



Business Environment Reform Facility

Support for Public-Private Dialogue (PPD) – Punjab, Pakistan

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About Business Environment Reform Facility (BERF)

BERF is funded by the UK Department For International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from DFID priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. BERF is managed by a consortium led by KPMG LLP. The programme started in January 2016 and will finish in January 2019.

We provide expert advice, analysis of lessons learned, policy research about what works and what doesn't and develop innovative new approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the business environment for women and girls, as well as for young adults more generally. It also aims to improve the relationship between business and the physical environment including where relevant through linkages to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

About this Report

Research for this study was conducted by Tim Vickery and Usman Khan between January 2017 and February 2017.

The views contained in this report are those of the authors and do not necessarily represent the views of KPMG LLP, any other BERF consortium member or DFID.

This is a working paper shared for discussion purposes only. No reliance should be placed upon this report.



Acronyms and Abbreviations

APTMA	All Pakistan Textile Mills Association
BDC	Business Development Centre
BE-IC	Business Environment-Investment Climate (reform)
BERF	Business Environment Reform Facility
BMO	Business Membership Organisation
BRDO	Better Regulatory Delivery Office (UK)
CERP	Centre for Economic Research of Punjab
CEO	Chief Executive Officer
CM	Chief Minister
D&As	Departments and Agencies
DC	Deputy Commissioner
DCO	District Coordination Officer
D&As	Departments and Agencies
DFID	Department for International Development
ERM	Emergency Response Mechanism
FBR	Federal Board of Revenue
GDP	Gross Domestic Product
GoPJ	Government of Punjab
ICRA	Investment Climate Reform Authority
ICRU	Investment Climate Reform Unit
IFC	International Finance Corporation
JCP	Jobs and Competitiveness Program
LCCI	Lahore Chamber of Commerce and Industry
LUMS	Lahore University Management School
MD	Managing Director
MIP	Federal Ministry of Industries & Production
OFM	Online Feedback Mechanism
P&D	Planning and Development Department Punjab
PA	Provincial Assembly
PBIT	Punjab Board of Investment & Trade
PERI	Punjab Economic Research Institute
PICRA	Pakistan Investment Climate Reform Authority
PITB	Punjab Information Technology Board
PPD	Public Private Dialogue



PPP	Public Private Partnership
PRA	Punjab Revenue Authority
PSIC	Punjab Small Industries Corporation
PSC	Programme Steering Committee
PSDF	Punjab Skills Development Fund
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority
SWG	Sector Working Group
TA	Technical Assistance
TEVTA	Technical Education & Vocational Training Authority
TMA	Tehsil Municipal Authorities
ToR	Terms of Reference
WBG	World Bank Group
WCCI	Women's Chamber of Commerce and Industry



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1. Executive Summary

This report focuses on the structures and functions necessary for effective public-private dialogue (PPD) for business environment and investment climate reforms (BE-ICR) in Punjab. The analysis and recommendations here build upon an earlier BERF report that assessed the feasibility of launching an on-line feedback mechanism (OFM) for public-private dialogue in Punjab. It concluded that an OFM was indeed feasible if integrated into functional PPD structures and processes. However, those were not fully in place at that time.

At the request of the Government of Punjab (GoPJ), a team of BERF consultants conducted a second mission to Lahore, Faisalabad and Multan from 17-27 January 2017 to map and assess in more detail the existing PPD framework and practices in Punjab, and recommend ways to make it effective, institutionalised, systematic and sustainable.

BERF consultations confirmed that there is pent-up demand among GoPJ and private sector players across the province and across key sectors of the economy for structured, facilitated, consistent, accountable and results-driven dialogue to drive growth by improving the conditions for business and investment in Punjab. However, the PPD now taking place in Punjab is mainly *ad hoc*. It is not inclusive, structured or systematic. As a result, it is not generating the policy and regulatory reforms needed for business to thrive or for the GoPJ to deliver on its economic growth and employment targets.

