economics, who is from Harvard and one of the drivers of Asian competitiveness to brief Pakistani stakeholders on competitiveness issues, fact finding missions to Asia and Europe, the organization of The Competitiveness Institute's (TCI) regional conference for Asia-Pacific in Islamabad (which resulted in benchmarking Pakistan's global competitiveness,





## Competitiveness Support Fund Annual Progress Report

increased the profile of competitiveness and competitiveness-related initiatives in Pakistan and generated ideas for CSF activities) and the establishment of a resource library on competitiveness.

TA developments in the field of education also included CSF's sponsorship of Pakistani journalists in the Innovation Journalism Fellowship Program at Stanford University, which required that CSF establish an administrative working structure within Stanford. Two journalists have been selected according to the criteria of Stanford University. Additionally, CSF sent a delegation of Pakistani journalists and business representatives, headed by the Minister of State for Finance to the TCI Annual Conference in Lyon, France. Efforts on exchange of experiences, benchmarking exercises, development of best practices continue with studies CSF has undertaken, including a policy analyses on the competitive advantage of the motorcycle industry in Pakistan, competitive aspect of the food processing sector, action plan for fish quality and value adding at Karachi fisheries harbor, gender contribution to the economic growth as well as the State of Pakistan's Competitiveness Report.

Of direct pertinence to the latter, CSF welcomed the release in late September of the World Economic Forum's Global Competitiveness Report 2006-07. Pakistan's showing in both of the main indexes in the report gives cause for encouragement. Pakistan's ranking in the Global Competitiveness Index (GCI) improved from 94<sup>th</sup> in 2005 to 91<sup>st</sup> in 2006, while in the new Business Competitiveness Index (BCI), Pakistan came in at a respectable 66<sup>th</sup> among 125 countries. CSF played a vital role in collecting the survey information necessary for Pakistan's inclusion in the report, and information from the report will now serve as a basis for CSF's work on the State of Pakistan's Competitiveness Report. In December 2006, CSF also signed a partnership agreement with the World Economic Forum.

CSF also made strides in TA by finalizing groundbreaking memoranda of understanding with the Higher Education Commission to conduct joint projects to promote the knowledge-based enterprise sector in Pakistan. Pursuant to the MoU between the HEC and the CSF, the parties have undertaken two significant joint projects:

1. The Pakistan Competitiveness Learning Platform (PCLP)
2. An effort to assist universities and research institutions in commercializing the innovations developed by their faculties.

A number of joint workshops were held in the four provinces to introduce joint efforts. A joint application form has been developed for applied research projects to be financed.

Further MoUs have been signed with the Pakistan Agriculture Research Council (PARC) to work



## Competitiveness Support Fund Annual Progress Report

together on the research done at PARC. An Action Plan has been developed to implement the provisions of the MoU signed between PARC and CSF. The MoU states that the joint aim of the two institutions (PARC and CSF) is to develop Pakistan's agriculture and commercial agribusiness through knowledge-based agricultural initiatives. An MoU has been signed with the Government of Sindh for joint activities to promote regional economic development and competitiveness.

CSF has entered into a partnership agreement with the World Economic Forum under which it will implement the Executive Opinion Survey which along with the hard data indicators serves as the basis for the annual competitiveness rankings. CSF implemented the surveys in 2006 and will do so in the following years. The CSF will ensure proper implementation of the surveys according to WEF standards and guidelines so that Pakistan can be properly ranked in the annual Global Competitiveness Report.

CSF has published the first annual State of Pakistan's Competitiveness Report which is an important component in the ambitious effort by the Government of Pakistan to improve its competitiveness rankings, monitor progress in second generation reforms and encourage broader public awareness and support for these reforms. It will also foster a broader and deeper dialogue between the government, the private sector and civil society on issues related to competitiveness. The objective of the report is to provide an overall look at the Pakistan economy and prospects for growth.

CSF initiated at least four policy studies in its first year on the global competitiveness of selected economic sectors: the motorcycle industry, food processing, auto vendor industry and seafood/fisheries to examine the competitive advantage of the targeted sectors with potential to grow. The studies on the motorcycle industry, action plan for fish quality and value adding at Karachi fisheries harbor and food processing sector have been completed in the first work year and the outcomes are being implemented. For the quantified impact of the studies please see Appendix I. The CSF has also carried out a study to identify the gender integration in the economic development and its contribution to the economic growth in Pakistan.

CSF's primary goal with its matching grant facility is to support investments/ projects that showcase innovation and upgrade economic competitiveness. Eligible applicants include industry associations and other bodies that represent the collective interests of a number of firms in an economic sector, universities and industry-related research and training institutes, including pilot projects emanating from the USAID-sponsored PISDAC project. Over the summer of 2006, CSF staff finalized the procedures, criteria and structure of the matching grant facility. Put in the simplest terms, the proposal for funding should identify and involve the industry with which it will work in partnership – academia, local government etc. It should also include the quantified



impact, including creation of new jobs, additional income generation, improvements in quality of products and services and promotion of export and investment. Fifty percent counterpart contributions from the relevant industry or institution will be considered a prerequisite of the selection process. CSF started receiving its first tranche of applications, which are reviewed for possible financing. However, 9 projects from different sectors have been short-listed and submitted to the Board of Directors of the CSF for financing.

The Government of Pakistan, through the Ministry of Finance, will be the primary funder of the business incubator/ venture capital facility. The goal of the incubator/ VC facility is to develop the knowledge-based enterprise sector by helping entrepreneurs in converting their ideas into exportable commercial products and forming productive business ventures in Pakistan.

During their stay in the incubator, entrepreneurs may turn their abstract ideas into products of proven feasibility, novelty, advantages and necessity in the international marketplace. The entrepreneurs' terms of activity in the incubator considerably enhance their prospects of raising the financial investment they need, finding strategic partners and emerging from the incubator with viable businesses. In order for a project to be accepted in the incubator program, it must be based on an innovative technological idea that aims to develop a product with export marketing potential. The stay of a project in the incubator will be approximately two years. The level of financing will be 85 percent of the approved budget, of which 70 percent shall be covered by CSF's financing, with the remaining 30 percent coming from the incubator's consortia.

Finally, from its inception, the CSF has made meaningful progress in creating a multi-media branding strategy for itself, for USAID and for the Ministry of Finance, Government of Pakistan. Aspects of this strategy already in place include:

- A full range of communication material carrying the logos of the three entities, including a CSF brochure
- Substantial, consistent engagement with print, radio and television media to carry the CSF message with the prominent mention of USAID and GoP support
- Development of a CSF website showing the USAID and GoP-MoF logos along with visuals of prominent representatives from the two entities
- Below-the-Line marketing products, such as banners, leaflets and posters, used in particular to highlight CSF, USAID and GoP-MoF at conferences and workshops
- The web site has been an important tool for information dissemination to users interested in competitiveness issues. More than 1600 people access the web site daily.



## 2. Introduction

The Competitiveness Support Fund (CSF) is an independent body established to reposition the Pakistan economy on a more competitive global footing. It is a joint initiative of the Pakistan Ministry of Finance and the United States Agency for International Development (USAID).

The LSGA titled “The Pakistan Competitiveness Support Fund (CSF),” with the activity number of 391-G-00-06-01073-00, authorizes US\$ 11,822,766 from USAID to be provided over a period of three years. According to the PC-1 submitted by the CSF, the Government of Pakistan, through the Ministry of Finance, will match the funding provided by USAID and other donors.

CSF is the outcome of a USAID-sponsored benchmarking exercise of the enterprise competitiveness and economic growth policies of the Government of Pakistan. The work, which was carried out as part of the USAID-sponsored Pakistan Initiative for Strategic Development and Competitiveness (PISDAC), aimed to identify shortcomings in enterprise competitiveness and development stakeholders operations that have prevented organizations from fostering competitiveness in Pakistan.

This benchmarking exercise identified several gaps in stakeholder performance and proposed a series of interventions that could accelerate the adoption of practical competitiveness-building initiatives in Pakistan. These gaps include:

- Lack of innovative approaches;
- Lack of linkages between the academic community and industry;
- Poor dialogue on policy and reform issues;
- Slow commercialization of innovation;
- Weakness in the legal framework for a viable economic environment.

The study also emphasized that Pakistan lacks a vehicle, such as a competitiveness support fund, to finance and promote innovation. Therefore, the CSF is designed to address these gaps. The concept of the CSF is based on similar funds established in other countries to make the private sector more competitive and to improve the policy framework needed for innovation-based competitiveness. The CSF has been benchmarked against these funds, structured according to the international best practices developed from their successes and tailored to the current Pakistani economic environment.

## 2.1- Objective

CSF will support Pakistan's goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. CSF will also provide technical assistance and co-financing for initiatives related to entrepreneurship, business incubators and private-sector-led initiatives with research institutes and universities that contribute to creating a knowledge-driven economy. CSF activities will help all producers along the value chain that contribute to ultimate product quality.

By obtaining better value and better prices for quality products, and improving cooperation throughout the Pakistani economy, the CSF will contribute to poverty alleviation by providing more income for producers and better employment prospects for employees.

## 2.2- The Four Core Instruments

The effectiveness of CSF requires involvement of academia, government and private sector. CSF carries out its objectives through four core instruments:

### 1. **Set-up of Administration and Operational Structure:**

The set-up phase of the project lasted approximately five months. During this period, founding documents and procedures were written and the necessary approvals were obtained. The CSF office was established, accounts were established, employment criteria was developed and staff was hired. CSF also launched its website.

### 2. **Technical Assistance (TA):**

The TA window supports Pakistan's goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. It will further carry out policy relevant analysis that supports second-generation reform activities and/ or that focuses on the competitiveness opportunities and constraints in specific sectors with high growth potential and competitive advantage.

### 3. **Matching Grants:**

The primary purpose of the matching grant facility is to support investments/projects that showcase innovation and upgrade economic competitiveness. This would be done through providing financial assistance through a grant to those sectors of Pakistani businesses that have a potential to become competitive at domestic and international markets to yield sustained economic growth and poverty reduction. Eligible applicants include industry associations and other bodies that represent the collective interests of a number of firms in an industry sector, universities and industry-related research and training institutes, including pilot projects emanating from the USAID-sponsored PISDAC project. The proposal for funding should identify and involve the industry with which it will work in partnership, along with academia and local government. Fifty percent counterpart contributions from the relevant industry or institution will be considered a prerequisite of the selection process.

### 4. **Business Incubators/ Venture Capital (VC) (Government of Pakistan Contribution through its PC-1):**

The Government of Pakistan, through the Ministry of Finance, will be the primary funder of the Business Incubator/ Venture Capital facility. The goal of the Business Incubator/ Venture Capital facility is to develop the knowledge-based enterprise sector by helping entrepreneurs implement their ideas by turning them into exportable commercial products and forming productive business ventures in Pakistan.

### **3. Set up of Administration and Operational Structure**

It took approximately five months to execute most aspects of the set-up phase. The administrative requirements that were completed in order to establish CSF include, but were not limited to, the following:

- Obtaining the necessary approvals from the Government of Pakistan and USAID.
- Completing USAID Work Plan and Performance Monitoring Plan (PMP).
- Filing all required legal documents and registrations.
- Laying out the governance of CSF, such as its Board of Directors.
- Appointing the chairman and CEO. Developing a website for CSF.
- Preparing, publishing and disseminating a brochure for CSF. Setting up of bank accounts and accounting systems.
- Creating accounts as required by each financial contributor.
- Identifying and outfitting offices.
- Hiring and training of staff.

#### **3.1- Founding Documents, Approvals and Authorizations**

Significant progress has been made to launch the activities of the Competitiveness Support Fund (CSF), since the signing of the Limited Scope Grant Agreement (LSGA) that stipulated its creation. This LSGA between the United States Agency for International Development (USAID) and The Government of Pakistan (GoP), acting through the Ministry of Finance (MoF) was signed in late January 2006. Through the LSGA, USAID has agreed to contribute an estimated \$12 million over a three-year period to the CSF. The GoP also has agreed to match USAID's contribution up to \$10 million.

Articles of Association and a Memorandum of Association for CSF quickly followed the signing of the LSGA. Working jointly with the MoF, CSF registered with the Securities and Exchange Commission of Pakistan (SECP) on January 26, 2006. The Fund is incorporated under the Pakistan Companies Ordinance, 1984, section 42 as a public company limited by guarantee.

The PC-1 was prepared by CSF and submitted to the MoF for discussion by the Central Development Working Party (CDWP). It was first approved by the regular CDWP on October 24, 2005. Prior to approval by the CDWP, this PC-1 was discussed at a total of three CDWP meetings, from which revisions were proposed and made accordingly by CSF. One important revision centered on the sponsoring agency changing from the Ministry of Industry to the Ministry of Finance. Following the revisions and approval by the CDWP, the PC-1 was sent to the



## Competitiveness Support Fund Annual Progress Report

Executive Committee of the National Economic Council (ECNEC) where final approval was given on 30<sup>th</sup> November, 2006.

This PC-1 sets forth the role and obligations of the Government of Pakistan as a partner in the CSF project. It commits the GoP to contribute US\$10 million to the project. The majority of this contribution will be used for the Business Incubation/ Venture Capital (VC) financial facility of the CSF.

On August 4, 2006, the CSF and the Pakistan Ministry of Finance also signed a Memorandum of Understanding. This MoU allows the CSF to directly deal with USAID on financial matters, thereby greatly simplifying CSF compliance with USAID rules and regulations regarding justification and disbursement of funds from that agency.

Finally, in the last quarter of 2006 USAID approved CSF's work plan and performance monitoring plan (PMP). Both documents, required by USAID, go into great detail about CSF's objectives for its first year of operation and the plan devised for carrying out those objectives.

### **3.2- Management, Staff and Employment Criteria**

In accordance to its employment criteria, CSF recruited most of its management and staff in a quick and effective manner.

An initial CSF Board of Directors was approved by the Prime Minister in April 2006 and put into place. This initial Board is comprised of public sector representatives. The approval process for both the CEO and the Board consisted of the submission to the Prime Minister of a summary list of suggested candidates from which he approved the successful candidates. The appointments and approvals were carried out in accordance with the LSGA that defines all rules and regulations that apply to CSF's function.

Further development of the board was required to include representatives from the private sector. CSF has identified suitable candidates in consultation with the Ministry of Finance and USAID. The list was sent to the Prime Minister for approval. The Prime Minister has approved relevant private sector representatives for the Board of Directors.

The GOP financial contribution of US\$10 million will be used primarily for the Business Incubation/ Venture Capital financing facility of the CSF. Additionally, the GOP will also contribute to support some Management Overheads for 3 to 5 employees in further stage.





## Competitiveness Support Fund Annual Progress Report

Project administrative costs include Capital Asset costs, Salaries and Recurring Expenses. USAID contributes 100% of the CSF's administrative costs for the life of the projects (three years). Years two and three have a built-in five percent cost of living increase for salaries and recurring expenses. Actual cost details for Administrative Costs, Technical Assistance and the Matching Grant Facility will be provided in the Annual Workplan.<sup>1</sup>

The CSF will operate with a highly qualified, internationally competitive and efficient team in accordance with internationally acceptable standards. The small, flexible and efficient team will source out some of its work to the local and international experts as well as it will work and coordinate its operations with the other relevant institutions/ agencies.

### **3.3- Operational Set-Up**

CSF offices were occupied on March 16, 2006 and quickly furnished. Management established a bank account at Citibank for the CSF/ LSGA on April 1, 2006.

#### 3.3.1- Development of CSF Website

At a public event on August 1, 2006, CSF launched its website: [www.competitiveness.org.pk](http://www.competitiveness.org.pk) In addition to providing a general overview of CSF, the website features important CSF information regarding matching grant procedures, entities eligible for CSF funding, events, media coverage and more. It also serves as a resource for other relevant competitiveness topics, such as links to CSF partner organizations like the World Economic Forum, VINNOVA, The Competitiveness Institute (TCI), Stanford University and The University of Hong Kong, School of Business and Economics.

#### 3.3.2- CSF Brochure

CSF developed an initial brochure in May 2006 for use in the early stages of development of the project. As the structure and operation of the Fund became more detailed and established, management saw the need for an updated brochure. CSF completed work on this new version in October 2006. It is expected that this 12-page publication will have currency at least through the first year of the project. It will be of use not only as a tool for information dissemination about CSF's activities but also as an initial informational tool for prospective applicants to the Matching Grant Facility and other CSF programs. The brochure prominently features the USAID and Ministry of Finance logos and repeatedly mentions the support provided by the two institutions.

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<sup>1</sup> LSGA, Annex 2, page 12.



## 4. Technical Assistance

The Technical Assistance (TA) facility is one of the key instruments to ensure that CSF is developed and operates successfully. Its central objectives are:

1. Identify commercial sectors that have competitive advantage with potential to grow
2. Contribute to the deregulation and liberalization of the Pakistani economy
3. Support the creation and operation of the Fund
4. Support Pakistan's goal of a more competitive economy by providing input into policy decisions
5. Work to improve regulatory and administrative frameworks
6. Enhance public-private partnerships within the country

It will further carry out policy relevant analysis that supports second-generation reform activities and/ or that focuses on the competitiveness opportunities and constraints in specific sectors with high growth potential and competitive advantage.

The mechanism for carrying out the TA facility is straightforward. The Government of Pakistan, through the Ministry of Finance, identifies the areas in which it believes it requires technical assistance. It then consults with the CSF on the topics it recommends, and the CSF determines whether or not the requests are relevant to its central TA objectives. For those projects that meet these central objectives, the CSF then carries out the technical assistance it deems appropriate subject to the conditions under which the fund was established and to the availability of budgetary and staff resources.

### 4.1- Industry Level Technical and Financial Assistance

CSF has set the procedure and criteria for the Industry Level TA which provides grants (not to exceed US\$25,000 each) for innovative or research based initiatives that may enhance the competitiveness of the Pakistani economy. The proposed exercise must benefit a cluster or group of firms in a sector of the economy. Existing industry associations, chambers of commerce, industry development organizations etc, are eligible to apply for such assistance. Such TA may also include the CSF providing short term foreign experts.

Request for such TA will be judged on the basis of the following criteria:

- Substantiation of the need for the project and its alignment with the goal of the CSF to improve the competitiveness of the economic sector concerned
- Definition of objectives and goals of the exercise

- Level of detail and planning
- Level of involvement of beneficiary firms/ enterprises
- Ability of the applicant organization (and its team) to deliver in terms of qualifications and prior experience relevant to the proposed project

#### 4.2- Competitiveness Library

In July 2006, the CSF started a resource library on economic competitiveness and innovation. The library will serve two purposes:

1. Provide access to the most pertinent information to researchers, entrepreneurs, government officials and others with an interest in the subject
2. Serve as a resource for the CSF staff in their work.

To keep costs manageable, CSF assured that most of the first acquisitions to the library were provided in-kind from its partners, most notably, the World Economic Forum, which sent various editions of its *Global Competitiveness Report*, *Arab Competitiveness Report* and other publications free of charge. Such a library on competitiveness is particularly valuable in Pakistan, as most titles on the subject are unavailable in-country and, when available, are often expensive.

#### 4.3- Organized Conferences

During its existence, CSF will directly organize conferences/ workshops in Pakistan to increase applied knowledge of competitiveness in the country among its relevant stakeholders. CSF also will support the participation of Pakistanis in competitiveness conferences, workshops and educational programs organized by other institutions outside of Pakistan. CSF backed two such sponsorships in its first working year:

1. The participation of two Pakistani journalists in the Innovation Journalism Program at Stanford University (to be increased to four each following year)
2. The contribution to The Competitiveness Institutes annual meeting in layon by a delegation including six members from Pakistan.

This activity of the CSF opens a window of opportunity for Pakistan's public and private sector leaders to engage in a nationwide dialogue on how to reposition Pakistan in the global market. The conferences and workshops also provide a platform for Pakistan to present the investments and policy reforms it is implementing to stimulate higher value and increased productivity. These efforts are elements of a nascent competitiveness strategy that will improve Pakistan's standing in global competitiveness rankings.

#### 4.3.1- Visit of Competitiveness Expert Professor Michael J. Enright

To mark its launch, the CSF brought the notable competitiveness expert Professor Michael J. Enright, Director, Hong Kong School of Business and Economics in late March 2006 to brief all stakeholders on the establishment of the Fund and held the Regional TCI Conference on Competitiveness and Economic Growth of Asia in Islamabad in May 2006. During Professor Enright's visit, he addressed business groups in Lahore, Karachi and Islamabad on the importance of competitiveness (including the essential role of public and private sector involvement in competitiveness initiatives), provided specific experiences and lessons that can be drawn from China's rapid development and highlighted several areas of potential importance for Pakistan as it improves its own competitiveness. He also briefed Pakistan's Prime Minister and Minister of State for Finance and met with selected representatives from international donor organizations and consultants engaged in competitiveness projects in Pakistan. Finally, Professor Enright held discussions with managers from the CSF to provide input and advice on how the Fund can best achieve its objectives and to explore further collaboration between himself and the Fund.

#### 4.3.2- Fact Finding Missions to Asia and Europe

As part of the preparation for the TCI Regional Conference on Competitiveness and Economic Growth in Asia, Mr. Bayhan undertook trips to Europe and Asia. In coordination with the Ministry of Finance, Mr. Bayhan, CEO of CSF, went to key European countries, April 9-13, 2006, and met with relevant government agencies, private sector representatives and the heads of the key universities to discuss their participation at the May conference. Locations visited included Spain, Ireland and the Commission of the European Union in Brussels. After the European mission, Mr. Bayhan went to key Asian countries such as Thailand, Malaysia and China on April 20-28, 2006.

These trips followed the usual practice for TCI regional conferences whereby the co-hosting country visits those countries from which it wishes to generate participation. The experiences of such countries are essential for Pakistan as a sort of benchmarking/ gap analysis to help the country understand where it has to move to become more competitive globally. Meetings in each of these countries also helped to ensure that relevant cases were properly showcased at the conference.

