

## National Policy Platform for Competitiveness and Economic Growth

Note on 2<sup>nd</sup> Meeting

By

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This note briefly records my impression of the second meeting of the National Policy Platform for Competitiveness and Economic Growth held in Lahore on May 4. We had a full day of discussions and we covered a lot of ground. After our meeting, I spent a couple of hours with the TV networks highlighting some of the areas we had explored. Two channels, CNBC and SAMAA telecast special programs on the Platform. This outreach to the media is a part of our effort to reach a broader audience to widen the scope of our dialogue as well as its impact on the process of policymaking.

The attendance at the Lahore meeting was good and most participants actively took part in the discussions. The provincial governments were well represented. Mian Shahbaz Sharif, Punjab's Chief Minister not only spent more than a couple of hours at the morning session. I was also able to brief him about our purpose and way to conducting our business at an hour long meeting I had with him at his initiative at his office on May 6. He said he looks forward to our work and hopes to benefit from our analyses and deliberations. We will hold our next meeting in Karachi and invite the senior officials from Sindh province to join with us in moving forward with our program.

At the Lahore meeting we initiated the practice of having the think tanks represented on the Platform to inform the membership of their on-going programs in public policy work; the capacity they had or were building up in order to do policy work; how they saw the difficulties the country currently faced; and what contributions they could make to the work of the Platform. The Institute of Business Administration in Karachi, the Lahore University of Management Sciences, and the Beaconhouse Institute of Public Policy at Lahore took the floor at the Lahore meeting and provided information about their public policy work program.

The World Bank made a detailed presentation of their work on the Pakistani firm, of the business environment in the country, and on the likelihood of turning Pakistan into an export oriented economy. We have invited the Asian Development Bank to make a similar presentation at the Platform's third meeting. We will follow with presentations by Pakistan's main bilateral donors.

Two provinces – Baluchistan and North West Frontier Province – made detailed presentations at the Lahore meeting. These focused on the problems the two provincial governments were currently dealing with and also with their medium-term development programs. The provincial representations did not indicate the areas in which the institutions assembled around the table could be of help to them in doing policy work. They indicated that they will get back to me at the Competitiveness Support Fund to suggest how the Platform could assist them. Both provinces are dealing with a serious security situation which poses a problem in pursuing plans for their development.

We were presented with the plan of work in the three areas we had agreed to explore at the Islamabad meeting on March. The presentation by the Lahore University of Management Sciences, the LUMS, narrowed the focus of their work on horticulture within the sector of agro-business. That is acceptable since, as I had indicated in my note of April 2 (“Sectoral Interventions: Drilling Down to the Specifics”), our purpose is to focus the attention of the policy analysts and discussion makers on the specific areas when the state, working with the private sector, can make a difference. The Institute of Public Policy, in its presentation, highlighted the bias that currently exists in providing finance to Small and Medium Enterprises (SMEs). What are the ways of correcting this bias and what institutional modalities are needed and what policy measures need to be adopted in order to correct this bias. The Higher Education Commission was interested to initiate policy work on the broad areas of innovation. They could not participate in the Lahore meeting as their senior officials were participating in a board meeting of their own. However, a Platform participant was able to inform us of the work that is being done under the aegis of the HEC. The on-going work in these three areas will be completed by the end of the year. We will discuss these reports in a Platform meeting and after the authors have incorporated the comments provided at the meeting, the reports will be provided to the government in the form of “issues papers”. We expect that these papers will input into the making of public policy.

The Lahore meeting drew a list of issues that require the immediate attention of the Platform and later of the government. Some subjects were added to the list provided in the above cited paper of April 2. These, not necessarily in order of priority, are the following:

**Construction industry:** It was agreed that this was a high priority for government’s attention. The sector had developed in an ad hoc way but now needed the government’s regulatory support, better access to finance and an improvement in the technological base to make future progress. It could become competitive in the international market place. The LUMS expressed an interest in working in the industry. The representative of the construction industry on the Platform said that he will attempt to generate some funds from the firms active in the sector to support the needed policy work. This could become a model to be followed for policy work in other industries and sub-sectors.