This report looks first at the principal factors driving the need for business environment and investment climate (BE-IC) reform in Punjab. It then profiles the key players and assesses the existing PPD structures and practices before presenting detailed recommendations, grounded in international best practice, for building upon the framework now in place to ensure effective, inclusive, consensus-based reforms. The report goes on to recommend how the PPD process should be structured, resourced and operated as well as where the OFM fits in the overall PPD framework. It concludes by presenting the main steps needed to get systematic PPD underway in Punjab. Below, we outline the main findings and recommendations.

1.1 Key factors driving the need for PPD in Punjab

Punjab has set ambitious growth and inward investment targets. However, after years of outpacing the national economy, growth in Punjab has recently slowed to about half the level called for in the *Punjab Growth Strategy 2018*. The private sector is the engine for growth, accounting for some 90% of Punjab's output of goods and services. Declining *Doing Business* rankings, recent expert reports and consultations with business leaders make clear however that significant, ambitious reforms are urgently needed to address the many policy and regulatory hindrances to private sector-led growth. Decentralisation grants the GoPJ authority



to implement some reforms independently of Islamabad. The GoPJ and business groups share a palpable interest in jointly crafting BE-IC reforms that remove impediments to growth. Informal businesses represent as much as 90% of the formal economy in Punjab. PPD may be a way to nudge some into the formal economy. Multiple, uncoordinated PPD initiatives are underway in various D&As.

Institutionalised, inclusive PPD is crucial to not only bring the voice of marginalised groups, especially women business owners and the informal sector, to bear on the reform/growth agenda, but also to fully integrate on-going PPD initiatives for consistency and maximum effect.

1.2 Mapping and Analysis of PPD structures and practices in Punjab

A principal objective of the mission was to develop initial findings from the OFM Report by conducting a more comprehensive mapping and analysis of PPD players, structures and practices in Punjab. Consultations with stakeholders in all three regions of Punjab as well as with a representative cross-section of the main industries in the province confirmed the initial findings, i.e. PPD is limited and *ad hoc*. It is neither systematic nor well-coordinated across government and results are poorly communicated inside and outside government.

The report then examines the PPD landscape, profiling all of the public, private and civil society groups relevant to PPD in Punjab, describing their current and recommended roles going forward. We examine in detail the most important of the players, the ICRU and the PPD Council as they form the institutional backbone of the PPD framework. We also recommend how the sector working groups should fit into the PPD framework.

1.3 Main Recommendations

1.3.1 ICRU

The GoPJ has begun establishing an Investment Climate Reform Unit (ICRU) under the Planning and Development Department (P&D). The ICRU is tasked with spearheading BE-IC reforms in Punjab by coordinating “development, implementation and monitoring of the process of legislative, regulatory, procedural and institutional reform.”¹ The ICRU is also expected to collect data, conduct research and do analysis to enable it to recommend promising BE-IC reforms. A Managing Director has been recruited but the ICRU currently has no other staff or offices. Within six months, the GoPJ plans to transform the ICRU into an independent authority (PICRA), governed by a Board of Directors. Until that happens, P&D is the logical home for the ICRU and it should remain there. We analyse the structures, staffing and governing mechanisms envisaged for both the ICRU and ICRA, identify weaknesses and

¹ Annex II, PC-1 Establishment of ICRU in P&D Department



recommend appropriate staffing and reporting under both scenarios. (See Section 6 for details.)

1.3.2 Sector Working Groups (SWGs)

SWGs are vital for leading on engagement by focusing on ‘vertical’ or sector-specific issues. This ensures the relevance of dialogue and supports timely implementation of reform decisions. Global best practice shows that PPD initiatives typically establish several sectoral working groups that include members from both the private and public sectors.² Each group should include consistent representation by women and SME members from relevant sector associations. Such groups are often co-chaired by a government/ICRU and private sector representative appointed by group members. With support from a coordinating unit like the ICRU, such groups would identify and prioritise legislative, policy, regulatory and procedural issues impeding efficient business operations and develop reform proposals for decision by the PPD Council. This is consistent with the PC-1 for the ICRU as well.