#### 4.3.3- TCI Regional Conference on Competitiveness

With the financial support of the USAID Mission to Pakistan, the CSF organized its first conference on May 14-16, 2006 in Islamabad. A regional conference on competitiveness for the Asia-Pacific region, the event was held under the auspices of the Ministry of Finance and the Barcelona-

based The Competitiveness Institute (TCI). Against the backdrop of Asia's place as the world's fastest growing region, the conference examined why and how the emerging Asian markets are improving their competitiveness.

China, whose growth rate will soon make it the world's fourth largest economy, along with India, have begun to dominate segments of the global value chain including those which are knowledge-based and where innovation and increased productivity are critical, such as in IT. The relatively quick emergence of Asia has created substantial opportunities and challenges both to countries in the region and to the heretofore dominant economies of Europe and North America. Asia is attracting the interest of business people, policy makers and academics from all over the world as a market, an investment location, a production platform and a competitor.

The conference took place in Pakistan to highlight Pakistan's determination to improve its competitiveness both regionally and globally.

## **Outcomes**

The conference was very successful in achieving its stated aims:

- Increasing the profile of competitiveness and competitiveness-related initiatives in Pakistan.
- Bringing several of the world's leading experts on competitiveness to Pakistan to share their views, including specialists working on competitiveness issues in South and Central Asia.
- Generating ideas for the Competitiveness Support Fund (CSF).
- Focusing attention on some of the major competitiveness issues in Pakistan.
- Placing Pakistan's competitiveness initiatives on the international map.

The foreign participants were impressed by the smooth operations of the organization of the conference as well as the degree of knowledge of competitiveness issues exhibited by local participants. The local participants were impressed by the range and depth of knowledge represented in the international group of participants.

The combination of local, regional and global participants generated a great deal of information and discussions that can be useful in helping the Competitiveness Support Fund (CSF) plan its agenda. The conference also attracted a number of local and foreign individuals and organizations that can become allies in the CSF's efforts going forward.

The ideas exchanged at the conference provided CSF with valuable input with which it will carry out a number of initiatives:

- The Fund will produce a policy relevant analysis countrywide to identify the sectors that have competitive advantage. In this context, the CSF has initiated a study on value chain analysis for one industry as a pilot, the motorcycle industry, along with fisheries, auto vendor and food processing industries.
- It was also suggested that CSF work with bilateral and multilateral institutions studying the practical constraints related to paperwork at the Karachi port and how to speed up efficiency and delivery by improving and modernizing customs clearance procedures to enhance the competitiveness of business transactions. To avoid duplication of effort, CSF first communicated with the institutions already active in this field to assess existing input from ongoing research.
- CSF has prepared the Annual Report on the State of Pakistan's Competitiveness, based on the latest data, international rankings and qualitative inputs from the Pakistani private sector. This report will be used to help structure an extensive, in-depth private-public dialogue that allows the private sector to provide inputs to the government relevant to the budget process and assists the government in setting priorities and monitoring progress.
- CSF has established a formal cooperation with the World Economic Forum (WEF) on the competitiveness process in Pakistan. As part of that relationship, the fund will annually conduct a number of meetings with private sector representatives and financial institutions regarding the Pakistan chapter of the WEF's Executive Opinion Survey of the Global Competitiveness Report. CSF will make certain the surveys distributed at these meetings are completed and sent on time to the WEF's Evaluation Committee in Geneva. This report is expected to be published at the end of October or beginning of November, annually.
- In close cooperation with the Pakistan Higher Education Commission (HEC), CSF has initiated a Competitiveness Learning Platform.
- Additionally, the TCI conference provided momentum to CSF's growing activity in providing technical assistance and co-financing for initiatives related to entrepreneurship and private-sector-led initiatives with research institutes, universities and business incubators that contribute to creating a knowledge-driven economy in Pakistan.

#### 4.3.4- Innovation Journalism Fellowship Program at Stanford University

Since 2006 through 2008, CSF has started a programme of sponsoring participation of leading Pakistani journalists in the Innovation Journalism Fellowship Program at Stanford University in California. CSF has budgeted expenditure of US\$ 262,000 per year for three years to support this project.



## Competitiveness Support Fund Annual Progress Report

Over four to six months, each group of fellows will refine their expertise in reporting on innovation and build international collegial networks. The time is divided between working with top tier U.S.-based news rooms on covering innovation and participating in fellows group activities at Stanford. Each fellow will obtain a better understanding of innovation processes, experience different journalism cultures and different entrepreneurial viewpoints, observe international aspects of the innovation economy and become a part of an international collegial network of innovation journalists. Each Pakistani group will consist of two fellows (two every six months, four total per calendar year), representing both business and technology journalism and perhaps also other sections of journalism that cover innovation. The program will assist in bridging technology and business reporting in Pakistan and bridging the gap between Pakistani reporting and reporting in the US and other countries.

After completing the program, the fellows will receive a Stanford Certificate. An alumni program supports the established networks after their fellowship periods end.

Building on previous experience, the following results may be expected from the International Innovation Journalism Fellowship Program:

- Increasing public focus on innovation, business and technology through the Pakistani news
- Improving communication within clusters or innovation systems, bolstering economic development in Pakistan
- Encouraging greater understanding of the rapidly developing global innovation economy
- Recognition of innovation journalism as a practice of bridging the existing gap between business and science/technology in the news
- Increased understanding of the role of journalism and the news in driving innovation
- An international community of innovation journalists supported by an alumni network
- Enhanced personal networks between international fellows and US hosts
- Nurturing greater understanding of a fellow's society in his/her US hosting publication
- Fostering understanding on how elite universities operate

In preparation for Pakistani participation in this program, CSF stakeholders met with media representatives from Karachi, Lahore, Islamabad and the Northern Territories on January 16, 2006. At the meeting, the attendees selected four journalists to go to Stanford, two for the six-month period starting the last week of February 2007 and another two for the six-month period beginning in July 2007. The CSF will hold another meeting with Pakistani media representatives in November 2007 to select the four journalists who will participate in the 2008 program. CSF and Stanford also have formally created the working mechanism for CSF's support of Pakistani participation in the program, including provisions for a project coordinator to be employed on-site by Stanford to assist the Pakistani journalists with logistics and liaison with their host editors and publications.



Prior to Pakistan's participation in the Stanford program, CSF selected and obtained approvals from USAID for four journalists to attend the 9<sup>th</sup> annual conference of The Competitiveness Institute (TCI), held in Lyon, France from the 9<sup>th</sup> to 13<sup>th</sup> of October 2006. Part of their participation included contributing to a breakout session on innovation journalism and cluster communication.

#### **4.4- Partnership with Pakistan Higher Education Commission (HEC)**

CSF signed a three-year Memorandum of Understanding (MoU) with the Higher Education Commission, which has been set up by the government, on August 1, 2006. The MoU was signed at a joint event in which a Strategic Objective Grant Agreement (SOGA) on Economic Growth and Competitiveness between USAID and the Government of Pakistan was also signed. The joint signing ceremony provided an excellent platform to highlight the economic assistance provided by the US Government to Pakistan. It received considerable favorable press.

Among the undertakings stipulated in the MoU, the HEC and CSF agreed to jointly set up a forum for the identification of research-based projects that will assist in the development of a knowledge-based economy. The forum will also identify research institutions who may be invited to join the Forum. Knowledge-based projects and potential research institutions will be evaluated and matching grants will be provided by the CSF to selected projects.

##### 4.4.1- Cooperation with Universities & Research Institutions for Knowledge-based Enterprise Development

An action plan has been developed by the CSF and HEC to implement the activities stated in the MoU. It was agreed that the two organizations will work together to generate and identify science and technology-based projects at universities throughout the country that have the potential to be commercialized. It was also noted that cooperation can build off of three types of activities already initiated by HEC:

- 20/ 80 grants for 10-12 industrial projects
- Funding for a broader spectrum of hundreds of sector-specific research projects
- Support of Centers of Excellence within key universities and research institutions
- Per the suggestion of CSF, the two entities will also investigate the feasibility of holding a series of trade fairs to highlight the science and technology-based projects developed at universities. The aim of the fairs would attract private-sector representatives looking for innovative products and systems to commercialize

Activities related to another key point of cooperation, promoting professionalism in business schools, will be dealt with in a second venture between the CSF and the HEC.

#### 4.4.2- Action Plan HEC/ CSF

##### Informative Workshops:

A series of interactive workshops in Lahore, Karachi, Islamabad and Peshawar were conducted to promote private sector involvement in commercialization of viable research projects. There was active participation of academia, industry representatives and women professionals. The participation level by the Government officials was also very encouraging and has established the basis for a “triple-helix” of industry, academia and government collaboration on the projects. The final workshop in this series is planned to be held in Quetta.

The purpose of the workshops was two fold:

- I. Help relevant stakeholders exploit the potential of applied research for innovations and identify areas of mutual interest and provide linkages with chambers of commerce and industries, private sector associations and other consortia of businesses.
- II. Introduce the details of the HEC and CSF joint cooperation, including the financial criteria, application forms and scoring of the applications.

A joint application form has been developed to include, among other things, the following financing criteria of both institutions:

- High potential to generate jobs, income, exports and investments
- High potential to improve quality of products and services
- Appropriate environmental, health and social impact
- Participation of the triple helix actors, specifically the private sector involvement in financing the 20% of the total project costs
- The number of the projects to be financed is expected around 10-15

The total amount of the each project: US\$ 20,000 - US\$ 250,000.

Partners’ contribution in details: 20% from private industry, 30% HEC and 50% CSF.

In the second phase of the effort, the stakeholders will convene in the aforementioned cities to discuss in greater specificity projects identified as worthy of support. 12-15 projects will be supported. The groups will also be briefed on requirements for proposal submission and funding. Attendance at these meetings will be restricted to senior faculty, researchers who have put forward research suitable for support, relevant industry and government representatives and

staff from the CSF and the HEC. The program will be advertised for the invitation of proposals through a HEC/ CSF application form. The application will be reviewed by the HEC Review Committee (HRC) for short listing on the joint criteria mentioned in the application form. A joint CSF/ HEC meeting will review the short-listed projects and select the project according to the criteria of the both institutions respectively. The selected projects will be submitted to the boards of the both institutions for the final approval.

CSF/ HEC will also undertake initiatives to implement two other complimentary activities:

1. Trade fairs in Islamabad and Karachi in 2007/ 2008 to promote academia-based research projects with knowledge-based commercial potential to the private industry.
2. Develop jointly a business incubator project as a pilot to promote the incubator concept for business development in Pakistan.

*For more information on the background of the CSF/ HEC partnership, please see section on Partnerships with Other Organizations*

#### **4.5 - The Pakistan Competitiveness Learning Platform<sup>2</sup>**

As Pakistan accelerates its economic development, there is a need for policy makers, analysts, and business people to have improved access to higher quality and quantity of information and analysis on issues influencing the economy. In many other nations, there is a long history of independent economic research organizations that provide insights that can be extremely important to policies and strategies. The independent think tanks in the United States, the “wise men” economic research institutes in Germany, the economic and technology-focused organizations in the Nordic countries, and the development institutes in several Asian countries are important examples.

Despite the important efforts of domestic and international organizations operating in Pakistan, at present, the nation has only limited resources devoted to such activities. As a result, policy makers, researchers, and business people often must make important decisions with less information and analytical backup than is the case abroad. This puts Pakistan’s policy makers and managers at a disadvantage in a rapidly moving world economy. In addition, there is no effort that tries to bring together knowledge and information on competitiveness related topics in Asia. Thus Pakistan has the opportunity to be a first mover for Asia-wide efforts.

CSF has developed the Pakistan Competitiveness Learning Platform (PCLP) to fill these important gaps. The PCLP will seek to collaborate with organizations elsewhere in Asia as well as with leading development organizations from elsewhere in the world. The Competitiveness Institute

<sup>2</sup> For a detailed, comprehensive layout of the mechanisms and processes that structure the Pakistan Competitiveness Learning Platform (PCLP), please refer to Appendix I.

(a global professional body with approximately 400 members in more than 40 countries), the Hong Kong Institute for Economics and Business Strategy, and the Learning Platform of the European Union have already expressed an interest in collaboration.

The activities of the Pakistan Economic and Competitiveness Learning Platform will include:

1. *Independent Research*

- Providing macroeconomic research and analysis useful to the creation of macroeconomic policy in Pakistan, including annual macroeconomic forecasts and assessments.
- Undertaking industry-level or cluster-level analysis to promote the development of key industries and clusters in Pakistan.
- Providing annual assessments of Pakistan's competitiveness based on the Institute's own research as well as on information from international bodies such as the World Bank and the World Economic Forum.
- Linkages with leading institutes in Asia to perform regional analyses.
- Acting as the Pakistan partner for research activities undertaken by major regional and multilateral organizations.

2. *Comprehensive Repository*

- Creating a repository of documents and reports on Pakistan's economy and related development issues to compile the knowledge that has been generated by various agencies and organizations working within the country.
- Creating a databank of economic and business data and information from the rest of Asia that would be useful for policy makers, business people, and researchers in Pakistan.
- Hosting similar data and information from other parts of the region to make Pakistan a knowledge hub on economics and competitiveness in Asia.

3. *Dissemination and Education Programs*

- Delivery mechanism to disseminate the independent research of the institute and to provide access to the data and information in the repository.
- Seminars and conferences that highlight key issues in Pakistan's development, report the findings of the independent research carried out by the institute, and bring leading practitioners and figures to Pakistan to share international best practices.
- Educational and training programs to enhance the overall state of economic and business analysis within Pakistan and to bring international best practices in economic and business analysis to the nation.
- Organizing Asia-wide programs in conjunction with leading international and regional organizations.

### *Benefits to Pakistan*

The benefits of creating the Pakistan Competitiveness Learning Platform<sup>1</sup> would be the following:

- Improved research and analysis to underpin economic policy and business strategy decision making and with which to tell Pakistan's growth story to the rest of the world.
- The ability to cumulate knowledge and research on Pakistan's economy so new work does not reinvent matters already covered by existing work.
- Improved capabilities among economic researchers, analysts, and business people.
- Access to cutting edge work and leading researchers and practitioners from elsewhere in the region and elsewhere in the world.
- Status as a regional center for work on competitiveness and development issues.

### **4.6- Partnership with Pakistan Agricultural Research Council (PARC)**

Through the signing of a MoU, CSF and PARC will partner to support initiatives to promote knowledge-based agribusiness development and ensure long-term growth in agriculture sector. These programs will complement existing projects of the Pakistan Agriculture Research Council. For background to PARC/ CSF partnership please see section on Partnerships with other organizations. For quantified impact please see Appendix I.

#### *4.6.1- Action Plan*

CSF suggested moving towards implementing the MoU via an agreed Action Plan that would be undertaken jointly by PARC and CSF. It was agreed that PARC would absorb the local costs of the Action Plan including the total costs of the projects while CSF would provide international technical assistance.

A Steering or Monitoring Committee will be established to include 3 members from the private sector, 3 from academia, and 3 from government. This Steering Committee would provide overall direction and guidance for the Action Plan and its implementation. An Implementation Sub-Committee would be established to include two members from PARC and two from CSF and would have the primary responsibility for:

- (a) ensuring the Action Plan was implemented in a timely fashion
- (b) providing a formal monitoring and evaluation (M&E) system for the Plan.

### *Proposed focus of the Action Plan*

The aim of the proposed Action Plan is to implement the provisions of the MoU signed between PARC and CSF. The MoU states that the joint aim of the two enterprises (PARC and CSF) is to develop Pakistan's agriculture and commercial agribusiness through knowledge-based agricultural initiatives.

The Action Plan will implement the provisions of the MoU via the following initiatives:

- Creating linkages with relevant industrial sectors.
- Commercialization of innovative technology.
- Reach international investors and enterprises that could build on local research to develop world-class agribusiness investments in Pakistan.
- Improving the intellectual property aspects of work done by PARC.
- Assisting PARC in exiting business activities (e.g., feed milling) and to privatize these enterprises.
- The Action Plan will also include any gender aspects that will help promote the role of women in agriculture.

It was agreed that the Action Plan would have the following five main areas of activities:

- 1 Review of PARC research programs.
- 2 Workshops in PARC main research centers. (5)
- 3 "Internationalize" applied research.
- 4 Patent protection.
- 5 Privatization of PARC selected business enterprises.

### *Principle subject areas*

- Livestock and dairy industry.
- Post harvest technology.
- Development of the horticulture industry.

All these areas are receiving significant attention from other projects and are priority areas for the Government of Pakistan. They are also areas of agriculture where significant gains in efficiency can be made.

### *Expected outcomes and benefits*

If the objective of the Action Plan is achieved then there should be a substantial gain in the competitiveness of Pakistan's agriculture via the commercialization of different technologies. These gains are likely to arise from crop diversification (e.g. the increased use of drought-resistant crops), yield increase from new varieties, greater crop disease resistance, improved livestock breeds and animal health and, for example, increased milk yields from buffalo treated with hormones, fewer losses from post harvest storage and processing of raw materials.

The monitoring and evaluation system that from the outset will tie financial and technical effort to achieved results. This M&E system will particularly quantify the monetized benefits of the work. The sub-components for benefit analysis will be selected on the basis that the data generally exist to support the calculation being made. They must also be selected on the basis that a clear path can be followed from the interventions brought by ARDI to the objective to be gained.

#### **4.7- Cooperation with the Government of Sindh**

At the request of Governor of Sindh, Dr. Ishrat-ul-Ebad, and Mr. Arthur Bayhan, CEO of the Competitiveness Support Fund (CSF), met in October, 2006 with a small group of policy makers representing key universities, private industry and the Government of Sindh to discuss how the CSF and the Government of Sindh could cooperate to upgrade the competitiveness of the economy in the Sindh province. The group acknowledged the need to promote greater competitiveness, particularly through increased support for a knowledge-based economy. A valuable and lively discussion from the participants produced numerous suggestions of industries and institutions that could benefit from involvement with the CSF initiative.

The Sindh Government has initiated a number of programs and projects to improve the overall economic performance of the province. These include:

- a. Development of new industrial estates.
- b. Upgradation of the existing industrial estates.
- c. Promotion of cluster development.

The MoU laid out the following objectives:

- CSF will carry out a study of various industries presently existing in Sindh to evaluate their competitive advantage.
- CSF will also identify new sectors which may have competitive advantage, that currently do not exist in Sindh.

- CSF will provide technical assistance and co-financing through its various windows for initiatives related to private-sector led initiatives with research institutions, universities and business incubators that will contribute to creating a knowledge-driven economy.
- A monitoring and evaluation system will be jointly developed and implemented by the Sindh Government and CSF to ensure successful and timely completion of selected projects. In this context, a Sindh Roundtable on Competitiveness (SRC) will be set up as a platform to promote public-private and academia partnerships on competitiveness and help effective implementation of selected programs and projects in the province.
- The SRC will comprise of 10-12 members with approximately 2-3 high-level representatives each from the government, the private sector and academia.
- As one of the major donors of CSF, the USAID will also be a member of the SRC. To avoid duplication of efforts made by other donor/ aid agencies operating in Sindh, their representatives will be invited as observers to the SRC meetings to help develop synergy between various programs.
- The SRC will be chaired by the Chief Secretary of the Sindh Government and CSF, and it shall meet at least twice a year to evaluate the progress achieved by the recipients and to discuss the upcoming initiatives in Sindh.
- Based on the outcome of SRC and deliberations of both the parties to this MoU, a detailed action plan will be developed for the proposed joint activities along with their budget estimates.
- A workshop will be held for all the stakeholders from the government, academia and the private sector to put forward and discuss potential activities that may be pursued jointly by the Sindh Government and the CSF.
- This MoU will be operative for a period of three years from the date of signing and may be extended by the mutual consent of both parties who are signatories to it.

#### 4.7.1 Action Plan – Government of Sindh/ CSF<sup>3</sup>

Principle subject areas decided in the CSF-GoS Action plan are:

1. Fisheries –The Karachi Fish Harbor (KFH) has management and technical problems that reduce the competitiveness of the entire national fishery. Exports are under threat due to poor hygiene and management. An Action Plan for the KFH was discussed on 7<sup>th</sup> February 2007 with a Working Group established by the GoS that included the Ministry of Fisheries, Agriculture, Livestock, the Karachi Fish Authority, the Pakistan Fisherman’s Cooperative Society and fish processors. A finalized Action Plan for the KFH will be presented in due course.

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<sup>3</sup> For quantified impact please see appendix I

2. Livestock and Dairy Industry – Pakistan is the world’s fifth largest producer of milk but has a very small proportion of value-added dairy products. Sindh accounts for 14% of the total milk supply in Pakistan. There are various distortions in the structure of supply in Sindh. This includes the presence of milk producing buffalo in the peri-urban areas of Karachi (where feed is trucked to them from rural areas – with economic, social and environmental costs) and a long and inefficient marketing chain that leads to the adulteration of milk where the quality is generally poor. CSF will assist two ways:
  - a. Through promoting and developing buffalo feedlots outside Karachi. (i.e. in the feed areas)
  - b. By funding cooling tanks for the farmers in Sindh.
  
3. Horticulture – There is potential for increasing the supply of cash crops such as tomatoes and chili pepper. Fruit crops such as mangos can have their export value increased by being cooled soon after harvest. CSF can help with the competitiveness aspects and with developing downstream industrial processing of horticulture crops. For example, chili peppers can be processed into oleo-resins and flavors that have a high market value. Access to key markets in Europe, China, Iran, Bangladesh and Malaysia can be enlarged by gaining the correct quality for the excellent varieties found in Sindh.

A number of donors, government organizations and NGOs are also working in Sindh with a specific focus on agricultural and rural development. These include the following that have been selected according to agreed GoS criteria: Rural Development Society, Health and Nutrition Development Society, Indus Resource Centre, Sindh Agriculture and Forestry Workers Cooperative Society and National Rural Support Programme. The Sindh-CSF Action Plan will harness the existing provincial support network of NGOs and projects. As a first step, CSF will, via consultants, review the current rural development programs for their impact on the efficiency of the Sindh economy. These studies could be undertaken in the space of 3-4 weeks and discussed at stakeholder workshops. The short studies and the workshops would lead to developing projects to be financed through the matching grant facility of CSF.