**Leather industry:** Given the size of the animal population in the country, the Platform agreed that Pakistan could become a leading exporter of leather products with the appropriate design of public policy. The representative of the industry on the Platform said that this was one area where some innovation had been undertaken. His firm, the largest shoe manufacturer in the country, was expecting to receive an international patent for some technical advances that were made. The Platform will look for private sector academia cooperation in this industry as well in order to prepare on issues paper for considerations by the government.

**Mining industry:** The representative of the Baluchistan government identified mining as a growth area for his province. The representative of the mining industry on the Platform suggested that policy work should also be done for his area. Once again we could follow the public-private sector partnership we are planning in the construction industry to move forward in this area.

**Urbanization and urban policy:** This area of policy analysis received extensive coverage in my note of April 2. The PIDE expressed interest in pursuing this subject. It was agreed that a presentation highlighting the scope of analysis on the subject will be prepared for discussion at the third meeting of the Platform.

**Development of brand names for Pakistani products:** With reference to the Platform's work on the Pakistani firm and drawing upon the work done by the World Bank in the *Investment Climate Assessment II*, the Platform members felt that some diagnostic work was needed as to why the country had not be able to develop brand names for its products. This is so even for the commodities (basmati rice, for instance) in which Pakistan had a prominent presence. Most developing countries that had done well in international trade now had well established brand names (examples Samsung from Korea, Acer computers from Taiwan and, Lenovo computer from China, Embracer aircraft from Brazil). The South Asian countries that had done well in some export markets (for instance India in the IT sector, Bangladesh in garments) had mostly worked for foreign brands. Which of these two routes should Pakistan take?

**Building government's implementation capacity:** There was considerable discussion of the poor capacity in the government – among its ministries, departments and agencies – to implement policies even when they were well designed. Should implementation be incorporated as a part of a public policy initiative? I pointed out that the World Bank offered two examples of program success and program failure which could be attributed to the need for incorporation of implementation in program and project design. The Indus Water Replacement Works, executed in the 1960s and the early 1970s, are an example of a highly successful policy and program implementation; the Social Action Program, implemented in the 1990s, of a colossal failure. The first succeeded in part because special attention was given to implementation; second failed because the assumption was made that the existing government machinery and bureaucratic structure could be made to handle the very large donor assisted program. The LUMS and Lahore School of Economics (LSE) could carry out a joint exercise to identify the factors that can contribute to improving implementation in Pakistan's context.

I will conclude this note with a few personal observations. First, the main purpose of this exercise is to build capacity in the private sector to do serious public policy work in the areas and on the issue that are pertinent for Pakistan's current situation. The situation is difficult and we could play a role in helping the policymakers of the day to resolve some of the problems they face. Two, to create a platform for the interaction among the

various institutions that, in some fashion or other, are doing public policy work at this time. This exchange should help to improve the quality of work being produced. Third, to provide a forum where policymakers from various levels of government – from the central and provincial governments and, at some stage, also from some of the more important city and local governments – to work with the think tanks so that both communities – policymakers as well policy analysts – can benefit. Four, to involve the media in our work so that the fruits of efforts can be shared by the wider public. Five, to interact with the donor community that is now increasingly involved to helping Pakistan through these difficult times to address the many problems the country faces today.

I believe we have made a good stent but we have some distance to go. We intend to bring in more institutions to become Platform members especially from the more backward regions of the country. I was struck by the note of urgency and passion in the presentation made by the Platform member from Baluchistan who did not mince his words to say that both time and patience were running out for his province and his people. Their problems and aspirations needed to be appreciated and recognized. Punjab's Chief Minister, spoke of his province and the firms operating in the various sectors of the provincial economy. He said that "we have lost competitive edge. Concerned only with fattening our profits, we have failed to improve productivity, to innovate, to care for the needs of our customers. We face grave challenges. Should we give up? Certainly not!" he said. That could also be said for our efforts.