The approach suggested for the Action Plan includes an important cross-cutting issue which is support for greater gender equity as competitiveness is increased. The expected outcomes are:

- Enhanced women participation in the rural economy and improved access to productive resources and technical services.
- Greater access to health, education services, increased awareness of rights through development of community infrastructure, registration, awareness education, and release from bonded labor.

- Increased acceptance of women's roles in decision-making and development activities as components of poverty alleviation.

#### 4.8 - Participation in The Competitiveness Institute's (TCI) Lyon Conference

CSF staff accompanied a Pakistani delegation to the 9<sup>th</sup> annual conference of The Competitiveness Institute (TCI), held in Lyon, France from the 9<sup>th</sup> to 13<sup>th</sup> of October 2006. Mr. Omar Ayub Khan, Chairman of the Competitiveness Support Fund and Minister of State for Finance, led the delegation, which also included four Pakistani journalists. The main theme of the conference was *Governance and Business Involvement in Cluster Initiatives* and included discussion of selected clusters in Europe and innovation journalism programs, training sessions, an academic summit, plenaries on pressing topics and different levels of breakouts. Members and new participants shared ideas, built alliances and explored the best modes of economic development. Additional information was offered about specific clusters, introductory courses on cluster theory and presentations given by an array of world experts. TCI also provided information about past cluster projects and reports about new developments over the world.

Participation at the Lyon conference built on an exchange of communications between the Barcelona-based World Competitiveness Institute (TCI) and Pakistan's Ministry of Finance. The creation of the Competitiveness Support Fund (CSF) and later the TCI Regional Conference (held in Islamabad in May 2006) highlight Pakistan's commitment to make its economy more competitive. The Lyon conference provided a venue for Pakistan's maiden presentation of its competitiveness and how a growing public-private dialogue is working to improve Pakistan's standing in global competitiveness rankings.

Of more direct value, the involvement of the Pakistani delegation exposed its members to the latest information on competitiveness, including training sessions on cluster theory and best practices. This training allowed delegation members to benchmark their own cluster initiatives. Pakistani representatives also contributed to two breakout sessions: one on biotechnology and another on innovation journalism and cluster communication. At each session a representative/presenter from the delegation made a presentation followed by comments and interaction with global experts who provided feedback on the competitiveness work underway in Pakistan. The conference also allowed delegation representatives to make valuable contacts with the foremost experts in the field.

#### 4.9- The Mechanism to Carry out Policy Analyses and Selection of the Experts<sup>4</sup>

The Technical Assistance (TA) facility is one of the key instruments to ensure that CSF is developed and operates successfully. The CSF vision for the TA facility is to offer expert input into the changes and developments required to create an infrastructure suitable for knowledge-based economic development. It will implement this vision by identifying economic sectors that have competitive advantage and contributing to the deregulation and liberalization of the Pakistani economy. In addition to supporting the creation and operation of the fund, the TA window supports Pakistan's goal of a more competitive economy by providing input into policy decisions, working to improve regulatory and administrative frameworks and enhancing public-private partnerships within the country. It will further carry out policy relevant analysis that supports second-generation reform activities and/or that focuses on the competitiveness opportunities and constraints in specific sectors with high growth potential and competitive advantage.

The requirement to carry out the policy analyses of an economic sector can come from the:

- Government of Pakistan through the Ministry of Finance.
- Private Sector and Other Stakeholders.
- Academia, Think Tanks and other Research Organizations.

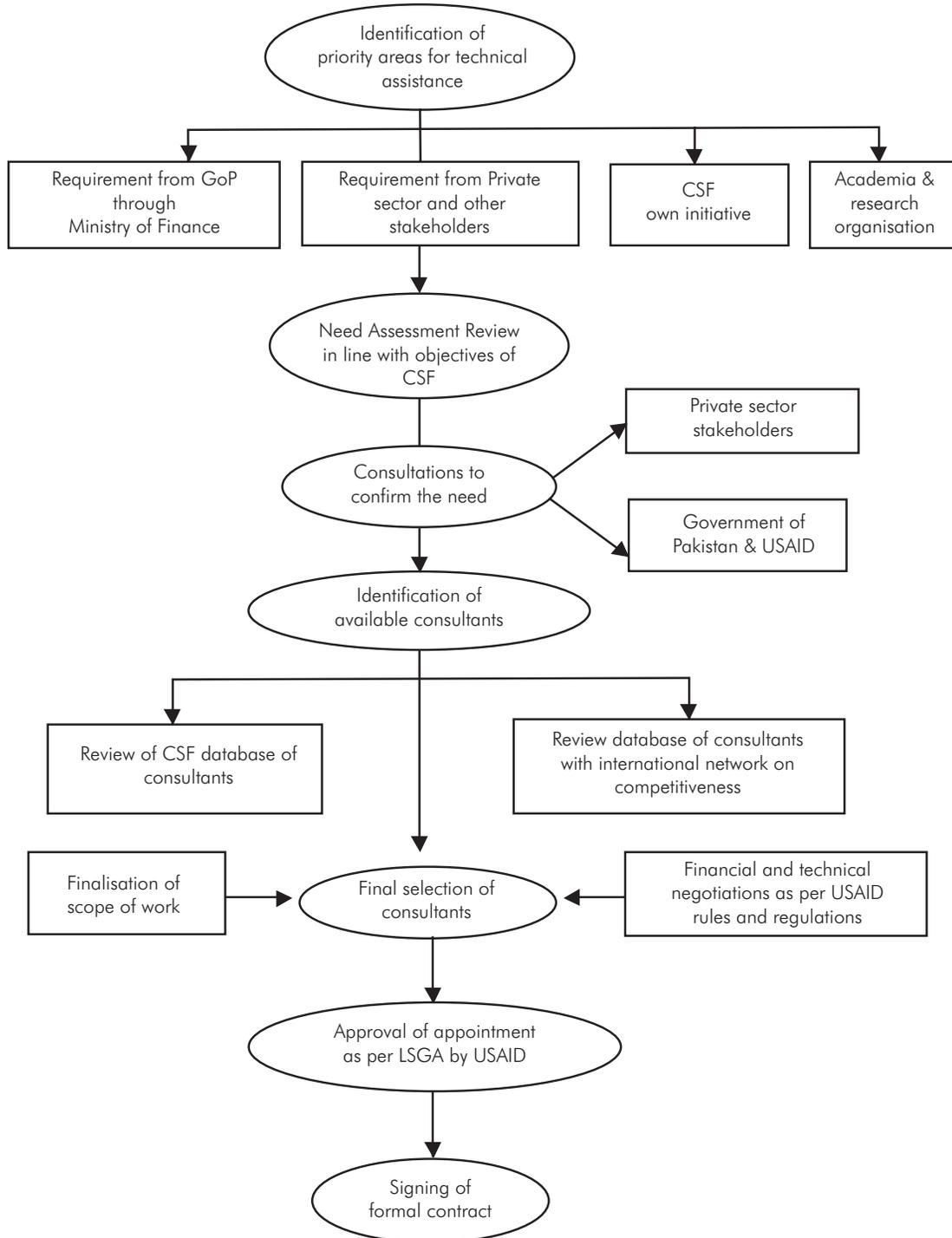
CSF can also carry out policy analyses of a sector at its own initiative particularly if it is critical for economic development and confirms to the TA objectives. Consultations are then held with the relevant stakeholder groups and with the sponsors, in this case USAID and GoP to confirm the need for the study. CSF then carries out the technical assistance it deems appropriate subject to the conditions under which the fund was established and to the availability of budgetary and staff resources.

Identification of the consultants is carried out through reviews of CSF database of consultants and consultations with the international network on competitiveness that includes organizations like World Economic Forum, The Competitiveness Institutes (TCI) and other institutions specializing on competitiveness issues. For a consultant to be eligible for Technical Assistance work, he/ she should possess at least 15-20 years of relevant experience in the task concerned. Financial and technical negotiations are then carried out as per USAID rules and regulations.

After the negotiations, the final scope of work for the consultant, biodata of the consultant that shows his/ her last four years salary and/ or daily fees and the CV are sent to the sponsor agency, in this case USAID, for approval as per the requirements of the LSGA. After having received the approval from USAID the CSF enters into the contractual arrangement with the expert concerned. The detailed flow chart of the process is given on the next page of the report.

<sup>4</sup> This process is for the specific use of USAID funding according to the Limited Scope Grant Agreement signed between GoP/ MoF and USAID.

### The Mechanism to Carry out Policy Analyses and Selection of the Experts



#### 4.10- Policy Analyses on Competitiveness of the Economy & Targeted Sectors in Pakistan

CSF initiated four policy studies in its first year to examine the competitive advantage of the targeted sectors with potential to grow:

- I. Motorcycle industry.
- II. Fisheries.
- III. Food processing industry.

The CSF has also undertaken a study to identify the gender integration in the economic development and contribution of this integration to the economic growth in Pakistan. For quantified impact of all studies, please see Appendix I.

In addition to the four sectors already targeted, CSF welcomes additional requests from other industries and/ or industrial associations for technical assistance through similar policy relevant analyses using benchmarking exercises to examine competitive advantage. Such requests will be demand-driven. Upon receipt of such a request, CSF will first consult with other relevant agencies to identify existing research carried out on the industry in question. The purpose of this investigation will be not only to avoid duplication of effort but also to ensure more informative decisions regarding any work that CSF might undertake. In the event where CSF determines that the requested study has not already been carried out by another institution, CSF will then consult with the government to decide whether or not to pursue such a study.

CSF will use the studies to forward recommendations to the government on policy interventions it should take to make certain sectors more internationally competitive.

##### 4.10.1- Policy Analysis of the Motorcycle Industry in Pakistan

The first sector selected by CSF is the growing motorcycle industry in Pakistan. An expert on the industry was contracted as a consultant to produce this analysis. Motorcycle Industry estimates show that in 2005 a total of over 700,000 motor cycles were produced in the country. The industry has been experiencing a healthy growth rate of around 30% per year for the past 4-5 years. It is estimated that production will cross the million units mark by 2008. To identify the prospects and problems/ obstacles of the motorcycle industry, a high-level delegation from CSF visited Karachi in August 2006 and met the key stakeholders. The delegation made a follow-up visit the first week of September to Lahore for an interaction with the stakeholders there as well.

Presently there are 43 motorcycle assemblers in the country that have been licensed by the Engineering Development Board (EDB). Out of these, there are 3 Japanese assemblers (Honda, Yamaha and Suzuki), while the remaining 40 assemble Chinese motorcycles.

These assemblers buy parts, sub-assemblies and assemblies from over 200 large, medium and small vendors located in Karachi and Lahore. It is estimated that the motorcycle industry employs more than 200,000 people directly and indirectly.

There are a number of government agencies that are involved in regulating, controlling and monitoring the motorcycle industry. These include the Engineering Development Board (EDB), the Pakistan Standards and Quality Control Authority (PSQCA), the Ministry of Industries & Production (MOIP) and the Central Board of Revenue (CBR).

The primary objective of this study was to carry out a policy analysis of the competitive advantage of the local motorcycle industry, along with identification of the problems being faced by the sector. It will use its findings to recommend solutions at the policy and program level on how to strengthen the supply chains and improve the value chains of this industry. CSF is also facilitating the establishment of a Policy Expert Group (PEG), consisting of members from the value chain of the motorcycle industry in Pakistan.

Policy analysis on the motorcycle industry has been accomplished. The CSF plans, together with the stakeholders, to consult the relevant government authorities about the obstacles identified and propose solutions to remove these obstacles. By removing these obstacles the market will be effectively increased from currently 750,000 units to the level of 1.7 million units by 2010 -11. This will create an additional 0.5 million jobs, as it has been identified in the study that 0.5 jobs are created for each additional unit of production.

In addition it will generate additional Rs.20.24 billion as Sales Tax, and additional Custom Duty on CKD at Rs.13.60 Billion. The Provincial Governments will also receive additional revenue in the form of new motorcycle registrations and annual fee to the extent of Rs.5.4 Billion. Furthermore, the study estimates that Pakistan will be able to export 100,000 units by 2010 -11 resulting in Foreign Exchange earnings of US\$50.0 million in 2010 -11. This will continue to increase in the following years provided the recommendation actions are sustained.

#### 4.10.1a Quantified Impact of Interventions in Motorcycle Industry

##### *Suggestion 1*

Provide bank financing for purchase of motorcycles as is available for automobiles, three wheelers, Luvs, trucks, etc.

##### Impacts

- 1) Will increase the motorcycle market from existing 750,000 units p.a. to 1.7 million units by 2010-11.
- 2) Additional 500,000 jobs will be created by 2010-11 due to increase in the market size.
- 3) Approximately an additional Rs. 40 billion will be generated as government revenue as shown below:

Year	Additional Sales Units	Additional Sales Tax @ Rs.7,500/ Unit in billions	Additional Custom Duty Rs.5,000/ Unit in billions	Additional Employment	Add. Revenue Registration at Rs.2,000/ Unit in billions
2006 07	140,000	1.05	0.70	70,000	0.280
2007 08	300,000	2.25	1.50	150,000	0.600
2008 09	500,000	3.75	2.50	250,000	1.000
2009 10	750,000	5.65	3.75	375,000	1.500
2010 11	1,030,000	7.75	5.15	500,000	2.060
Cumulative	2,720,00	20.45	13.60	500,000	5.440

- 4) Additional income generation in the hands of employers, employees upstream and downstream up to 2010-2011 is estimated to be Rs. 100 billion.
- 5) It will generate additional investment of Rs. 3 billion by 2010-2011.

##### *Suggestion 2*

Give the R&D support of 15% of the free on-board (FOB) cost per motorcycle unit imported

### Impacts

- 1) This will result in exports of up to 100,000 units p.a. by 2010-2011.
- 2) Create additional 50,000 jobs.
- 3) Generate over US\$50 million of export earnings.

#### 4.10.2- Action Plan for Fish Quality and Value Adding at Karachi Fisheries Harbor

The work for this Action Plan commenced on 8th January based on a scope of work formulated by the Committee for Inter-Provincial Cooperation in December 2006. The main issues at that time were considered to be the conflict between Sindh and Balochistan over fishing rights and the licensing of trawlers for deep sea fishing. In fact, early work by the consultant indicated that neither of these issues had major implications for the fishery. The incursions by Sindh fisher folk into Balochistan controlled fishing waters were relatively minor and deep sea fishing had largely ceased because of the depletion of the fish stock. It remained, therefore, the task of the consultant to identify what were the critical issues and to propose interventions that met the needs of the entire fishery throughout Pakistan.

These preliminary findings were presented to CSF and the Ministry of Finance on 22 January. The meeting heard that for the wider fishery both inland aquaculture and coastal fishing were equally important. However, whereas the former, though relatively un-intensive and under-developed, had no immediate issues related to competitiveness, the coastal fishery was in crisis. This crisis resulted from the parlous state of the Karachi Fish Harbor (KFH) through which exports of fish and shrimp of up to US\$ 160 million a year were passed. The KFH had had exports to the EU suspended once in October and was facing inspection and again possible closure now. The reason for this was that the Harbor was over-crowded with 4-5,000 fishing boats, unhygienic and lacked the required facilities. Many of these deficiencies had simple technical solutions but the KFH was badly managed and subject to a range of external influences that prevented efficient operation.

With directions received from CSF, the remainder of the time spent on the Action Plan focused on developing a series of project interventions that would dramatically improve the KFH. These proposed interventions were discussed with all the stakeholders and presented to a Working Group comprising representatives of the Government of Sindh (that actually "owns" the Harbor), the Pakistan Fisherman's Cooperative Society (that operates the auction halls), the Karachi Fish Harbor Authority (which operates the Harbor) and representatives of fish processing companies. The Group reviewed the proposal and recommended informally that they should be pursued by a more formal Steering Committee when that could be established.

The consultant submitted the Final Report of the Action Plan to CSF on 12<sup>th</sup> February and it is now under review.

#### 4.10.2a Quantified Impact of interventions for Fish Quality and Value Adding at Karachi Fisheries Harbour

Quantified Impact Analysis	
Suggestion to increase value	Impact
<ul style="list-style-type: none"> <li>Diverting 8% of total catch for human consumption instead of fish meal.</li> </ul>	Annual increase in value of catch of US\$ 35 million
<ul style="list-style-type: none"> <li>Bulk shrimp should be exported part processed or should be processed and packaged for consumption by the end user.</li> </ul>	Dependant on processors ability to invest and adapt, additional value will be no less than US\$ 60 million annually
<ul style="list-style-type: none"> <li>Catering for a luxury market in semi and fully processed product</li> </ul>	Approximately 5% of current internal market amounting to US\$ 50 million annually
<i>Mitigating measures and impacts to save potential loss of income</i>	
<ul style="list-style-type: none"> <li>Clean Karachi Fish Harbor and reduce high catching costs through investment in efficient boats, gear and equipment</li> </ul>	Save potential expected future loss of US\$ 60 million (30% of value of exports) annually Save an expected loss of US\$ 600 million annually
<ul style="list-style-type: none"> <li>Resource management and proper management of stocks through a licensing or quota system as the fishery currently is open entry.</li> </ul>	Save an expected loss of US\$ 600 million annually

#### 4.10.3 - Competitive Advantage of the Food Processing Industry

This study commenced in November 2006 and a final draft is being reviewed. The study is very broad in scope, encompassing the entire food value chain from supply of raw materials, through post-harvest handling and storage, primary processing to the manufacture of food items for sale to consumers. The approach to the work has been through field work and desk research. Since the scope of the food industry is so broad (it includes e.g. commodity crops such as wheat, fruit beverages, meat and dairy products) the work has focused on key cross-cutting issues such as food quality and safety both in the workplace and for consumers.

The study has also undertaken in-depth analysis of sectors that have been identified by the Government of Pakistan as being of special relevance. In particular the horticulture and dairy sub-sectors have been analyzed and case studies prepared of specific areas in which competitiveness can be improved. Finally, the study has benchmarked the approach taken to food processing in Pakistan to Thailand where a very advanced food processing sector developed in similar conditions.

On the basis of this approach and methodology an Interim Report was presented by the consultant to CSF on 9<sup>th</sup> February (a planned presentation to the Ministry of Finance was postponed to a later date). The report indicated that there is a significant difference between the global approach taken to food processing, where the prime attributes are food quality and the safety of consumers' health (both through ingredients, hygienic packaging and in terms of information provided to the buyer by accurate labeling), and the approach taken in Pakistan. Global food processing companies operate in a strict environment in which they have a partnership with regulatory agencies and science-based research and where the industry is driven by demand.

By contrast, the approach taken in Pakistan is based more on the supply of raw materials from agriculture which are processed often in a crude or traditional way before being presented to the consumer on a "take it or leave it" basis at low cost. The Pakistani market for food is therefore not driven by considerations of quality or food safety and in many cases the value-chain damages the quality of the raw material. For example, milk gets adulterated by substances aimed at preserving it because the marketing chain lacks cooling and storage systems.

The study formulates practical interventions to be taken by the government to help change this situation. The current state of affairs does not result from one simple cause but is multi-faceted. While it might be necessary to understand the various causes and to list desired remedies, this approach will not be sufficient to change the situation. What will be required are targeted interventions that provide models of what needs to be done on a broader perspective. In this sense, intervening at the margin (e.g. with export regulations for wheat, or the price of milk) will be worthless. Major steps are required that will provide the entire industry with a clear indication of where it should be moving.

#### **4.11 - State of Pakistan's Competitiveness Report**

The publication of the first annual *State of Pakistan's Competitiveness Report* is an important component in the ambitious effort by the Government of Pakistan to improve its competitiveness rankings, monitor progress in second generation reforms and encourage broader public awareness and support of these reforms. It will also foster a broader and deeper dialogue between the government, the private sector and civil society on issues related to competitiveness. For quantified impact please see Appendix I.

The objective of the report is to provide an overall look at the Pakistan economy and prospects for growth. Competitiveness is key to the Government of Pakistan's objective of achieving high levels of economic growth and rapid poverty reduction. In the report, macro and microeconomic indicators will be evaluated in order to ascertain the barriers and drivers to competitiveness.

It is important to be able to foster broad understanding of the current competitive situation facing Pakistan. The World Economic Forum publishes the *Global Competitiveness Report* (GCR) annually. Pakistan is one of the countries ranked in the GCR, yet to date there has been no in-depth analysis of competitiveness, industry performance and the policy implications that these might reveal. The publication of an annual *State of Pakistan's Competitiveness Report* is an important building block in mobilizing broad popular support within the country for important second-generation economic reforms. The report also establishes a common platform for public-private dialogue and informs and catalyzes clear decision-making among economic leadership.

The Government of Pakistan is committed to the process of dialogue with leaders of the private and social sectors in order to build consensus around initiatives to spur growth and employment. There is also a need to announce to the outside world the intention of the Government of Pakistan to achieve higher levels of global competitiveness in its exports and to become a competitive environment for increased levels of domestic and foreign investment. The report can help the Government of Pakistan benchmark current performance of the country and measure future progress.

CSF has entered into a partnership agreement with the World Economic Forum under which it will implement the Executive Opinion Survey which along with the hard data indicators serves as the basis for the annual competitiveness rankings. CSF implemented the surveys in 2006 and will do so again in 2007. The CSF will again ensure proper implementation of the surveys according to WEF standards and guidelines so that Pakistan can be included in the annual Global Competitiveness Report.

Pakistan's showing in both of the main indexes gives cause for encouragement. Pakistan's ranking in the Global Competitiveness Index (GCI) improved from 94 in 2005 to 91 in 2006. This understates Pakistan's true performance because more countries were included this year. On a percentile basis, Pakistan improved from the 20<sup>th</sup> percentile to the 28<sup>th</sup> percentile. In the Business Competitiveness Index (BCI), Pakistan came in at a respectable 67<sup>th</sup> among 121 countries.

Because the CSF was able to ensure implementation of the World Economic Forum Executive Opinion Survey, Pakistan was included in the Global Competitiveness Report and came to the attention of the world community. Pakistan was mentioned by the BCI author, Dr. Michael Porter, as a country showing significant improvements in key indicators that are highly correlated with future economic growth. "Among the low-income countries, India followed by Pakistan registers the highest rate of dynamism .... Pakistan's improvements are so far concentrated in business environment upgrading, perhaps a reflection of the country's ambitious national competitiveness program."<sup>5</sup>

<sup>5</sup> World Economic Forum, Global Competitiveness Report 2006 2007, page 70.

#### 4.11.1 Initiation and Launch of “State of Pakistan’s Competitiveness Report”

The CSF then contracted with J.E. Austin Associates to prepare the first “State of Pakistan’s Competitiveness” report. The report and PowerPoint presentation were developed in close cooperation with the Government of Pakistan’s economic leadership team. This report has clearly presented Pakistan’s competitive strengths and weaknesses, and is expected to help focus priority attention on specific economic reforms and generate broader understanding and support for the government’s economic reform program.

The report was successfully launched on March 12, 2007 by Prime Minister of Pakistan, Mr. Shaukat Aziz. Approximately, 350 people were present representing a diverse range of stakeholders. The high profile launch generated wide media interest. CSF, its work and its objectives, in particular CSF’s role in the ‘State of Pakistan’s Competitiveness’ have been discussed extensively in both print and electronic media. However, the dissemination of information on competitiveness issues is an ongoing effort and commitment of CSF.

It is essential that competitiveness-related reforms and dialogue take place at the provincial level. At the request of the Minister of State for Finance, the CSF will now create tailored presentations for each of the four provinces. It will then make presentations to private leaders, government leaders and academic and civil society leaders in these provinces in April and May. This will help stimulate broad private-public dialogue on economic development priorities. Inputs will also be solicited from these participants. These will then be incorporated into the competitiveness agenda and communicated to the appropriate authorities.

#### 4.11.2 Quantitative Analysis of ‘State of Pakistan’s Competitiveness Report’

The prosperity and stability of Pakistan is a strategic interest of the United States. Since its return to Pakistan in July 2002, USAID has focused on promoting equality, stability, economic growth and improved well-being of Pakistani families. To achieve this, USAID focuses on creating increased economic opportunities and a participatory, representative and accountable democracy. Specific indicators of achievement include increased market-based opportunities and improved laws, policies and regulations which are encouraged by a sustainable and transparent private-public dialogue process. The production of the first annual “State of Pakistan’s Competitiveness Report” contributes to these objectives in important and quantifiable ways.

Quantifiable Results to Date:

1. Improvement of Pakistan from the 19<sup>th</sup> percentile ranking in 2005 to the 27<sup>th</sup> percentile on a scale of 100 in 2006 among all countries listed.
2. Key competitiveness constraints identified and quantified.
3. Prime Minister, Minister of Finance and Chief Economic Advisor to Prime Minister have reviewed and endorsed the Report.
4. Agreement to engage in broad private-public dialogue workshops at the provincial level between senior Government officials and private, public and civil leaders in Pakistan's provinces around the topic of competitiveness and economic reforms.

Expected Results Going Forward:

1. Further increase in Pakistan's ranking on the Global Competitiveness Index from 27<sup>th</sup> percentile to 50<sup>th</sup> percentile by 2010.
2. Pakistan's ranks among top 60-65 countries on the Global Competitiveness Index by 2010.
3. Approximately 800 Pakistani leaders in 4 workshops exposed to results of the report in different geographic regions.
4. Private-public dialogue facilitated around key economic reform priorities with potential for this to be an annually repeatable exercise.
5. Media coverage in TV, radio and print media reaching tens of thousands of readers and viewers in 2007.
6. Government of Pakistan acts on at least 5 recommendations presented in the Report during 2007.

4.11.3 Improving Pakistan's Competitiveness: Identified Agenda for Immediate Action

Following areas were identified to be discussed with the institutions concerned with improving the macro economic environment

The Ministry of Finance and the State Bank of Pakistan will focus on key indicators of the macro-economy such as inflation, budget deficits, debt as a percentage of GDP, the national savings rate and the average "spread" between the average loan rate and deposit rate in Pakistan's banking sectors. These data are reported by the Government to the IMF World Economic Outlook database. The country credit rating, as reported by Institutional Investor, is another indicator. Legislation which limits debt to 60% of GDP has had a positive effect on the financial markets.

The Securities and Exchange Commission and related organizations have a key role to play in addressing Pakistan's relatively low scores in areas related to corporate governance, protection of minority shareholders rights, efficacy of corporate boards and accountability. Addressing these will also help improve the overall image of private sector institutions.

The Ministry of Commerce has a key role to play in boosting Pakistan's exports which rank low among countries in terms of Exports as a percentage of GDP. However, it is important that this be done without unduly protecting or subsidizing Pakistani industries. Such policies will increasingly run afoul of international trade agreements and also affect negatively Pakistan's scores in other areas. In this way, the competitiveness of these export-industries will improve without negatively affecting the purchasing power of the average person. Specifically targeted initiatives to link Pakistani firms to markets, upgrade technology, provide export finance, improve human resources and provide strategic and technical consulting to help these industries position themselves better in world markets are examples of positive approaches. Lowering the costs of doing business can also help these exporters.

The Ministry of Privatization has a key role to play. While protecting the rights of existing workers, the Government needs to continue to be attentive to the possibilities of improving efficiency by passing non-strategic state-owned enterprises to the private sector. The recent successful results in the financial sector are in large part thanks to previous privatization efforts. This will improve the scores of Pakistan in terms in a variety of efforts related to the "business sophistication" and "market efficiency" indicators.

The Ministry of Education along with educational leaders, university officials and regional leaders must continue to make progress in improving education enrollment at all levels. At the secondary and tertiary level, entrepreneurship training, management training and information technology must be expanded. Schools need to focus on equipping students with marketable skills as well as life skills such as communication, teamwork, conflict resolution and household finance. It is important to equip young people with both the aptitudes as well as the attitudes needed to secure employment. Pakistan's scores related to enrollment rates at primary, secondary and tertiary levels have improved notably but the scores in this area bring down Pakistan's competitiveness rankings considerably.

The Ministry of Health must continue to improve its notable progress in improving access to health services in ways that reduce infant mortality. Last year, the scores of Pakistan were hurt by an increase in reported cases of tuberculosis and public impressions that T.B. and malaria cases were increasing in Pakistan. Some of these impressions were not based on fact. Therefore, it is important that the World Health Organization receive the most updated data for Pakistan

related to life expectancy, infant mortality, malaria, tuberculosis and HIV infection rates. As most of these indicators tend to be improving in Pakistan (HIV excepted), timely reporting will improve Pakistan's scores in this important area.

The Ministry of Housing and Works and Ministry of Ports and Shipping can cooperate on ways to reduce the time and cost from port to factory. Pakistan scores well overall in terms of infrastructure and notable progress in building infrastructure will continue. However, recent problems in supply and reliability of electricity need to be addressed. In some cases, innovative private-public partnerships can help expand infrastructure more rapidly than might otherwise be the case.

The Ministry of Labour, Manpower and Overseas Pakistanis, with trade union leaders and business groups, needs to assure its own workers and the global community that Pakistani firms adhere to global labour standards. To be competitive in the world economy, Pakistan's businesses must adopt world class labour standards or risk erosion of confidence from international buyers who increasingly insist on the rigorous adoption and enforcement of such labor standards. Pakistan can position itself in the world economy as a country in full compliance with such standards and will not be vulnerable to risking its reputation. Also, the Ministry can also help overseas Pakistanis before they leave and on their return by providing the mechanisms for "friction-less" money transfers back to Pakistan and by providing training on household and financial management before departure and after return so that the economy can take maximum advantage of their work and that they can enjoy and repatriate the maximum resources for their future welfare.

The Ministry of Food, Agriculture, and Livestock has a role to play in boosting the productivity of farmers and enhancing the competitiveness of Pakistan's agricultural sector and food industry. This can be done by connecting agricultural research more closely to the needs of farmers and the food industry. The benefits will accrue to both producers in terms of efficiencies and to consumers in terms of lower prices and better quality. Assisting farmers to migrate from low-value products to high-value products will also assist in improving rural prosperity.

The Ministry of Industries, Production and Special Initiatives has been playing a very dynamic role in encouraging industry leaders to come together, formulate strategies for growth and implement initiatives to turn these strategies into realities. SMEDA has been playing an active role in helping to support this effort o foster the development of competitive industry clusters. Strategic assistance in helping Pakistani industries to improve knowledge of markets, launch branding initiatives, utilize E-commerce, enhance quality, train their workforce, link up better with research institutes and training providers and reposition themselves in global markets will

help improve the competitiveness of Pakistan's industries.

The Ministry of Information Technology should recommend policies and initiatives that can rapidly expand the penetration of computers, Internet utilization and wireless digital communications—areas where Pakistan ranks low on the Global Competitiveness Index. Pakistan's rank has been hurt in this area, in part because of "lag times" in reporting. Therefore, it is important to report current data to the World Telecommunications Union and their annual "World Telecommunications Indicators." In the 2006 Global Competitiveness Report, Pakistan's reported rate of cell phones per 100 inhabitants was reported as only 3.3% and it rated 115<sup>th</sup> out of 125 countries despite the fact that Pakistan's current rate is between 30-40% and cell phone sales in Pakistan are among the fastest growing in the world. The Ministry needs to ensure timely and accurate reporting for cell phones, Internet usage and personal computers per 100 inhabitants so that Pakistan gets appropriate recognition for its progress in these areas. Survey data regarding "government success in IT promotion" will also be affected by Ministry initiatives. Pakistan scores quite well in terms of "Government prioritization of ICT."

The Ministry of Science and Technology should formulate and implement a plan to improve the numbers of international patents filed by Pakistanis and Pakistani organizations and to recommend ways to increase investment in R&D as a percentage of GDP. The Ministry should also encourage practical linkages between industry and research institutes so that research investments result directly in increased productivity. In this way, the current low indicators regarding patents and R&D expenditures will improve.

The Ministry of Information and Broadcasting should include an effort to improve popular understanding of competitiveness challenges and support for initiatives that help improve competitiveness.

The Ministry of Law, Justice and Human Rights should continue to focus on judicial reforms and the effective application of the rule of law to commerce, including the enforcement of contracts and the fair resolution of disputes. Scores on property rights and judicial independence need to be improved.

The Ministry of Petroleum and Natural Resources should continue improving the utilization of mines and quarries so as to encourage rational exploitation, value addition and employment generation.

The Ministry of Textile Industry and the Ministry of Tourism both roles to play by challenging their respective industries to formulate their own plan for industry cluster competitiveness and positioning

in global markets. The private sector leaders in these industries should be challenged to come up with strategic plans that set specific targets for revenues, value-added, employment and foreign exchange generation.

The Ministry of Women Development should provide specific strategies and interventions to improve female participation rates in education, employment and entrepreneurship.

Provincial and local governments must develop their own regional economic development strategy. They must create an environment conducive to mobilizing private investment. They must simplify procedures for business registration and operation while still safeguarding consumers, workers and the environment. Many private-public initiatives can be undertaken at the local level to attract investment, enhance training and create good jobs. Provinces need to design and implement strategies to promote and attract private investment.

The private sector has a critical role to play. The Global Competitiveness Index clearly points out that the private sector in Pakistan also needs reform. While it scores well in overall business sophistication, corporate governance and accountability must improve among Pakistan's private companies. The Government can help provide the regulatory framework for improved corporate governance and accountability but corporations must implement the policies that protect the rights of shareholders. The Government can reform its tax policy, lower rates, reduce the cost of compliance and broaden the base but the private sector must respond to this with a culture of voluntary compliance. As GCI points out, private companies need to modernize their use of human resources, delegate authority, use incentives and invest in training. The Government of Pakistan is supporting private and public initiatives to boost the competitiveness of industry clusters through the USAID-financed PISDAC project and through the Competitiveness Support Fund. These initiatives have encouraged business leaders to design and implement strategies for repositioning their industries in world markets and look to their markets and to themselves (rather than primarily to Government) for their future success.

Leaders in the banking industry must continue to seek efficiencies that result in relatively low "spreads" between deposit rates and loan rates and develop new products. These should include products further improve access to credit such as innovative mortgage products that enhance home ownership, free up "dead capital" and allow families to improve their dwellings and standards of living. At the same time it is important to expand credit access without risking the health of the financial sector through good credit practices and by supporting improvements in universal and transparent credit risk reporting such as through credit bureaus which are currently underdeveloped in Pakistan. Improved credit reporting will lower the risk of the banking sector while enhancing access.

Education leaders have a vital role to play in making citizens aware of competitiveness challenges and contributing to solutions in science, technology, law, economics, business and other areas. They will be the ones who will transform the educational sector in Pakistan in ways that allow students to have marketable skills and the aptitudes and attitudes to get good jobs when they graduate. Industries and their education and training providers need to work more closely together to define skills gaps, skill standards and current deficiencies in education and training. All universities and vocational schools need to improve their placement programs and industry outreach activities.

Institutes of research, science and technology have a role to play in focusing their efforts on practical areas that can boost innovation and productivity among Pakistan's major industries, including food and agriculture. Pakistan must increase its role in developing new patents and its R&D investments as a percentage of GDP. As with the education sector, closer linkages must be created between industry clusters and their relevant research institutes.

Religious leaders have a role to play in encouraging people to follow religious and ethical principles in business dealings and in leading upright lives that serve others. The competitiveness challenge is a national challenge with a high moral purpose and religious leaders can help awaken people to the role of each person in responding to this. The Ministry of Religious Affairs and Zakat and Ushr can encourage this by stressing the need for business ethics and adherence to good labour practices.

Press leaders and the media have a role to play in fostering broad public understanding of competitiveness and mobilizing the support of people in helping to achieve the results presented above.

#### **4.12 - Gender Contribution to Economic Growth**

Women in Pakistan enjoy fewer civil and social rights than they do in many societies but the real problem is that women are not actively encouraged to undertake a range of economic activities that would improve the livelihoods of themselves or their families. Indeed for a range of both cultural and religious reasons women are severely restricted in this area – an exception being in some of the poorer rural areas – and women's participation in the economy either as paid workers or self-employed small enterprise owners (including as operators of market stalls or trading intermediaries) is way below what it is in some other countries of the region (e.g. all of S.E. Asia including predominately Muslim societies such as Indonesia). Economies where women cannot fully participate are generally much weaker than where women can more fully participate.

In Pakistan much attention has been paid to why women cannot fully participate in the economy but there are few practical examples of how their greater facilitation can and should be more fully facilitated. There is a diverse range of entry points that include employers being more receptive to the employment of female wage labor to individual women or groups being able to develop their own small businesses. There is little point simply trying to improve the functional literacy levels of poorer women and girls (many very literate women in Pakistan appear to be unemployed or underemployed) or promoting skill development without linking such approaches to current or anticipated demand in the market. Women and girls (they are the future generation) need to be “up-skilled” or “re-skilled” but in contexts where they can make meaningful livelihood choices.

To ground such approaches in Pakistan’s existing economy a study to identify real opportunities was undertaken during January and February 2007 and its findings will be available early March. The study involved a review of this historical evidence of gender contribution to economic growth in a range of different countries in East and Southeast Asia. It also involved field visits to Lahore, Faisalabad, Quetta and Karachi to discuss relevant issues with a range of public sector (including universities and research institutes) and private sector groups (including a range of both local and multinational companies in Pakistan), the preparation of a survey that was sent to more than 100 companies (responses may several months), and roundtable meetings in Karachi and Lahore (to prepare result-based action plans). It is estimated during this month long study more than 500 different people were consulted with, either individually or in groups and more than half if the people consulted were women.

The major output of the study has been to prepare a results-based Action Plan covering those areas of the economy CSF has deemed to be a major priority for improving the competitiveness of Pakistan’s economy. In particular the Action Plan focuses on those sectors, especially the food processing sector, because of rural women’s critical role in the supply chain to determine what impact a more competitive food processing sector would have on improving women’s livelihoods. Partners in this Action Plan include the public sector (including the public providers of training and vocational education and training), academia (including Fatima Jinnah Women’s University), and the private sector (which includes local civil society groups). Other components of the Action Plan include support by CSF to peak employer organizations to undertake an important study on female labor productivity among their members and a study that focuses on tourism: this sector being identified as a future growth sector when regional levels of insecurity are resolved (it is also a Year of Tourism decreed by the Government of Pakistan). The Action Plans are based on quantifying results within 100 days.



## Competitiveness Support Fund Annual Progress Report

One example of actionable results based outputs include groups of women increasing safe milk production from an average of 2.5 liters of milk per milk producing animal to 6-10 liters of milk per day based on better fodder conservation and supplementary feeding techniques. This will complement the support that CSF will provide for the purchase of 1,000 liter cooling tanks in selected rural locations and better quality control to ensure that water is not added to milk produced locally. The added value component from increased hygienic milk production that is stored to ensure minimum wastage is afforded via capacity to produce a range of different milk products (e.g. organic, biodynamic or low fat), specialty cheeses, and yoghurt. Pakistan is the fifth largest producer of milk in the world but very little by way of value is added that would enable milk-based products to be consumed locally or on the international markets.

Another example of actionable results based outputs will be a study to determine how women can enhance their role in the motor-bike and vehicle-assembly industries, both of which have been identified as potentially competitive sectors by CSF. For instance in the motor-bike manufacturing industry it is estimated that at least 500,000 additional jobs will be created over the next five years but the CSF study will seek to identify how many of these jobs would accrue to women (in other countries such as Thailand, Vietnam and Indonesia there are a significant number of female workers assembling motorbikes but they possess the necessary technical and vocational training and education to do so) if industry focused technical and vocational training and education were to be provided. The 100 days result based output will be to assess whether existing or potential training and education providers can develop or build upon existing courses targeted at young women.

Finally it is intended that the actionable results based outputs will be disseminated as widely as possible to demonstrate the economic strengths women in Pakistan do possess or could possess and to dispel the notion that Pakistan women are neither interested in economic empowerment or are capable of economically empowering themselves. CSF is strongly influenced by the underlying premises that competitiveness in Pakistan needs to address both women and men. To this end it recognizes the pervasive importance of gender and through its various windows will ensure that gender considerations are addressed.

## 5. Matching Grant Facility

The primary purpose of the matching grant facility is to upgrade economic competitiveness. This would be done through providing financial assistance through a grant to those sectors of Pakistani businesses that have a potential to become competitive at domestic and international markets to yield sustained economic growth and poverty reduction. The matching grants facility has two explicit objectives that are as follows:

1. Support initiatives/ projects from across the country to showcase innovation and enhance the competitiveness of the economic sectors through pilot initiatives; and
2. Support linkages between academia/ R&D institutions and the private sector aimed at creating knowledge – based enterprises, thus upgrading Pakistan’s economic competitiveness.

The Matching Grants facility would operate on the criterion established through three steps involved to access the facility:

1. Eligibility Criteria.
2. Project Submission Procedure.
3. Investment Process.

The CSF has partnered with other institutions such as HEC and PARC to identify and assist initiatives that have commercially viable results through innovation, research and development in operations and processes. For quantified impact please see Appendix I.

### 5.1- Eligibility Criteria

The CSF Matching Grants facility is open to all the sectors of Pakistan’s economy with a focus on becoming competitive in products or services they are offering. To become eligible for grant, the sector would take into consideration the following pre conditions:

- The grant request is *made* on the matching grant application form available from the CSF office and/or [www.competitiveness.org.pk/matchmaking](http://www.competitiveness.org.pk/matchmaking)
- The grant request *must* be made from an association, trade body, chamber of commerce, formal cluster or network of the sector, foundations, societies, universities or academic institutions.

- The grant request *must* indicate sector or association benefit that brings competitive advantage for the beneficiaries and innovation in the value chain.
- The grant request *must* ensure equity component of the requesting body, which is no less than 50% of the total project cost.
- The grant request *should* include a defined academia linkage towards the scope of the project and objectivity for innovation in the processes.
- The grant request *should* exhibit triple helix model with objective participation of academia, private sector, public sector.

## 5.2- Project Submission Procedures

CSF's review of a proposal it receives from a project sponsor involves internal assessment to determine whether the proposal represents an appropriate opportunity for CSF support. This analysis is based on:

- Priority the project sponsors attach to the project, and if it is infrastructure specific, its likelihood of receiving implementation financing.
- Whether the project offers competitiveness benefit for the sector, including high potential for employment generation, more income, improved quality of products and services, exports and investment.
- Whether the project include triple helix model (public, private and academia) involvement.

CSF's funding is not related to legal status of applicant body and grant requests would be received from multiple sectors of products & services, perceived competitiveness enhancements benefits would establish prima-facie for acceptance or otherwise.

In order to proceed with the submissions, CSF would request additional information from the project sponsors. It would include following information that would aid decision making procedure for grant approval.

## Guidelines for Proposal

- |          |                                     |   |
|----------|-------------------------------------|---|
| <b>A</b> | <b>Executive Summary</b>            | A concise summary of the proposal, including specific objectives of the CSF matching grant for competitiveness enhancement.   |
| <b>B</b> | <b>Project Description</b>          | A brief description of the project’s technical, economic, and financial prospects.  |
| <b>C</b> | <b>Project Sponsor's Commitment</b> | Demonstration of the project sponsor’s commitment to project implementation and ability to implement the project.   |
| <b>D</b> | <b>Implementation Financing</b>     | A discussion of the financing options for project implementation, including <ul style="list-style-type: none"> <li>D.1 Overall cost estimate; proposed ownership and financing structure, and schedule for project implementation; and</li> <li>D.2 Evidence that 50% co-financing is available.</li> </ul> |
| <b>E</b> | <b>Imported Machinery</b>           | A list of the procurements likely to be subject to competitive tenders in which international suppliers can participate and a list of the equipment and services that are likely to be imported for project implementation.   |
| <b>F</b> | <b>Developmental Impact</b>         | Description of the most important benefits that the project will provide to the sector or vicinity it is located in.  |
| <b>G</b> | <b>Impact on the Environment</b>    | Statement on the likely consequences the proposed project might have on the environment.  |
| <b>H</b> | <b>SWOT Analysis</b>                | Description of strengths, weaknesses, opportunities and threats presented to the proposed project.  |

<b>J</b>	<b>Justification</b>	An explanation of why the CSF grant is needed.
<b>K</b>	<b>Terms of Reference (TOR)</b>	TOR for the proposed CSF grant, setting out the primary tasks to be accomplished. The TOR for an infrastructure activity typically includes, at a minimum:
	K 1	Purpose & objective
	K 2	A technical assessment
	K 3	An economic analysis of the project
	K 4	A financial analysis of the project
	K 5	Confirmation of contribution of at least 50% cost of the project.
	K 6	Appropriate environmental analysis of the project (if applicable)
	K 7	Review of regulatory issues related to project.
	K 8	Analysis of the key competitiveness aspects of the project in sector / vicinity where it is located.
	K 9	An implementation plan.
	K10	A final report.

### 5.3- Investment Process

Projects meeting CSF criteria are visited by Manager-Matching Grants for an on-site inspection and information verification.

The CSF assesses each proposal for financing through a review committee. Review committee consists of 5 members but quorum is completed with attendance of 3 members to make recommendations for the grant cases to be presented to the Board of Directors.

#### Review Committee

CEO – CSF	Chairman to the Committee.
CFO – CSF	Member to the Committee.
Sector Analyst	Adhoc member to the committee.
PISDAC Advisor	Adhoc member to the committee (for proposals from SWOGs)
HEC representative	Adhoc member to the committee (for proposals from HEC)

Based on the information and details, the proposal is evaluated on an evaluation grid or scoring criteria.

The review committee provides its recommendations to the Board of Directors (BOD) and based on their approval, grants are then provided to grantees.

During the terms of contract, CSF monitor's the performance of the project and ensures adherence to agreed terms. Technical Assistance is also an opportunity where CSF can play its role within the projects and majority of such assistance CSF expects to provide is in form of user training modules for equipment and technology funded through matching grants.

The investments are combined with competent support and assistance and the Board of Directors of CSF acts as a platform that covers public and private sectors, academia and international and bilateral donor agencies.

#### **5.4- Projects Received**

Over the summer of 2006, CSF began receiving the first project proposals across a range of sectors from several parts of Pakistan. For a brief listing of all submissions to date and projects short listed, please refer to Appendix IIIa and IIIb.

#### **5.5- Coordination with PISDAC Project**

Coordination with the Pakistan Initiative for Strategic Development and Competitiveness (PISDAC) is an essential element to the CSF's efforts. From its inception, the Fund was intended to be a vehicle for funding the Strategy Working Groups (SWOGs) developed by PISDAC. The following coordination is currently underway between PISDAC and the CSF:

- Close interaction between CSF and PISDAC staff and SWOG members.
- Coordination meetings on a weekly basis, where various interventions proposed by the SWOGs are discussed in detail.
- CSF staff attendance at SWOG meetings.
- Presentations to PISDAC staff and SWOG members.
- Cooperation on raising policy strategies at high-levels in the Government of Pakistan joint capacity building and study tours.



## Competitiveness Support Fund Annual Progress Report

Collaboration with SWOG members in developing projects

Currently, the CSF is working closely with the PISDAC staff in developing the following proposals for financing through Matching Grants:

1. Common Facility Training Centers (CFTCs) for the Marble Sector in NWFP/ FATA.
2. Center for Excellence in Jewellery Cluster in Lahore.
3. Solar Kilns for the Furniture industry in various cities of Pakistan.
4. Gold Assay office in Karachi Jewellery Cluster.
5. Ornamental Stone Processing Facility in Quetta.
6. Village Milk Collection and Marketing Cooperative in Quetta - Pishin.

The CSF will remain in close contact with the PISDAC team and with the SWOGs. Future plans for joint capacity building of staff and for joint foreign study tours are also being considered.



## 6. Business Incubator/ Venture Capital Facility <sup>6</sup>

For a detailed, comprehensive layout of the mechanisms and processes that structure the Business Incubator/ Venture Capital (VC) Facility, please refer to Appendix V.

The Government of Pakistan, through the Ministry of Finance, will be the primary funder of the Business Incubator/ Venture Capital (VC) facility. The goal of the Incubator/ VC facility is to develop the knowledge-based enterprise sector by helping entrepreneurs implement their ideas by turning them into exportable commercial products and forming productive business ventures in Pakistan. During their stay in the incubator, entrepreneurs may turn their abstract ideas into products of proven feasibility, novelty, advantages and necessity in the international marketplace. The entrepreneurs' terms of activity in the incubator considerably enhance their prospects of raising the financial investment they need, finding strategic partners and emerging from the incubator with businesses that can stand on their own two feet.

In order for a project to be accepted in the incubator program, it must be based on an innovative technological idea that aims to develop a product with export marketing potential. The stay of a project in the incubator will be approximately two years. During this time, the entrepreneur should carry his/ her idea to the stage of explicit product definition and proven technological and marketing feasibility. There should be a prototype or working model and an orderly business plan. The project should be ready for commercial investment and/ or a strategic partner who is an expert in the field.

After the two-year period, entrepreneurs should be able to continue on their own if necessary, availing themselves of regular channels of state support and, of course, outside investments. The level of financing will be 85 percent of the approved budget, of which 70 percent shall be covered by the CSF's financing, with the remaining 30 percent coming from the incubator's consortia.

This window of the CSF is planned to start with its operations in September, 2007.

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<sup>6</sup> For a detailed, comprehensive layout of the mechanisms and processes that structure the Business Incubator/ Venture Capital (VC) Facility, please refer to Appendix V.

## 7. Branding Strategy for the Competitiveness Support Fund

The Competitiveness Support Fund has been carrying out media outreach and awareness campaigns since its inception. The professionals working with the Fund are constantly engaged in developing a pro-active branding strategy for the Fund, along with USAID and the Ministry of Finance as its principal sponsors. In this context, the initiatives taken up by CSF are listed below.

### 7.1- Communication Strategy

All communication material produced by the CSF clearly mentions the contributions of USAID and MoF in the development of CSF and its activities to address competitiveness issues in Pakistan. USAID is mentioned in all communication materials as the principal sponsor and joint partner of the Government of Pakistan for the creation of the Fund. This includes official correspondences, business cards, the competitiveness portal, press releases and other communication collateral. This strategy has enabled the CSF to create a top-of-the-mind position and brand recall for the USAID and Mof name and logo in the target groups.

CSF has developed a screening process for the journalists in Pakistan who have been identified by the stakeholders as the key media professionals responsible for creating economic content for various media entities, including print and the electronic.

### 7.2- Print Media

CSF has been successful in utilizing the print media for creating the CSF brand name. All communications contained the USAID's commitment to economic development in Pakistan. They also mention the aims and objectives of USAID and MoF, and the rationale behind establishing CSF. CSF has built the capacity of the media professionals to understand the competitiveness issues in the global perspective. The following numbers of journalists in the print media were sensitized by assisting them in developing content on innovation and competitiveness:

	Islamabad	Lahore	Karachi	Peshawar	Total
English Newspapers:	26	18	27	7	78
Urdu Newspapers:	23	15	24	6	68
Newswire Services:	18	06	12	2	38
Total:	67	39	63	15	184

An Impact Analysis of the interaction with the media print professionals and their output is also mentioned below:

**Number of Articles/ Coverage in Media**

No.	Segment	Total Articles
1	Media Coverage (English Newspapers)	152
2	Media Coverage (Urdu Newspapers)	98
3	Media Coverage (Websites)	27
4	Media Coverage (TV/Radio)	102
<b>Total</b>		<b>379</b>

The CSF has received a very positive response from the English newspapers, this has been very helpful in the overall strategy for the Competitiveness Support Fund as well. CSF has used this as a tool to address the opinion leaders of the society in different spheres i.e. Government, Corporate, Private, Academia and Media.

The understanding of the English media professionals is clearly high as compared to the Urdu newspapers. This can also be seen in the number of articles appearing in the English papers as compared with their counterparts in the Urdu press.

As the majority of the population in Pakistan speaks and understands Urdu in their daily lives, CSF will be concentrating more on the Urdu papers to disseminate the competitiveness information to the SME sector its future communication strategy.

**7.3- Electronic Media (Radio & Television)**

CSF activities have been very prominent in the electronic media; all communication in the electronic media mentions USAID and MoF’s contribution in achieving the CSF objectives. Electronic media has carried out exclusive interviews and discussion programs on competitiveness issues. In these instances, CSF has ensured that the visual brandings of USAID and MoF are on screen. This has been achieved by strategically placing the USAID/ MoF logos as a part of the entire theme of the backdrop. In order to communicate effectively on the competitiveness studies of the industries noted above, the media must also grasp the broader competitiveness concepts that inevitably overarch such examination. Therefore, CSF also expects its interaction with the electronic media regarding its work on specific sectors to also address more general competitiveness issues. CSF is working with 67 electronic media professionals to develop the electronic media content on innovation and competitiveness in Pakistan, as per the following breakup:

	Islamabad	Lahore	Karachi	Peshawar	TOTAL
Electronic Media Professional:	22	14	27	4	67

In addition to strengthening and building closer relationship with the media professionals in the metropolitan areas, CSF will be developing its networking with media in Balochistan and interior Punjab, especially the SME industrial triangle of the Sialkot, Gujrat and Gujranwala.

### 7.4- Internet and Website

The Competitiveness Support Fund launched its web portal on August 1, 2006. The website was designed to capture maximum attention of the reader by keeping the site simple and informative. The visual communication of the website carried the USAID and MoF logos, along with visuals of the Prime Minister of Pakistan, the US Ambassador, the USAID Mission Director, Advisor to the Prime Minister on Finance and the Minister of State for Finance. This visual communication immediately establishes the role of USAID and the Government of Pakistan in CSF activities. The entire website is designed in such a manner that any printout from the website will always carry the logos of CSF, USAID and the Ministry of Finance on all printout documents.

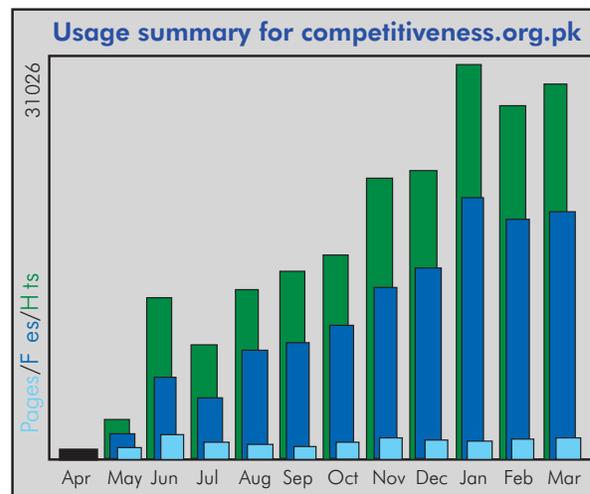
#### Last One Year Log of Website visits<sup>7</sup>

A total of 198,921 unique visitors browsed the CSF competitiveness portal since its launch last year. Analysis of the year log is described in the tables below.

**Pages:** The number of web pages accessed by visitors.

**Files:** Some requests made to the server, require that the server then send something back to the requesting client, such as a html page or graphic image. The number of hits that actually resulted in something being sent back to the user. The relationship between 'hits' and 'files' can be thought of as 'incoming requests' and 'outgoing responses'.

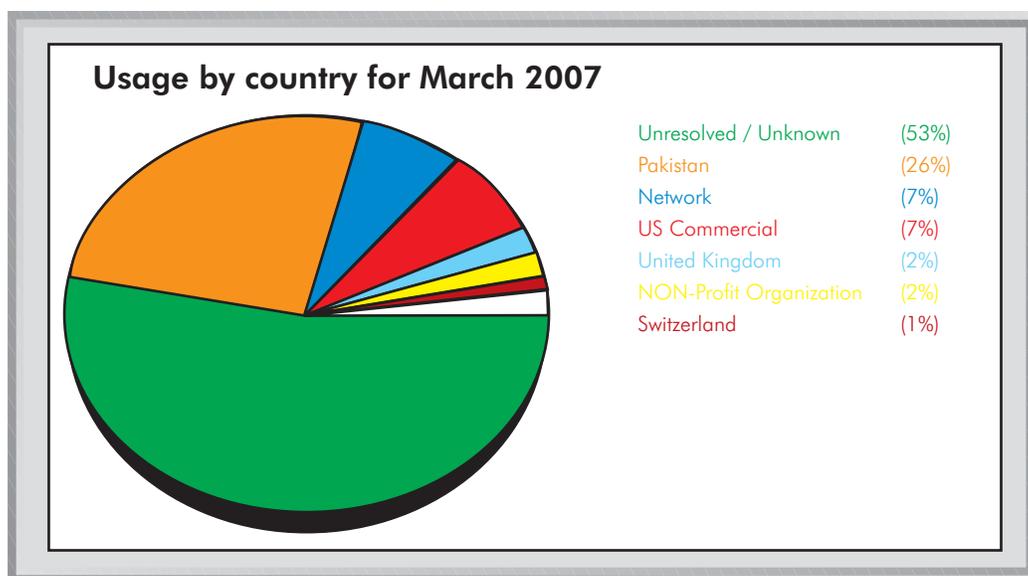
**Hits:** Number of people that have accessed the CSF website.



<sup>7</sup> March numbers listed above are partial till the 15<sup>th</sup> of the month

Month	Daily Avg				Monthly Totals		
	Hits	Files	Pages	Sites	Pages	Files	Hits
Mar 07	1825	1194	68	825	1093	19119	29208
Feb 07	992	662	35	992	993	18559	27780
Jan 07	1000	657	39	1075	1219	20374	31026
Dec 06	725	475	34	818	1068	14737	22489
Nov 06	728	437	33	378	990	13124	21850
Oct 06	505	322	25	375	784	9995	15668
Sep 06	479	286	18	258	555	8582	14387
Aug 06	418	259	18	150	573	8035	12987
Jul 06	271	136	23	117	738	4232	8407
Jun 06	414	199	47	106	1425	5998	12447
May 06	86	52	12	125	386	1585	2596
Apr 06	2	1	1	27	44	49	76
<b>Total</b>					<b>9868</b>	<b>124389</b>	<b>198921</b>

Sites: Each request made to the server comes from a unique 'site', which can be referenced by a name or ultimately, an IP address. The 'sites' number shows how many unique IP addresses made requests to the server during the reporting time period.



The following countries are ranked in order of usage of the CSF website

Top 30 Countries to use CSF website			
Rank	Hits	Files	Country
1	15446	9285	Unresolved/Unknown
2	7597	5724	Pakistan
3	2086	1597	Network
4	2023	1538	US Commercial
5	611	425	United Kingdom
6	491	290	Non Profit Organization
7	237	91	Switzerland
8	118	85	China
9	77	74	US Educational
10	70	69	Brazil
11	62	53	France
12	58	54	Japan
13	47	46	US Government
14	38	37	United Arab Emirates
15	35	33	Canada
16	34	34	India
17	32	32	Norway
18	24	23	Germany
19	24	22	Malaysia
20	23	22	Italy
21	21	20	South Africa
22	20	20	Australia
23	19	19	Croatia (Hrvatska)
24	4	4	Russian Federation
25	3	0	Thailand
26	2	2	Iran
27	2	2	Montserrat
28	1	0	US Military
29	1	1	Israel
30	1	1	Sweden

## 7.5- Below-the-Line Activities

CSF has also used below-the-line communication activities to create awareness of CSF and its activities, including conferences, seminars and other events. The following tools have provided branding opportunities for CSF and its sponsors i.e. USAID and MoF:

- Out door banners
- Vehicle branding
- Invitation/ business cards
- Brochures
- Leaflets and flyers
- Posters
- Collar Pins

## 7.6- Conferences and Events

CSF has carried out direct interaction with various stakeholders in different cities. The events have been excellent opportunities for CSF to communicate its objectives and activities along with subtle branding opportunities for its sponsors USAID and MoF. The branding strategy carried out by CSF at its events always positions the USAID and MoF logos as the most prominent stakeholder; this is ensured by placing the logo at the following places at the events:

- Backdrop
- Speaker Podium
- Side Panels
- Banners
- Standees and Flex banners

USAID has also assisted CSF and its staff in communicating Pakistan's commitment to be more competitive by supporting participation at international conferences. The participation of Pakistan's delegation with USAID assistance at the 9<sup>th</sup> annual conference of The Competitiveness Institute paved way for the creation of the CSF. The participation of CSF at the 3<sup>rd</sup> Innovation Journalism conference at the Stanford University provided an opportunity for Pakistan to further develop its innovation journalism program. USAID fully sponsored the TCI regional conference in May 2006. These events have not only created opportunities for Pakistan but have also enabled CSF to create value for the USAID in terms of branding and other communication opportunities.

Moreover, the high profile first ever initiative of the “State of Pakistan’s Competitiveness Report” was launched on March 12, 2007. The Prime Minister, Mr. Shaukat Aziz, presided as Chief Guest. The launch of the report received immense favourable press coverage. Additionally, it highlighted Pakistan’s continued commitment of increasing competitiveness. Wide dissemination of the document is planned in the near future. CSF’s professional commitment to excellence was emphasized and recognized particularly as the report is being hailed as a landmark and milestone in Pakistan in the local and international press.

### Number of CSF Conferences/ Events.

Event Partners	City						Total
	Islamabad	Lahore	Karachi	Peshawar	Quetta	International	
HEC	2	1	1	1			5
PARC	1						1
GoS			1				1
GoP	1						1
Gender		2	1		1		4
TCI	1					1	2
Stanford University						1	1
<b>Total</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>15</b>

### Participation in the Communication and Media Strategy of CSF

Events/ Issues	Male	Female	Total	% Male	% Female
<p><b>Training of media personnel in innovation, competitiveness and business reporting</b></p> <p>In line with CSF's objective of promoting innovation journalism in Pakistan as part of its competitiveness agenda; it intends to expose a maximum number of the local media personnel to the various aspects of innovation and competitiveness, which are the main pillars of the new knowledge based economy. In this regard a series of seminars and workshops will be arranged.</p>	223	28	251	89%	11%
<p><b>Participation in the Innovation Journalism Fellowship Program.</b> CSF has sponsored participation of leading Pakistani journalists in the Innovation Journalism Fellowship Program at Stanford University in California.</p>	1	1	2	50%	50%
<b>HEC-CSF MoU Signing Ceremony</b>	136	14	150	91%	9%
<b>PARC MoU Signing Ceremony</b>	137	43	180	76%	24%
<b>MoU with the Government of Sindh</b>	257	53	310	83%	17%
<b>Promotion of knowledge-based economy in collaboration with the Higher Education Commission (HEC) – Workshop</b>	359	51	410	88%	12%
<b>PARC MoU Signing Ceremony</b>	137	43	180	76%	24%
<b>MoU with the Government of Sindh</b>	257	53	310	83%	17%
<b>Launch of the State of Competitiveness Report</b>	336	64	400	84%	16%
<b>Gender Workshops</b>	41	19	60	68%	32%

## 7.7- Brochure

CSF has published a 12-page brochure explaining all aspects of the initiative, including its objectives, accomplishments, structure, source of financial support and criteria for matching grant applications. The USAID logo appears prominently on the back cover of the brochure, alongside the logos of the Pakistan Ministry of Finance and CSF. Within the brochure USAID is mentioned 7 times, including expressions of appreciation for USAID funding from both Prime Minister Shaukat Aziz and Minister of State for Finance, Omar Ayub Khan.

## 7.8 - Impact of CSF Communication Strategy on Industry

As a result of CSF's aggressive, pro-active and dynamic media strategy the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) has decided to form a standing committee on competitiveness. The chairman has been selected and the process for identifying the other members is in progress. The committee will hold one meeting a month and discuss issues, progress and other competitiveness specifics.

## 7.9- Media Platform to Enhance Innovation and Competitiveness (MPEIC) to Highlight USAID Activities in Pakistan and the Government of Pakistan Economic Reform Program

To create a closer more pro-active relationship with the media, CSF has realized that there is a need to create media platforms to communicate and disseminate its vision, implementation strategy and subsequent achievements on the economic issues. This will also provide an opportunity for the stakeholders to discuss the rationale behind their efforts and contributions. The platforms will address various economic issues and the role of competitiveness in each sector.

The objective of the Media Platform to Enhance Innovation and Competitiveness (MPEIC) is to address the various initiatives of the CSF and its stakeholders, especially USAID and MoF. The MPEIC will create opportunities for discussion on the objectives, logic and impact of these economic initiatives. Additionally, it will create instruments of communication to identify and communicate competitiveness issues in Pakistan with respect to different sectors of the economy in the form of the following:

- News Content
- Discussion Programs
- Current Affairs
- Thematic Programs
- Business/ Economic News and Programs

Through this initiative CSF aims to reach the following overall objectives:

- Foster understanding and awareness of competitiveness issues, thereby promoting the principals of the competitiveness culture
- Create windows of opportunity for Pakistani business success stories
- Disseminate information about potential markets and their requirements and guide activities of public and private sector in various fields
- Advocate a sound legislative framework, and its transparent implementation, in Pakistan for a competitive and enabling business environment,
- Spread awareness on anti-monopoly and arbitration issues
- Issue to the general public international reports on benchmarking and best practices to explain their impact and benefit in the medium to long-term
- Support public awareness about the potential of specific industry sectors in Pakistan
- Establish platforms which can highlight CSF's various initiatives

Sectors that have competitive advantage to grow:

- In terms of priorities for 2006-9, the MPEIC represents an essential dimension of the whole economic policy of the government and various donors. The following priority areas will be considered by the MPEIC:
  - Economic policy and regulatory issues
  - Agriculture and livestock
  - Development issues related to the devolution process
  - Human resource development
  - Environment
  - Access to finance
  - Venture capital
  - Privatization and investment promotion
  - Antitrust measures
  - Financial and security market reforms
  - Information communication technology (ICT)

#### 7.9.1- Benefits to Stakeholders

The MPEIC will create platforms on various mediums to communicate USAID initiatives on economic growth and other social development issues. This will provide platforms for projecting USAID projects and their impact on the economy and the ultimate benefit to the general masses.

The USAID logo with the slogan “From the American People” will be used to communicate the branding as a part of the content.

### 7.9.2- Methodology

The media will be encouraged to approach and submit proposals to CSF on how they can communicate innovation and competitiveness issues to the general public. The media will be asked to come up with programming/content concepts and other initiatives. CSF will look into the proposals and will identify the broader outline for competitiveness issues in Pakistan. CSF will assist the media for any research and other material required for these initiatives.

The media will be asked to come up with the matching contributions in terms of airtime, technical expertise and production facilities. The CSF will be taking this initiative under its technical assistance program. CSF has been approached by various media entities for this initiative. However CSF will be considering only two initiatives in this regard: a major satellite channel and a terrestrial channel. The concept is to capture the rural target market through the terrestrial network of Pakistani television. At the same time, with different content but with the same concepts, a program with GEO TV will be developed for the Satellite and Cable market i.e. urban population. These programs will be 30-40 minutes weekly programs.

CSF plans to undertake initiatives for Media Platforms to enhance Innovation and Competitiveness in the following manner:

### MPEIC Proposed Projects

	Television	Radio	Print	Total
<b>Economic/ Business Content</b>	2	1	2	5
<b>Current Affairs</b>	2	2	1	5
<b>Documentary</b>	3	2	-	5
<b>News</b>	2	2	2	6
<b>General Awareness</b>	3	3	3	9
<b>Total:</b>	<b>12</b>	<b>10</b>	<b>8</b>	<b>27</b>

## **8. Partnerships with other organizations**

### **8a- Domestic Partnerships**

#### ***Higher Education Commission (HEC)***

The Higher Education Commission (HEC) has been set up by the Government of Pakistan to facilitate the development of indigenous universities to be world-class centers of education, research and development. Through facilitating this process, the HEC intends to play its part in spearheading the building of a knowledge-based economy in Pakistan. Following past decades of under-investment, the renewed realization of the Government of Pakistan of the importance of the higher education sector towards fuelling economic growth led to the establishment of the Higher Education Commission in 2002. The Commission has been entrusted with a broad mandate to evaluate, improve and promote the higher education and research sector in Pakistan.

Given the mandate of the HEC, it proved a natural potential partner for many of CSF's activities. Consequently, CSF signed a three-year Memorandum of Understanding (MoU) with the Higher Education Commission on August 1, 2006.

Among the undertakings stipulated in the MoU, the HEC and CSF agreed to jointly set up a forum for the identification of research-based projects that will assist in the development of a knowledge-based economy. The forum will also identify research institutions who may be invited to join the forum. Knowledge-based projects and potential research institutions will be evaluated and matching grants will be provided by the CSF to selected projects. Additionally, the two entities agreed to jointly organize at least three workshops each year that will identify projects and institutions for future collaboration and support. They will also conduct workshops to promote the concept of business incubator programs and will jointly undertake an initiative to develop a pilot project to establish a business incubator at a selected university in Pakistan. Finally, the MoU specifies that CSF and the HEC will together set up a Pakistan Learning Platform. This learning platform will become a repository of important documents relating to Pakistan's economy and related issues.

It was agreed that the two organizations will work together to generate and identify science and technology-based projects at universities throughout the country that have the potential to be commercialized. The partnership encompasses 20/ 80 grants that will be made for 10-12 industrial projects; funding for a broader spectrum of sector-specific research projects, investigating the feasibility of holding trade fairs to highlight the science and technology-based projects

developed at universities. HEC and CSF will also explore other avenues of cooperation and promoting professionalism in business schools.

*For the detailed action plan on the HEC/ CSF partnership please refer to section 4.3.2*

### **Pakistan Agricultural Research Council (PARC)**

The CSF will also support PARC in creating linkages with the relevant industries and will lead the research in the areas of livestock sector and dairy development, development of agriculture technologies with emphasis on post harvest technologies and value addition. The development of improved quality fruits, vegetables and cut flowers with focus on value chain will also be considered under this initiative. For information on detailed action plan please see section 4.5

Through the signing of an MoU on December 15, 2006 CSF and PARC will partner to support initiatives to promote knowledge-based agribusiness development and ensure long-term growth in agriculture sector. These programs will complement existing projects of the Pakistan Agriculture Research Council.

Historically, the research at Pakistan's relevant institutions has been purely academic, with little focus on applied research. Over the last few years, the PARC and concerned institutions have through investment in research and development seen a resultant increase in the number of research papers and international articles published by Pakistani academics. However, during the design of the CSF concept, a lack of linkages between local industry and academia was identified as one of the major obstacles stifling innovation and research-based growth in Pakistan. One of CSF's main objectives, therefore, is to develop and support linkages between academia and industry for knowledge-based enterprise development which is the base of the long-term economic growth in Pakistan.

To ensure successful and timely completion of the projects and programs, a monitoring and evaluation system will be developed jointly by the PARC and CSF which will include a monitoring and evaluation committee (MEC). This Monitoring and Evaluation (M&E) system will particularly quantify the monetized benefits of the work. The sub-components for benefit analysis will be selected on the basis that the data generally exists to support the calculation being made. They must also be selected on the basis that a clear path can be followed from the interventions brought by ARDI to the objective to be gained. The MEC will comprise of 8-10 members, including PARC, CSF and members from the private sector and academia. The USAID as one of the principal donors of CSF will be an observer on the MEC.

It was agreed that the partnership would focus on five main areas of activities where significant gains in efficiency can be made.

- 1 Review of PARC research programs
- 2 Workshops in PARC main research centers (5)
- 3 “Internationalize” applied research
- 4 Patent protection
- 5 Privatization of PARC selected business enterprises

Principle subject areas

- Livestock and dairy industry
- Post harvest technology and
- Development of the horticulture industry.

### **Government of Sindh (GoS)**

Government of Sindh (GoS) approached CSF to identify the sectors having competitive advantage in order to strengthen the provincial economy. CSF signed an MoU on January 10, 2007 with GoS and then developed an action plan.

The CSF/ GoS initiative seeks to promote greater competitiveness, particularly through increased support for a knowledge-based economy. Principle subject areas decided in the CSF-GoS Action plan are:

1. Fisheries –The Karachi Fish Harbor (KFH) has management and technical problems that reduce the competitiveness of the entire national fishery. Exports are under threat due to poor hygiene and management. An Action Plan for the KFH was discussed on 7<sup>th</sup> February 2007 with a Working Group established by the GoS that included the Department of Fisheries, Agriculture, Livestock, the Karachi Fish Authority, the Pakistan Fisherman’s Cooperative Society and fish processors. A finalized Action Plan for the KFH is being presented.
2. Livestock and Dairy Industry –There are various distortions in the structure of supply in Sindh. This includes the presence of milk producing buffalo in the peri-urban areas of Karachi (where feed is trucked to them from rural areas – with economic, social and environmental costs) and a long and inefficient marketing chain that leads to the adulteration of milk where the quality is generally poor. CSF will assist in two ways:

- a. Through promoting and developing buffalo feedlots outside Karachi (i.e., in the feed areas)
  - b. By funding cooling tanks for the farmers in Sindh.
3. Horticulture – There is potential for increasing the supply of cash crops such as tomatoes and chilli pepper. Fruit crops such as mangos can have their export value increased by being cooled soon after harvest. CSF can help with the competitiveness aspects and with developing downstream industrial processing of horticulture crops. For example, chilli peppers can be processed into oleo-resins and flavors that have a high market value. Access to key markets in Europe, China, Iran, Bangladesh and Malaysia can be enlarged by gaining the correct quality for the excellent varieties found in Sindh.

## 8b- International Linkages

### **World Economic Forum**

Through a partnership agreement with the World Economic Forum, CSF is recognized as the authority and official forum of competitiveness in Pakistan. In accordance with international best practice, CSF successfully implemented an Executive Opinion Survey in 2006 so that Pakistan could be included in the Global Competitiveness Report. This is an ongoing commitment and the survey will be conducted annually in preparation for the Global Competitiveness Report that is published yearly in November. The CSF will ensure proper implementation of the surveys according to WEF standards and guidelines. Through this partnership CSF has exclusive access to current year's Executive Opinion data set with unique data for over 150 indicators collected in over 115 countries, enabling CSF to carry out advanced research and detailed country-specific analysis.

As part of this high profile and extremely useful relationship, the Fund will annually conduct a number of meetings with private sector representatives and financial institutions regarding the Pakistan chapter of the WEF's Executive Opinion Survey of the Global Competitiveness Report. CSF will make certain the surveys distributed at these meetings are completed and sent on time to the WEF's Evaluation Committee in Geneva. Along with the surveys, CSF will also provide the hard data indicators that serve as the basis for the annual competitiveness rankings. This report is expected to be published at the end of October or beginning of November, annually.

Through the partnership CSF is the sole source of WEF information regarding Pakistan in the country. The CSF library contains all relevant material and also holds current as well as previous years Global Competitiveness Reports. Electronic access to the current year's Global Competitiveness Report one week prior to public release has also been enabled for use in the preparation of

an annual press release and/ or any events held by CSF in coordination with the WEF. Due to the partnership CSF can utilize the title 'Partner Institute of the Global Competitiveness Network of the World Economic Forum'.

A hyperlink to the CSF website from the Global Competitiveness Report web pages of the WEF website is also in progress. Access to the private area on the WEF website has also been enabled.

### ***The Competitiveness Institute (TCI)***

The TCI is a non-governmental organization with a network of the competitiveness experts and cluster practitioners worldwide. The TCI network provides a valuable resources for all triple helix actors with exchange of ideas, best practice and know-how regarding methodologies for economic growth. The Board of Advisors of the TCI composes the well known innovation and competitiveness individuals, including Professor Michael Porter and Professor Michael Enright etc.

CSF in collaboration with TCI arranged a regional conference, where more than 60 international competitiveness experts participated. Through this conference, a vital document 'Benchmarking Pakistan's Global Competitiveness' was developed.

CSF also participated in the 9<sup>th</sup> Annual TCI Conference in Lyon, in 2006 showing its commitment to make the Pakistani economy more competitive. The Chairman of CSF, Minister of State for Finance made a presentation regarding Pakistan's various initiatives on competitiveness. The CEO of CSF also made a presentation on the objectives of the CSF and chaired the Pakistani showcase sessions. The Chairman of Biotechnology Commission Pakistan made a presentation on the bio-technology cluster in Pakistan. CSF's media consultant also made a presentation on Innovation Journalism Programme for Pakistan. Senior Advisor to the PISDAC project presented the case of SMEs in Pakistan, especially those areas where CSF has interventions. The CSF delegation included three leading journalists from Pakistan.

### **VINNOVA**

VINNOVA, Swedish Governmental Agency for Innovation Systems, integrates research and development in technology, transport and working life. VINNOVA's mission is to promote sustainable growth by financing RTD and developing effective innovation systems.

The Director General of VINNOVA participated in the regional TCI conference arranged by CSF. CSF is seeking guidance on various initiatives with VINNOVA and is closely collaborating with them on the Innovation Journalism programme.

### ***The University of Hong Kong, School of Business and Economics***

CSF has established close linkages with this institute, particularly with senior competitiveness expert, Professor Michael J. Enright who is also an advisor to CSF. Professor Enright prepared the report on the regional TCI conference held. He also participated in the launch of CSF's pioneering report 'State of Pakistan's Competitiveness' via video message.

### ***The Centre for the Development of Industrial Technology (CDTI)***

The Centre for the Development of Industrial Technology (CDTI) is a Spanish public organisation, under the Ministry of Industry, Commerce and Tourism, whose objective is to help Spanish companies increase their technological profile. CSF has established a close relationship with them and will be assisting in linking a leading Pakistani research institute with CDTI. This will support technology and innovations transfer as well as capacity building.

### ***Stanford University, Stanford Centre for Innovation Learning (SCIL)***

Stanford University has the notable Innovation Journalism Programme. Through an agreement with CSF, SCIL has included Pakistan in its Innovation Journalism Programme from 2006-2009. At least 12 senior journalists will participate in the International Innovation Journalism Programme. They will work with other innovation journalism fellows in the US media newsrooms for 4-6 months. This will create an international network of innovation specific journalists. Journalists and editors from leading newspapers and media entities will participate in the annual Innovation Journalism Conference. CSF also has plans underway for developing an Innovation Journalism Programme in Pakistan in collaboration with Stanford University.

### ***Federation of Asian Biotech Associations (FABA)***

CSF is placing increasing emphasis on improving competitiveness of the agricultural sector in Pakistan. Bio-technology is recognised as one of the catalysts of the agricultural sector. In this regard, CSF has developed a close working relationship with FABA and will be organising the Asian Conference on the competitive advantage of bio-technology. This conference is scheduled for November, 2007 in collaboration with FABA and HEC.

### ***Institute for Strategy and Competitiveness (ISC)***

CSF in the next year will be working towards a more integrated relationship with ISC. Professor Michael E. Porter who leads the Institute is also one of the founding members of TCI and WEF. Professor Michael Porter participated in the launch of the first 'State of Pakistan's Competitiveness Report' via video message.



Competitiveness Support Fund  
Annual Progress Report

## Appendix I: Impact of CSF Interventions

## A. TECHNICAL ASSISTANCE QUANTIFIED IMPACT

### i) Policy Analyses Studies

#### 1. Policy Analysis of Motorcycle Industry and findings to be implemented

- Potential Investment Generated: USD 50,000,000
- Expected Impact on Exports: USD 50,000,000
- Additional Tax revenue to be collected: USD 658,166,667
- Additional Job Creation: 500,000

#### 2. Action Plan for Fish Quality and Value Adding at Karachi Fisheries Harbor

<b>Quantified Impact Analysis</b>	
Suggestion to increase value	Impact
<ul style="list-style-type: none"> <li>▪ Diverting 8% of total catch for human consumption instead of fish meal.</li> </ul>	Annual increase in value of catch of US\$ 35 million
<ul style="list-style-type: none"> <li>▪ Bulk shrimp should be exported part processed or should be processed and packaged for consumption by the end user.</li> </ul>	Dependant on processors ability to invest and adapt, additional value will be no less than US\$ 60 million annually
<ul style="list-style-type: none"> <li>▪ Catering for a luxury market in semi and fully processed product</li> </ul>	Approximately 5% of current internal market amounting to US\$ 50 million annually
<i>Mitigating measures and impacts to save potential loss of income</i>	
<ul style="list-style-type: none"> <li>▪ Clean Karachi Fish Harbor and reduce high catching costs through investment in efficient boats, gear and equipment</li> </ul>	Save potential expected future loss of US\$ 60 million (30% of value of exports) annually Save an expected loss of US\$ 600 million annually
<ul style="list-style-type: none"> <li>▪ Resource management and proper management of stocks through a licensing or quota system as the fishery currently is open entry.</li> </ul>	Save an expected loss of US\$ 600 million annually

### 3. State of Pakistan's Competitiveness Report

#### *Quantifiable Results to Date:*

1. Improvement of Pakistan from the 19<sup>th</sup> percentile ranking in 2005 to the 27<sup>th</sup> percentile on a scale of 100 in the fall of 2006 among all countries listed.
2. Key competitiveness constraints identified and quantified.
3. Prime Minister, Advisor to the Prime Minister on Finance, Minister of State for Finance and Chief Economic Advisor to Prime Minister have reviewed and endorsed the Report.
4. Agreement to engage in broad private-public dialogue workshops at the provincial level between senior Government officials and private, public and civil leaders in Pakistan's provinces around the topic of competitiveness and economic reforms.

#### *Expected Results Going Forward:*

1. Further increase in Pakistan's ranking on the Global Competitiveness Index from 27<sup>th</sup> percentile to 50<sup>th</sup> percentile by 2010. Pakistan's ranks among top 60-65 countries in the world on the Global Competitiveness Index by 2010.
2. Approximately 800 Pakistani leaders in 4 workshops exposed to results of the report in different geographic regions.
3. Private-public dialogue facilitated around key economic reform priorities with potential for this to be an annually repeatable exercise.
4. Media campaign in TV, radio and print media reaching tens of thousands of readers and viewers in 2007.
5. Government of Pakistan acts on at least 5 recommendations presented in the Report during 2007.

#### *Miscellaneous Impacts*

- The report has created a debate in print and electronic media. This is reflected in all major publications carrying discussions regarding competitiveness issues in their editorial sections
- Industry has realized the importance of concentrating on competitiveness issues and the FPCCI approached CSF in order to create a formal forum and standing committee for discussion of competitiveness progress in Pakistan. Additionally, they requested copies of the Executive Opinion Surveys for distribution, which form part of the basis of each country's rankings on the Global Competitiveness Rankings.

- Moreover, the report has publicly taken the dialogue on competitiveness to the highest policy level. In his launching speech, the Prime Minister of Pakistan, Mr. Shaukat Aziz recognized that “competitiveness is the cornerstone of Pakistan’s growth strategy”. He reiterated that all arms of government would work more cohesively to improve Pakistan’s rankings on the BCI and GCI.
- Relevant to the nationwide and international dissemination, following the launch of this report, in addition to CSF’s own dissemination, 1 100 downloads of the report have occurred from the website.
- Major business schools have shown interest in partnering with CSF to link academia with industry. In this regard, CSF has already signed an agreement with HEC.

#### 4. Gender Contribution to Economic Growth

As the project is new and the action plan only recently developed, the quantifiable results will be provided in the Progress Report for 2007-08.

- To date capacity building of 60 women has occurred through workshops held in the course of this study.
- Action plan for a 100 days has been developed

### ii) Conferences/ Capacity Building

#### 1. Annual Regional TCI Conference in Islamabad

- Provided the road map for the competitiveness initiative in Pakistan.
- Assisted in identifying sectors which have competitive advantage to grow including, fisheries, auto vendor, food processing and motor cycle industries.
- Outreach of the conference was significant. More than 400 people attended the conference representing a diverse range of stakeholders who were informed about CSF and CSF objectives.
- CSF, through its pivotal role in the conference, received vast media coverage with approximately 20 newspaper articles and 22 television coverage packages including 5 talk shows.
- Brainstorming of stakeholders which further resulted in:
  - Formal Agreement with WEF.
  - Served as the base for CSF’s dairy projects under its matching grants facility.
  - Presentation by the representative of the motorcycle industry generated primary interest for CSF motorcycle policy analysis study.
  - Discussion at conference generated the starting point for the FDI study that is currently underway.

- First personal contact for relationship with VINNOVA.
- Agricultural sector was identified as one of the sectors that could grow. In order to support a knowledge-based economy, an MoU with PARC was signed.
- Representation at the conference of the Gems and Jewellery sector generated interest resulting in CSF adopting projects under its matching grants facility.
- The discussion at the conference on Learning platforms for Innovation and competitiveness encouraged CSF's initiative with the HEC and the setting up of the PCLP.

## 2. Annual TCI Conference in Lyon

- Innovation Journalism Workshop held at this conference contributed towards capacity building of CSF members participating as well as three journalists accompanying the delegation. The journalists wrote 12 articles and editorials on competitiveness in Pakistan following the conference.
- From this conference, CSF developed the concept of working formally with the media industry. In this regard, a formal agreement is being signed between PTV and CSF.
- The debate on biotechnology facilitated the upcoming relationship between FABA and CSF
- Discussion on SME sector encouraged and facilitated CSF's working relationship with SWOG under its matching grant facility.
- Pakistan's name was included in the EuropAsia Conference.
- Notably, Chairman CSF, Mr. Omer Ayub Khan's key note speech at the conference earned him the World Economic Forum's 'Young Global Leader Award'.

### iii) Partnerships for Joint Efforts

#### 1. MoU with HEC

- Capacity building of 410 people through workshops.
- 10-12 Projects are to be undertaken. Each will have an investment of \$ 250,000 approximately resulting in total new direct investment generated of \$ 3,000,000.
- Each dollar is expected to further generate five dollars. Thus, increased income generation amounts to \$ 15,000,000.
- Information dissemination through workshops in major cities.
- Have actively engaged academia in competitiveness debate.
- The Pakistan Competitiveness Learning Platform (PCLP)
- An effort to assist universities and research institutions in commercializing the innovations developed by their faculties.

## 2. MoU with PARC

The quantifiable impacts of this partnership will be available in the next progress report. However, if the action plan is implemented as suggested, some of the qualitative impacts are given below:

- Commercialization of agricultural research and different technologies
- Crop diversification (e.g., the increased use of drought-resistant crops), yield increase from new varieties, greater crop disease resistance, improved livestock breeds and animal health and increased milk yields from buffalo treated with hormones, fewer losses from post harvest storage and processing of raw materials.

## 3. MoU with Government of Sindh

- Action plan has been developed for interventions in Sindh
- As per the agreement, CSF will undertake policy studies in the province. In this regard, CSF has completed a policy study on fisheries and Karachi fish harbor.
- CSF has identified livestock and dairy industry and horticulture as other areas of partnering with GoS. In this regard, a specific action plan has been developed to focus on the areas such as chillies, tomato paste and ceramics.

## 4. World Economic Forum

- Through the partnership CSF is the sole source of WEF information regarding Pakistan in the country. The CSF library contains all relevant material and also holds current as well as previous years Global Competitiveness Reports.
- Electronic access to the current year's Global Competitiveness Report one week prior to public release has also been enabled for use in the preparation of an annual press release and/ or any events held by CSF in coordination with the WEF.
- Due to the partnership CSF can utilize the title 'Partner Institute of the Global Competitiveness Network of the World Economic Forum'.
- A hyperlink to the CSF website from the Global Competitiveness Report web pages of the WEF website is also in progress. Access to the private area on the WEF website has also been enabled
- 100-150 Executive Opinion Surveys were distributed countrywide and accordingly 150 business leaders and financial institutions were interviewed

## B. MATCHING GRANTS QUANTIFIED

### PROJECT PROPOSALS

#### 1. Proposal for Gems Sector Development

■	Expected Impact on Investment Generated		
–	Direct:	USD	141,666
–	Indirect:	USD	333,333
	Total:	USD	474,999
■	Potential Job Creation		
–	Direct		1,400
–	Indirect		600
	Total:		2000
■	Potential Capacity Building		
–	Direct Training:		2000

#### 2. Solar Kilns for Leading Clusters of Furniture Sector

■	Expected Impact on Investment Generated		
–	Direct:	USD	168,400
–	Indirect:	USD	1,631,600
	Total:	USD	1,800,000
■	Possible Impact on Exports:	USD	1,000,000
■	Potential Job Creation		
–	Direct		330
–	Indirect		700
	Total		1,030
■	Potential Capacity Building:		
–	Direct Training:		15

### 3. Common Facility Marble Processing & Training Center at Mohmand Agency

■	Expected Impact on Investment Generated	
–	Direct:	USD 118,000
–	Indirect:	USD 1,100,000
	Total:	USD 1,218,000
■	Possible Impact on Exports: USD 300,000	
■	Potential Job Creation	
–	Direct	108
–	Indirect	228
	Total	335
■	Potential Capacity Building:	
–	Direct Training:	300

### 4. Jewelry Design and Manufacturing Center of Excellence

■	Expected Impact on Investment Generated	
–	Direct:	USD 285,000
–	Indirect	USD 430,000
	Total:	USD 715,000
■	Possible Impact on Exports: USD 500,000	
■	Potential Job Creation	
–	Direct	100
–	Indirect	200
	Total	300
■	Potential Capacity Building:	
–	Direct Training:	300

### 5. Jewellery Sector - Assay Office

■	Expected Impact on Investment Generated	
–	Direct:	USD 398,000
–	Indirect:	USD 1,000,000
–	Total:	USD 1,398,000
■	Possible Impact on Exports: USD 300,000	
■	Potential Job Creation	
–	Direct	100
–	Indirect	50
	Total	150

## 6. Ornamental Stone Processing Facilities

■	Expected Impact on Investment Generated	
	– Direct:	USD 150,000
	– Indirect:	USD 1,000,000
	– Total:	USD 1,150,000
■	Possible Impact on Exports:	USD 400,000
■	Potential Job Creation	
	– Direct	300
	– Indirect	100
	– Total	400
■	Potential Capacity Building:	
	– Direct Training:	300

## 7. Dairy sector - Farm Cooling Tanks

■	Expected Impact on Investment Generated	
	– Direct:	USD 150,000
	– Indirect:	USD 600,000
	– Total:	USD 750,000
■	Potential Job Creation	
	– Direct	250
	– Indirect	1,000
	– Total	1,250
■	Potential Capacity Building:	
	– Direct Training:	50

## 8. Milk & Marketing Village Cooperative

■	Expected Impact on Investment Generated	
	– Direct:	USD 1,765,417
	– Total:	USD 1,765,417
■	Potential Job Creation	
	– Direct	13
	– Indirect	150
	– Total	163

## 9. Establishment of Common Laboratory for Drug Formulation and Pharmaceutical Unit Evaluation

■	Expected Impact on Investment Generated	
	– Direct:	USD 135,000
	– Indirect	USD 225,000
	– Total:	USD 360,000
■	Potential Job Creation	
	– Direct	10
	– Indirect	1,000
	– Total	1,010

### Total Impact of Matching Grant Interventions

Total Number of Projects	9
Total New Investment Generated	USD 9.6 million
Total Investment by CSF	USD 1.1 million
Stakeholders Contribution	USD 3.3 million
Increase in Exports	USD 2.5 million
Job Creation	7000

**Multiplier Effect: USD 1 invested of CSF investment generates new investment of USD 8.4**



Competitiveness Support Fund  
Annual Progress Report

**C. Branding Strategy**

■	Capacity Building	
	– Print Media:	184
	– Electronic Media:	67
■	Website Hits:	198,921
■	Media Coverage (Print media):	250
■	Media Coverage (websites):	27
■	Media Coverage (TV/Radio):	102
■	CSF Brochure Outreach	3,000
■	State of Pakistan’s Competitiveness Report	1,000



Competitiveness Support Fund  
Annual Progress Report

## Appendix II: Layout of the Mechanisms/ Processes of the Pakistan Competitiveness Learning Platform (PCLP)



## Objective

The objective of this component is to ensure that both the quantitative and qualitative information related to CSF, including the research and repository components of the Pakistan Competitiveness Learning Platform (PCLP), is readily available to and utilized by stakeholders at all levels, from top policy makers to small business owners.

There are three components of the PCLP:

- Research Component
- Depository Component, and
- Dissemination & Education Component

There will be several modes for dissemination of information in PCLP, including reports, the internet, print media, television and radio, and events – seminars, conferences and workshops. This document will mainly focus on the planning of events, since the production of the reports and internet sites will be at least in the first instance, the responsibility of the research and depository components, and media campaigns will for the most part be driven by the scheduling of other events.

A key emphasis of this component will be on *learning*. Much of what is learned in the early stages of a competitiveness program is extremely relevant to economic development activities in other parts of the country. However, the “uptake” is often very slow, because much of the knowledge gained is “tacit knowledge” and the understanding of the implications of quantitative information, such as benchmarking reports that are a key feature of the PCLP, are often not obvious to many stakeholders who need to understand them – business owners and managers, policy makers, and researchers. Thus, designing a process where genuine cross-learning can take place, almost always based on a series of face-to-face interactions, can actually accelerate the process that is the most fundamental aspect of a competitiveness program: *the change in mind-sets of key players in the economy*.

If CSF is successful, there will be two distinct “flavors” that participants will detect in Learning Platform events that distinguish them from the traditional style:

- (1) All events taking place under the Learning Platform umbrella will actively seek – subject to the constraints of the topic, local culture, and logistics – to maximize the degree of interaction of participants with presenters, and with one another. While the 2-day Committee Workshops will have the greatest opportunity for such “interactive learning”, even half-day Research Updates will make sure to feature some items on the agenda that allow for better feedback and dialogue than traditional Q&A sessions.

- (2) Each event will reflect a high degree of integration with other policy and analytical researchers throughout the country. Materials and choice of speakers will represent more a compilation of best practices as in the best work being done inside and outside Pakistan, rather than the “reinvented wheels” of one agency.

## Activities

The dissemination component is conceived as a gradual and iterative roll-out of the information being derived from two main sources:

- a) Research generated by the PCLP
- b) New approaches, techniques and other information developed by clusters active in Pakistan (and in other countries).

Three basic activities and two support activities are described below:

Basic:

- Annual Competitiveness Conference
- Competitiveness Workshops
- Competitiveness Seminars & Research Updates

Support:

- Competitiveness Video
- Learning & Impact Evaluations

## Annual Competitiveness Conference

Each year the work on the State of Pakistan’s Competitiveness Report will start in November, after publication of the WEF Global Competitiveness Report. Once that work is completed, the stage will be set to hold a 1½-day conference, in the first quarter of each year, to present the results and engage in a high-level discussion of the implications. During the conference, authors and contributors of the report, including the Hong Kong Institute for Economics and Business Strategy, will co-present various aspects of the report, and respected local economists and business leaders will also provide comments and engage in discussions in a variety of plenary and break-out sessions on topics of interest.

## Competitiveness Workshops

The Competitiveness Workshops will be the “workhorse” of the Learning Platform’s dissemination activities, in the sense that it will offer the greatest intensity and in-depth transfer of knowledge. The workshops will be 2-day events that take place in Lahore and Karachi, involving cluster leaders, top university researchers, and relevant government officials. The anticipated mix of participants would involve 50-70 participants drawn from the private sector (50%), government (30%) and academics in applied fields (20%).

The workshops would combine some aspects of training in basic competitiveness and cluster development concepts.

Day 1: Reporting of analysis results from recent competitiveness benchmarking reports and other economic studies

Day 2: Emphasis would shift towards interactive learning and sessions geared toward sharing of techniques, approaches, and joint project development. The group would most likely be divided into several sub-groups, along cluster lines or other issue-based groupings. These Competitiveness Workshops would distinguish themselves from presentations mainly by the high degree of two-way interaction (aka dialogue) with participants.

Such workshops would, among other things, be an ideal format for evaluating the potential for new cluster initiatives or Strategic Sector Working Groups (SWOGS) and identifying potential leadership in clusters and related competitiveness programs.

## Competitiveness Seminars & Research Updates

In addition to the major workshops, smaller Seminars (1-day) and Research Updates (half-day) will place greater emphasis on specific issues or industries/ clusters. The format would be similar to the 2-day Workshops, leading off with presentations of analytical or policy research results, and moving into more interactive, participative activities over the course of the day. As an example of the topic for a half-day event, the CSF is currently carrying out policy relevant analysis to identify economic sectors that have potential to grow competitive advantage, such as a study coming up in the motorcycle industry. A half-day Research Update event, which brings together industry figures, researchers, and relevant government officials and policy makers would allow the information to be truly “digested” by appropriate leaders, allowing for a more thoughtful and coordinated implementation of recommended next steps – both public sector policies and private sector investments.

Other potential topics could include the potential to launch new cluster working groups (e.g. in Information Technology, or Carpets & Handicrafts), narrow policy areas (transportation infrastructure, trade policy) or in-depth treatment of a new piece of macro- or microeconomic research.

One of the key features of these seminars will be the emphasis on an “integrated information base” – that the style of the CSF programs will be developing a reputation that they draw on all the latest research, not only developed internally by the CSF, but also integrating the most relevant research by other Pakistani agencies, the World Bank, EU, USAID and other donor agencies, WEF, etc.

These Seminars and Research updates would give an opportunity to present new research results to a targeted group of stakeholders, and to launch a facilitated discussion of the implications and next steps.

### **Development of Video**

A short 7-10 minute video in Urdu will be developed, that reviews some of the basic principles of competitiveness and clustering, and with some footage showing the Triple Helix in action – Pakistani business leaders interacting with government and university. An example of such a video from the United States is available that can be used as a model for people that see “Competitiveness” as a highly abstract concept, the opportunity to see other Pakistani’s using the concepts and gaining benefits, in clusters such as Gems & Jewelry, Surgical Instruments, Sporting Goods, or Marble & Quarrying, will be highly influential.

The video would be used during Competitiveness Workshops but also during many other events.

### **Media Campaign**

All of the activities of the PCLP must be complemented by a well-coordinated media campaign, ensuring that the activities of the CSF are well-understood in the business community and beyond. This requires not only highly effective communications with the existing media (print, radio and television) but also the development of effective materials such as video, web site, and digestible reports. Links to the Innovation Journalism Program of the CSF will be a key aspect of this implementation.

## Learning & Impact Evaluations

After the first round of workshops, updates, seminars and other activities, the events will be evaluated intensively by the PCLP team with inputs from a few objective outsiders to determine:

- a) what did the participants learn?
- b) in what way their expectations were met or unmet?
- c) what was the broader impact?
- c) suggestions for improvements.

The team would use questionnaires immediately following the events, along with follow-up interviews with some participants a few weeks later to see what impact they had on their activities.

An internal PCLP workshop to present and evaluate our own progress on designing these events with maximum sensitivity to the Pakistani culture and economy will be scheduled prior to the launch of the 2<sup>nd</sup> round of events. An on-going quality control evaluation program will also be established, using milestones and standards developed during this initial evaluation.

The staff capacity of the CSF or PCLP team to follow up on ideas and proposals generated by these workshops will be a crucial factor in their effectiveness.

## Scheduling

The activities of the Dissemination & Education Component would be highly influenced by the timing of outputs from the Research and Depository Components. The following initial schedule is suggested:

**TENTATIVE SCHEDULE**  
**Number of Events per Quarter**

Activities	2006		2007				2008				2009	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q3	Q4
<b>Basic:</b>												
Annual Conference			1				1				1	
Competitiveness Workshops		2		1		1		1		1		
Competitiveness Seminars		1		1	1	1	1	1	1	1	1	1
Competitiveness Research Updates	1	2	2	3	3	3	3	3	3	3	3	3



Competitiveness Support Fund  
Annual Progress Report

## Appendix IIIa: Matching Grant Project Proposals Received to Date



### 1. **Sea Buckthorn Berries Collection Centers in Northern Areas**

M/s. Em5 Nutri-Aid Foundation presented a proposal in collaboration with the Aga Khan Rural Support Program (AKRSP) for the establishment of a Sea Buckthorn Berry Collection center at Gilgit as a tool for income generation from marginal land, rural employment, leading to poverty alleviation and sustainable economic development. The project will create an alternative for local people to grow cash crops and not get involved in illicit drug trade. The project will also be able to process cherries and grapes.

### 2. **Industrial Production of Oleoresins and Essential Oils**

M/s. Agrotech, Lahore, in collaboration with Punjab University, submitted a proposal for establishing a biotechnology incubator in Punjab. The company also proposed setting-up a project for the industrial production of oleoresins and essential oils as the first project in the incubator. Oleoresins and essential oils are odoriferous bodies of an oily nature obtained from herbal sources generally liquid (sometimes semisolid or solid) at ordinary temperatures and volatile in steam. They are used in cosmetics, toiletries, toothpastes, food products like confectionery, chocolate, ice cream and pharmaceuticals. Many developing countries have vast potential in cultivating the herbs due to their climate, rainfall and geographical conditions.

### 3. **Premier Dairies – Up-gradation of Pasteurized Milk Plant**

M/s. Premier Dairies, Lahore, a manufacturer of dairy products like milk powder, UHT milk, butter oil, butter, cream, etc., submitted a proposal for funding of a complete milk pasteurization line. To be more competitive in the market, they require such a line to enhance production and improve the quality of their products. The company also has started the collection of milk on a self-help basis and now wants to improve the farmer structure for which they require cooling tanks and transport infrastructure.

### 4. **Fruits & Vegetables Company**

M/s. MIS Consultants in Lahore intend to introduce the latest technology for storage of fruits and vegetables under a controlled atmosphere (CA) for longer period in collaboration with M/s. ISOCELL of Italy. The vegetables are short duration crops, which can be grown even in small spaces. Improving the productivity of vegetable production will put the prices of vegetables within the reach of urban and rural poor.

**5. Provision of Cooling Tanks To Dairy Middlemen**

Mr. Sajid Hassan of M/s. International Trades, Lahore submitted a proposal to provide 3,000 farm cooling tanks to dairy middlemen. Three big middlemen with 100,000 liters each were identified. According to Mr. Hassan, the proposal also has the support of Mr. Rashid Bajwa, CEO of NRSP and the University of Agriculture, Faisalabad. This project aims to improve the quality of milk and the conditions of the farmers.

**6. Innovation Center at University of Management & Technology, Lahore**

The University of Management and Technology has proposed establishing a business and technology innovation center to provide support to start-ups and entrepreneurs. Support services will include management assistance, professional skills and support, affordable space and shared support services.

**7. Poverty Reduction in Poppy Growing Areas of Orakzai Agency**

The Mamaba and Meena Welfare Foundation (Another one of Mr. Manji's initiatives) has submitted a proposal to reduce the number of people involved in poppy production by reducing poverty and establishing sustainable economic activity in Orakzai Agency. The Foundation requested US\$ 238,750 from CSF.

**8. Donation/ Grants for Light Gauge Structures in Earthquake Areas**

Mr. Irtiza Hussain requested a donation/ grant of US\$ 820,000 from CSF for setting up two light gauge structure plants in the earthquake hit areas. These plants can be used to erect small houses for poor inhabitants of these areas.

**9. Proposal for Gems Sector Development in Northern Areas & Chitral**

AKRSP has requested to provide grant to the tune of USD 116,666 from the CSF for modernization of mining techniques, with a view to add value to the raw gems. Training would be provided to develop a pool of master trainers for mining, prospecting, valuation, cutting and polishing. Partners to the initiative are World Gold & Diamond Inc, Aga Khan Rural Support Programme (AKRSP), and Karakorum Areas Development Organization (KADO).

**10. Solar Kilns For Leading Furniture Sector**

This proposal seeks funding of USD 111,000 to be utilized in installing solar kilns in Chiniot, Gujrat, Peshawar, Lahore, Karachi, Rawalpindi, Gujranwala & Faisalabad furniture clusters.

**11. Common Facility for Marble Processing & Training Centre at Mohmand Agency, FATA**

This proposal is sent by Marble SWOG of PISDAC, whereby a common facility establishment of marble processing is proposed.

**12. Jewellery Design & Manufacturing Centre for Excellence**

Center of Excellence in Gems & Jewellery sector would create value addition and enhance competitiveness of the sector through training in CAD and CAM designing and manufacturing. This proposal is sent in by Gems and Jewellery SWOG of PISDAC and requests funding of USD 125,000.

**13. Gold Assay Office in Karachi**

This proposal is to implement a state of the art assaying unit to measure the precise contamination of gold. It is likely to benefit directly 50 businesses operating in the cluster.

**14. Ornamental Stone Processing Facility in Quetta**

The proposal brings in an opportunity to develop a facility for Ornamental Stone processing in Quetta. Dr Kasi along with Precious and Semi Precious Stone SWOG of PISDAC has come to CSF for a grant to the tune of USD 125,000 to set up a facility for value addition in stone processing. Project partners with him are Women University of Balochistan and SMEDA office in Quetta.

**15. Village Milk Collection and Marketing through Dairy Cooperatives (VMCC)**

Dairy cooperative is being benchmarked with existing dairy cooperatives in India. This village milk cooperative proposes to begin a new trend of milk production – collection transportation and marketing in Balochistan’s milk producing areas. Dairy SWOG of PISDAC along with local dairy farmers community have requested for a grant of USD 125,000 for set up and operations of the VMCC.



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Annual Progress Report

## Appendix IIIb: Matching Grant Project Proposals Short-Listed



**1. Proposal for Gems Sector Development in Northern Areas & Chitral**

Partners to the initiative are World Gold & Diamond Inc, Aga Khan Rural Support Programme (AKRSP), Karakorum Areas Development Organization (KADO). It is projected that new investment of around USD 475,000 and job creation for 2000 people would be possible through this intervention.

**2. Solar Kilns for Leading Furniture Sector**

This project is initiated by Furniture SWOG of PISDAC, which promises an impact of around 1000 new jobs, over USD 1 million exports and USD 1.8 million worth of new investment.

**3. Common Facility for Marble Processing & Training Centre at Mohmand Agency, FATA**

This project would benefit clusters of marble processing units in cutting and polishing techniques with an investment of USD 112,000 from CSF. Additional investment of around USD 1.1 million and additional employment of almost 300 people is expected to spur due to this facility.

**4. Jewellery Design & Manufacturing Centre for Excellence**

The projected job creation is around 300 people and new investment generation would be around USD 1.0 million.

**5. Gold Assay Office in Karachi**

Mr. Aizaz ul Omer of ASR Enterprises has come to CSF with Gems and Jewellery SWOG and proposes that this grant of USD 155,000 would generate new investment of USD 1.4 million & increase exports by approximately USD 1.0 million.

**6. Ornamental Stone Processing Facility in Quetta**

Once operational, the facility could foster new export market to around USD 1.2 million and create jobs for almost 400 people.

**7. Agri Services Programme Dairy Sector**

The tanks would cost USD 150,000 and a replica effect is expected in the nearby areas. It is projected that fresh investment of around USD 0.75 million in milk storage would be made by generating jobs for over 1000 people.

**8. Village Milk Collection and Marketing through Dairy Cooperatives (VMCC)**

This cooperative is expected to reduce the retail cost of milk by at least PKR 3 per liter, build capacity among the farmers on the lines of modern milking and marketing techniques. Another implied benefit of the VMCC would be a prospect of setting up a milk processing and marketing unit in the area.

**9. Establishment of Common Laboratory for Drug Formulation and Pharmaceutical Unit Evaluation**

The proposed project would be established in Nowshera Industrial Estate, Risalpur, where a cluster of Pharmaceutical and Food Processing units are operating. The laboratory would be servicing pharmaceutical units for drug testing and quality control compliance to CGMP (Current Good Manufacturing Practices). The proposed project would be patronized by the Pharmacy Department of University of Peshawar, which has agreed to provide all necessary assistance in setting up and operations of the facility.



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Annual Progress Report

## **APPENDIX IV: APPLICATION AND FINANCING PROCEDURE FOR MATCHING GRANT FACILITY**



## Proposal Eligibility and Scoring Criteria

### Eligibility Criteria

Any application not meeting the following eligibility criteria will not be accepted for processing.

1. The scheme is not applicable to individual companies or firms. Only projects that will benefit a cluster or a group of firms in a sector of the economy and are proposed on behalf of a cluster or group of companies will be accepted and processed. Note: Existing industry associations, chambers of commerce, etc. are eligible to apply on behalf of their members.
2. Confirmation of availability of contribution of the other 50% of the project cost by the applicant(s) is necessary.

### Scoring Criteria

These following criteria will be used to evaluate a project proposal. Each application will be given points for how well it meets each of these criteria. The range of maximum possible score is indicated for each. The maximum possible score is 100.

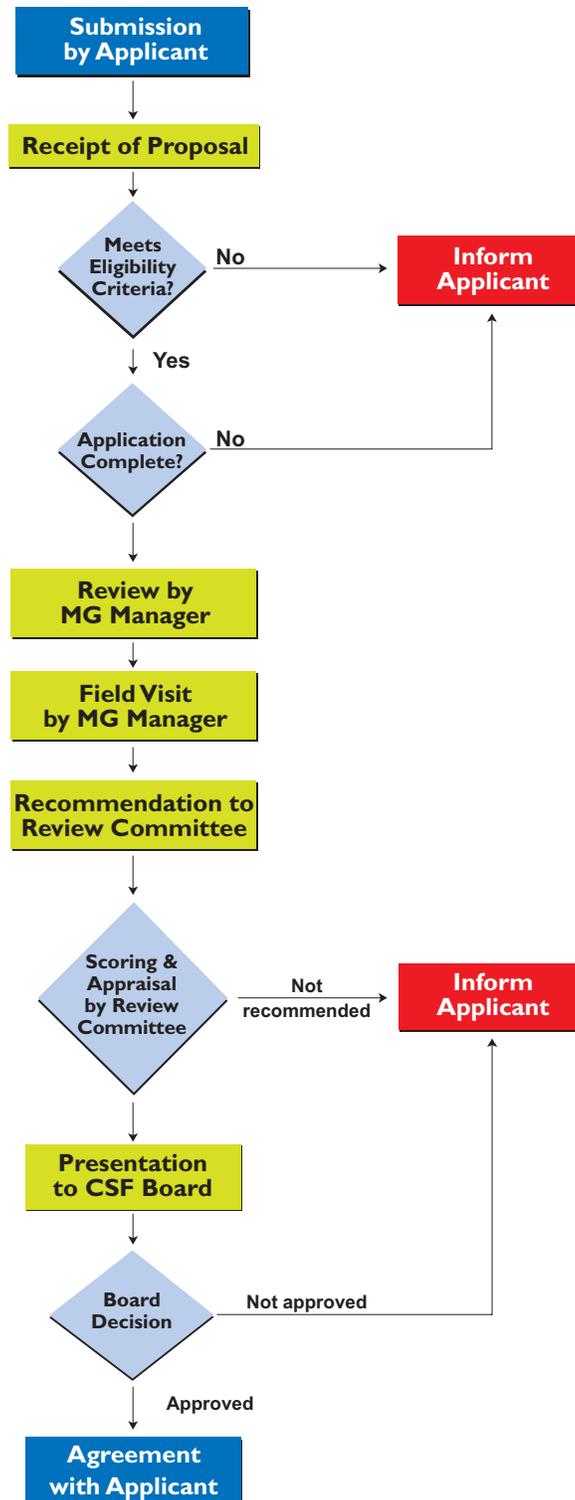
No.	Scoring Criteria	Max Score
1	Completeness and clarity of grant application: <ul style="list-style-type: none"> <li>• The proposal lists 3-5 well defined project objectives and goals which are realistic and achievable.</li> <li>• The project activities are well planned and ready to implement.</li> <li>• The applicant(s) are clear about what technology will be used for this project and that it is appropriate to the goal(s) of the project.</li> <li>• There is a clear plan for technology support, recruiting participants, marketing products and/or services, and increasing community support.</li> <li>• A detailed project timeline is included in the proposal.</li> <li>• If the project will continue beyond the length of the grant, the arrangements for ensuring its long term sustainability are detailed.</li> </ul>	15
2	Substantiation of the need for the project and its alignment with the goal of the CSF to improve the competitiveness of the Pakistani economy. This will be evaluated in terms of the project's potential to: <ul style="list-style-type: none"> <li>• Improve product quality</li> <li>• Create additional jobs</li> <li>• Generate more income for beneficiary firms and/or their employees</li> <li>• Increase exports</li> </ul>	20
3	Involvement of stakeholders i.e. Triple Helix involvement to promote public private partnerships, including the private sector, academia and (local) government:	25



## Competitiveness Support Fund Annual Progress Report

- The project addresses a recognized industry/cluster/economic community need with a viable, creative solution.
  - The project uses partnerships to leverage beneficiary community resources to increase the project's impact and effectiveness.
  - Community support for the project and involvement of the target community in planning the project is documented.
  - The project will result in a product, service or benefit that has lasting positive effect on the beneficiary community.
  - The project expands and/or strengthens the applicants' capacities beyond the term of the grant.
- 4 Likelihood of the project's sustainability and commercial success. 5
- 5 Documented ability of the project team to deliver in terms of qualifications and prior experience relevant to the proposed project. 20
- 6 Proposed project budget: 10
- a. The proposed budget is realistic and well planned.
  - b. The numbers add up correctly.
  - c. The cost estimates are researched and reflect market prices.
  - d. The proposed expenses are clearly segregated into sub headings.
  - e. Identification of mitigating factors against cost overruns/project scope expansion.
- 7 Project timelines are realistic and achievable. 5

## Proposal Evaluation Process





## Application Form

Date Rx: \_\_\_\_\_

# Competitiveness Support Fund

### IMPORTANT NOTES:

#### PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

- This is a proposal for a matching grant. In order to be eligible to receive a matching grant from the CSF, the applicant has to arrange at least 50% of the total cost of the project.
- This scheme is not applicable to individual companies or firms. Only projects that will benefit a cluster or a group of firms in a sector of the economy, and are proposed on behalf of a cluster or group of companies, are eligible for Matching Grant funding from the CSF. Existing industry associations, chambers of commerce, etc are also eligible to apply on behalf of their members.
- The CSF may request the applicant to provide additional information on a case to case basis.
- For additional information please visit the CSF website at [www.competitiveness.org.pk](http://www.competitiveness.org.pk)



**MATCHING GRANT APPLICATION FORM  
COVER SHEET FOR PROPOSAL**

<b>TITLE OF PROPOSED PROJECT:</b>	
<b>NAME OF APPLICANT ORGANIZATION:</b>	
<b>LEGAL STATUS:</b>	
<input type="checkbox"/> PARTNERSHIP	
<input type="checkbox"/> NGO	
<input type="checkbox"/> TRUST	
<input type="checkbox"/> BUSINESS ASSOCIATION	
<input type="checkbox"/> INDUSTRY ASSOCIATION	
<input type="checkbox"/> CHAMBER OF COMMERCE & INDUSTRY	
OTHER (PLEASE SPECIFY):	
<b>PROJECT PARTNERS:</b> Attach a list of members of the applicant body with addresses and contact details. Briefly indicate the role of each in the project and benefit to each of them. Please also indicate whether they are from industry, academia or government.	
<b>Contact Person for the Project (1):</b>	<b>Contact Person for the Project (2):</b>
Name:	Name:
Address:	Address:
Phone:	Phone:
Fax:	Fax:
Email:	Email:
Cell:	Cell:
<b>Name of Person submitting the proposal:</b>	
Signature: _____ Date: _____	



### PROJECT DETAILS

**PROJECT SUMMARY:**

(Briefly describe the proposed project in about 250 words and the impact it is expected to have on the sector or the Pakistani economy.)

Number of firms, households, organizations that would benefit from the project:

Proposed project location:

Project duration (months):

Total project cost (Pak Rs.):

Proposed CSF contribution (Pak Rs.):

Contribution by applicant body (Pak Rs.):

How will the applicant body arrange for its financial contribution to the project cost:

**PROJECT DESCRIPTION (2500 – 3000 words maximum):**

The description should consist of three sections; the first section should indicate the economic or sectoral need on which the project is based; the second section should introduce the precise nature of the project; and the final section should indicate the proposed objectives (in quantifiable terms) to be achieved in the light of the first two sections.



# Competitiveness Support Fund Annual Progress Report

**PROJECT IMPACT:**

Impact of proposed project on the industry or economy in quantifiable terms: (for example, increase in sector competitiveness, development of new products/processes, increase in productivity/income, use of new technology, etc).

**INNOVATIVE ASPECTS OF THE PROJECT:**



## Competitiveness Support Fund Annual Progress Report

List out any specific skills, knowledge or experience that members of the sponsoring team possess that would ensure the success of this project:



## BUDGET

### A. Estimated TOTAL budget for the project (Pak Rs.):

- a. Capital expenditure
- b. Salaries, and payment for services
- c. Recurring expenses
- d. Training
- e. Consumables
- f. Any other costs (please specify)

Provide a detailed budget for the project. Also include Project Timelines and Funding Requirements against each timeline (in weeks or months).

### B. Project Cash flows

Provide anticipated cash flows for the project for a period of three years.



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## Appendix V: Business Incubator/ Venture Capital (VC)





# **BUSINESS INCUBATOR PROCESS: A POLICY TOOL FOR ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT IN A KNOWLEDGE – BASED ECONOMY**

This paper has been prepared to give an overview about the role of the business incubators in innovation and competitiveness to boost the economic growth and job creation



## TABLE OF CONTENTS

1.	Background	109
2.	Introduction	109
3.	What are Business Incubators?	109
4.	Types of Business Incubators	110
5.	How Incubators Are Set-up	111
6.	The Operational Procedure of the Business Incubators	112
7.	Upgrading through Pilot Projects and Business Incubation:	113
8.	The Role of the Competitiveness Support Fund (CSF) in Supporting the Process of Business Incubation	114
9.	Conclusions	115
10.	The Seven Benchmarked Countries	115

## 1. Background

This background paper is on business incubation as a policy tool that has been used by several governments to spur knowledge based enterprise development. It is intended to assist and supplement a number of SME development initiatives being undertaken in Pakistan, including the USAID funded PISDAC project.

## 2. Introduction

In a rapidly changing global economy, small and medium scale enterprises are increasingly a force for enhancing national economic growth and employment. Many government programs contain policy instruments addressing SMEs. New structures and strategies are being explored that will help small enterprises to grow and provide a promising future in the global market.

In a number of more competitive economies, business incubation is one of the tools that have helped to create new entrepreneurial skills and new businesses. The incubation process that was developed has included services for on the spot diagnosis and treatment of business problems, dramatically lowering the usual early stage failure rate.

Business incubator programs, often called “new entrepreneur creation projects” helps develop new entrepreneurs and supports them to start up business and be better able to survive on a longer-term sustainable basis. The business incubator target group includes small entrepreneurs that want to grow, new graduates and those who would like to develop their talent and ideas and commercialize them.

The need for business incubation is one of the outcomes of USAID sponsored benchmarking exercise of the small and medium enterprise support structure in Pakistan. This exercise was aimed at the identification of gaps in SME support activities that need to be addressed for the SMEs to increase their contribution to the Pakistani economy. These gaps included: a need for increased innovative approaches to SME finance, better linkages between the academic community and industry, better and quicker commercialization of innovation including the process for business incubation.

## 3. What are Business Incubators?

Business Incubators are defined as a location in which entrepreneurs can receive pro-active, value-added support, and access to critical tools, information, education, contacts, resources and capital that may otherwise be unaffordable, inaccessible or unknown.

Well structured incubators provide links to industry; business support services to enhance and develop business; upgrade skills and techniques; technological advice and assistance with intellectual property protection; financial resources for R&D; initial marketing expenses; and access to potential private investors and strategic partners.

The benchmarked SME support entities in more competitive countries were encouraged by their governments to foster the process of incubation. They successfully hosted several pilot projects at relevant companies and universities to allow entrepreneurs to develop their ideas and talents, and to commercialize them. The respective governments financed those pilot projects through an additional financial contribution to the budget of SME support agencies in the benchmarked countries. Those institutions involved recognized the value added by these initiatives, formed incubators, and financed them through public/ private investment. One of these efforts is included as a possible financing facility model for the proposed Competitiveness Support Fund (see table no. 4).

#### 4. Types of Business Incubators

Incubators come in many formats, mostly fitting the following four types:

- Public or not-for-profit incubators: government and non-profit organization, whose primary objective is to promote economic development, sponsor these.
  - Private incubators: these are run by venture and seed capital investment groups, or by corporations and real estate development partnerships. These incubators generally seek a return on their investment.
  - Academic-related incubators: these are started where which have academic objectives also focus on faculty development, and on creating business-spin-offs from faculty research
- Public/private incubators: these are joint efforts between government and non-profit agencies. This type of incubation offers the advantage that government funding can often be secured to support private sector expertise and financing.

**Table 1: Academic-related incubators and public/ private incubators**



## 5. How Incubators are Set-up

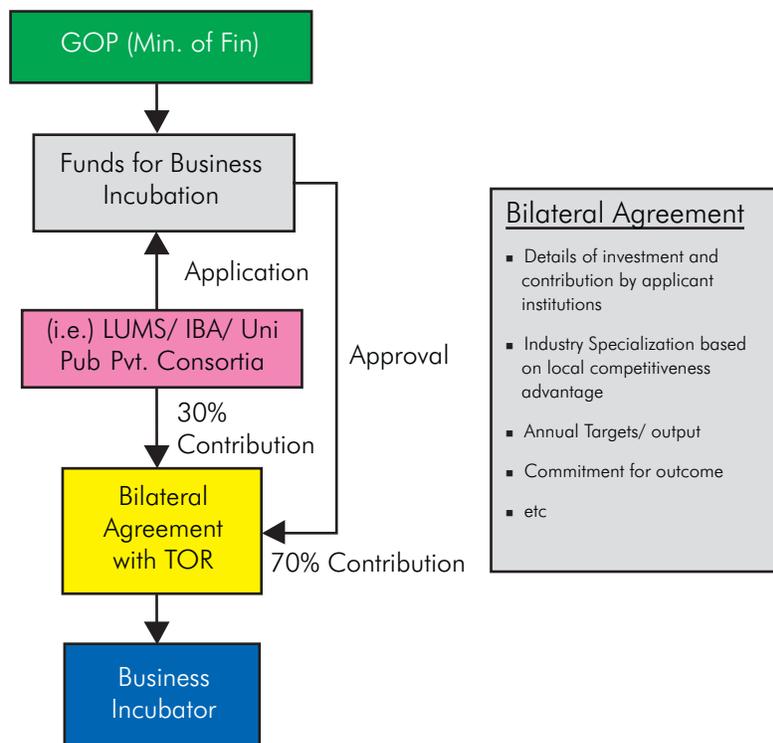
Quite often Governments initiate incubators. The Government creates a funding program for business incubation. The funding program issues general requests for proposals from relevant applicants to set up incubators. Anyone can respond with a proposal. It can be private consortia, universities, communities or mixed consortia. Incubator initiatives are then selected.

### The incubators in the network receive:

- A yearly grant, just about enough to pay for the manager, one secretary and low-cost facilities for the incubator management and incubator projects (they are situated in the same location.)
- The right to apply for incubator project grants for which the turn-around time is fast, approximately a few weeks.

Incubators included in the network must follow set requirements for the overall program and grants.

**Table 2: Business Incubator Set-up**



## 6. The Operational Procedure of the Business Incubators

Entrepreneurs may apply to incubator managers to participate in incubator projects. If the incubator managers like the proposals then they take it to the screening committees at their own incubators. Once a project idea is accepted, the incubator manager and entrepreneur develop a proposal that is submitted to the incubator fund. It is screened again. If it is approved, the incubator gets funding for a project for two years. The fund provides up to 85% of the total project budget; the rest must come from the promoter and it covers all the services, use of equipment etc. There is a funding ceiling per project of approx US\$350,000 over two years.<sup>7</sup>

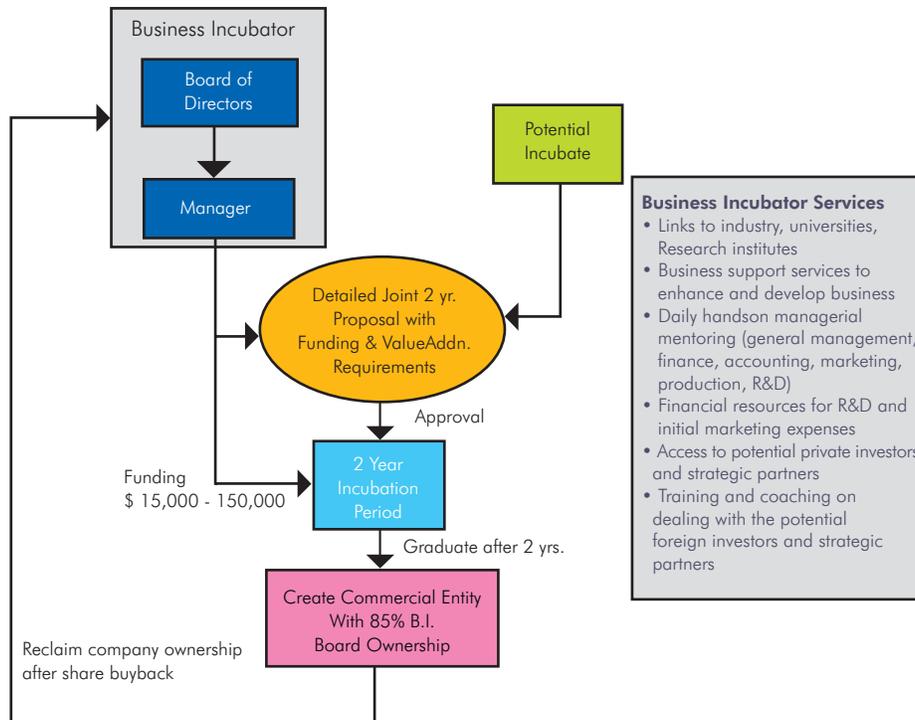
Ideally incubator companies build a prototype of their products or services in year one and find an investor and exit out of the incubator during year two. The following are important milestones for a successful business incubator operation:

- Forming a strong managing board with an advisory structure and enabling them to observe incubator operations;
- Experienced managers and personnel for the incubator;
- Careful selection, training at home and abroad, and proper remuneration of the manager and team;
- Screening of the technical, business and market potential of tenants;
- Promotional campaign to mobilize community support;
- Involvement of private sector, through subcontracting and other arrangements;
- Exchange of experiences through national incubators and international network

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<sup>7</sup> The maximum amount of the funding is different in the benchmarked countries. The average amount of the funding is between US\$ 150,000 to US\$ 350,000..

**Table 3: Business Incubator Operation**



## 7. Upgrading through Pilot Projects and Business Incubation:

The benchmarking of the SME sector suggests that there is a great opportunity to work with SME sectors to facilitate development of a broad strategy for each sector and for this strategy to drive identification of pilot projects that in turn drive SME upgrading and innovation. In addition to such projects situated throughout Pakistan, the more successful SME development agencies in the benchmarked countries are also engaged in business incubation.

So far, a number of pilot projects have been identified in the dairy, marble & granite, and gems & jewellery sectors. The pilot projects approximate the business incubator concept: bringing together individuals from the entire value chain to not only provide support to them but also enable them to share information and improve the value chain as a whole. This might take various forms for specific investments such as a vertically integrated joint venture in which various parts of the value chain collectively invest.

CSF will assist as catalyst and facilitator in the above processes of strategy, pilot projects and incubation, in co-operation with sector strategy working groups (SWOGs) and other relevant institutions to help to facilitate the undertaking, management and financing of pilot projects and the formation of business incubators that the relevant institutions are planning to form in several locations in Pakistan.

In addition to its support for sector Strategy Working Groups (SWOGs).<sup>8</sup> CSF, in close cooperation with the relevant stakeholders, could assist the supervisory and management body of planned business incubators to be formed and assist with monitoring of pilot projects.<sup>9</sup>

## **8. The Role of the Competitiveness Support Fund (CSF) in Supporting the Process of Business Incubation**

The Government of Pakistan through the Ministry of Finance has decided to integrate the business incubation support program into the CSF through the GOP financial contribution. In addition, CSF will also organize workshops with interested relevant institutions to invite foreign experts from benchmarked countries to give training and exchange experiences about successful business incubators.

CSF would produce and place articles in relevant newspapers and use other media to disseminate this information. Furthermore, CSF would organize workshops with interested stakeholders to encourage them to form business incubators.

With the support of the Ministry of Finance, the CSF is to undertake an initiative with the two universities to set-up two small pilot projects for business incubation. The capacity of those incubators might be 5 to 8 participants.

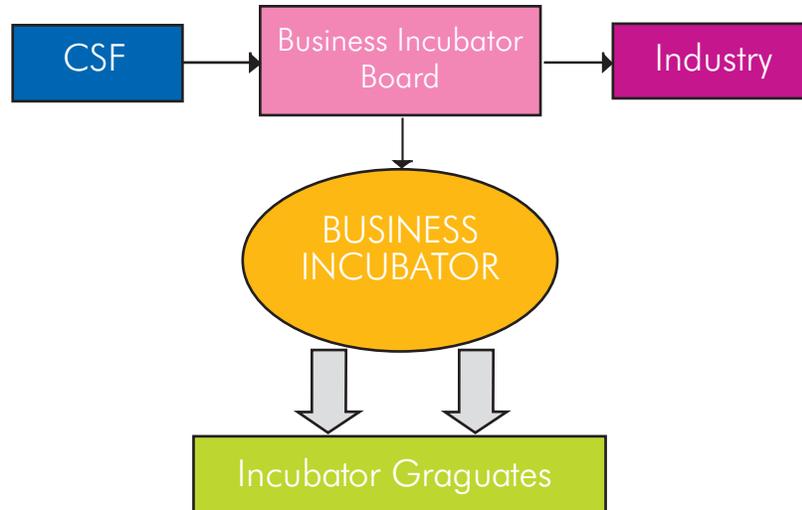
Based on experience with these two pilot incubator projects, other institutions would be able to observe and understand the added value of such initiatives and begin to form incubators financed through public/ private investment.

---

<sup>8</sup> As SWOGs function on a regular basis they adopt simple operating rules which may or may not be formalized, and designate an interim group of functionaries to record activities and conduct other operational functions. Over time they draft and refine strategic documents, plans, and pilot project descriptions. The SWOGs or members of the SWOGs form working groups as required, as well as joint stock companies or other legal entities to conduct pilot projects

<sup>9</sup> The planned business incubators by the relevant institutions might take the example of the well advanced countries to start the process. Business incubators should operate under a rigorous selection process. Not all firms that apply for entry are accepted. Incubators should operate under rigorous "up or out" procedure. Firms typically remain in the incubator for no more than two years.

**Table 4: Funding for Business Incubators through the CSF**



The CSF would not be involved in the creation or day to day management of business incubators; it would rather encourage relevant and appropriate institutions – such as universities, industry research organizations and associations, etc. – to establish them. This work is one of the primary objectives of the CSF like entities in India, Thailand, Finland, Turkey and Israel.

## 9. Conclusions

Business incubators are confirmed in the literature on innovation and in practice in more successful economies as one of the important instruments to develop effective employment and sustainable new start-ups to support knowledge based enterprise development.

It is proposed that the Ministry of Finance develop a strategy based on this concept paper for an open public private sector debate on the importance of the business incubation process for enterprise creation and development of SME sector countrywide. To support this, visits could be arranged to some business incubators in the benchmarked countries to become familiarized with existing experiences. To the extent possible this should be done jointly with other relevant Pakistani public and private sector institutions such as universities and industry consortia and associations.

## 10. The Seven Benchmark Countries

- Thailand
- China
- Ireland
- Sweden
- India
- Israel
- Turkey



Knowledge



Innovation



Productivity



Growth

## Competitiveness Support Fund

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