To limit the scope and focus efforts where there is demonstrable support for PPD among both GoPJ and BMO stakeholders/players, the ICRU’s initial focus should be on the first three sectors named in the *Punjab Growth Strategy 2018*, i.e. Industry and Trade, Infrastructure and Agriculture/Livestock. The report details the recommended membership, governance and management issues, frequency of meetings. (See Section 7 for details)

1.3.3 PPD Council

Though inactive since its first meeting, the PPD Council is the apex body for PPD and specifically mandated to lead on BE-IC reforms. We recommend that it maintains its supervisory and decision-making role, but that the membership be expanded and reconstituted to better balance public/private participation and voice, so as to reflect gender inclusiveness requirements and align with global good practice. We recommend that the Council is co-chaired by the Chairman of the P&D Board and an eminent private sector leader. The PPD Council should be vested with a clear, documented mandate backed by legislation, thereby securing its authority and signalling to public and private sector players that PPD is a permanent fixture of governance in Punjab (see Section 8 for details).

1.3.4 PSC

A Programme Steering Committee (PSC) was established for the World Bank *Jobs and Competitiveness Program (JCP)*. It is headed by the Chairman of the P&D Board. PSC membership closely mirrors that of the PPD Council, but includes more private sector

² “Role of the Coordination Unit in a Public-Private Dialogue: Practical Note on Design, Implementation and Management,” Herzberg and Sisombat, World Bank Group, Collaborative Leadership for Development, 2016.

representatives. Other than as it relates to the JCP, the PSC has no mandate for PPD. In contradiction to the OFM Report, we recommend that PSC remains dedicated to JCP issues.

1.4 Staffing of ICRU

There are two principal staffing approaches for capacitating the ICRU to be the operational hub for PPD in Punjab. We review the pros and cons of each and recommend that P&D opt to start with a streamlined staff and grow organically, as has been done in other countries. A gradual, demand-based approach is likely to build credibility with the private sector which can in turn stimulate broader and deeper participation in PPD. The report then provides detailed job descriptions for the key positions in the ICRU.

1.5 PPD Mandate

High-quality PPD need not require a formal mandate if capacity and commitment are in place. However, giving PPD a formal mandate can make clear the purpose, scope and objectives from the outset, build confidence in the commitment of both sides to the process, increase the likelihood of continuity, and better integrate PPD into the prevailing institutional architecture in Punjab.

We review the three most common mechanisms for establishing a PPD mandate and conclude that (1) the ICRU is constituted via the PC-1, but some revisions and supplemental documentation may be needed to formalise its mandate and reflect the recommendations here; (2) because the PPD Council has no documented mandate, it should be formally instituted. P&D's *Rules of Business* offer viable means for doing this.

We also recommend that an Emergency Response Mechanism is included in the ICRU mandate to address issues of limited administrative or regulatory scope, but which negatively affect a significant number of businesses.

1.6 Timing

Establishing the PPD system and delivering tangible 'quick wins' is vital to developing the mutual trust and traction needed for its sustainability. Championing from key GoPJ and private sector leaders is critical for the initiative. With elections expected in mid-2018, there is a risk that any successor to the Chief Minister may not share his commitment to formal PPD. It is urgent to operationalise the ICRU and PPD Council so they have time to demonstrate results that ensure the PPD will survive any changes to the political leadership.

There are two approaches to rolling out the PPD system:

- 1) Develop all PPD structures *and* the OFM for simultaneous roll-out.



- 2) Ensure the ICRU, Working Groups and PPD Council are functional, then develop the OFM to complement ‘live’ feedback mechanisms.

Recommendation

We recommend developing and integrating the OFM into the system once the ICRU, PPD Council and Working Groups are operational.

1.7 Budget

The report analyses the budget of 385 million PKR (see Appendix 2) which breaks down all main costs over five years. It accommodates reasonable salaries for 13 staff positions— more than will be needed at the outset. The ‘surplus’ positions should remain unfilled, allowing the ICRU to grow organically. Substantial funds are earmarked for TA and more modest amounts for communication and outreach. Some reallocation may be advisable. The full details are in Annex 2.

1.8 Summary of sub-recommendations

The primary recommendations concern the ICRU and PPD Council as detailed in Sections 6-7, with budget issues addressed in Section 8. Below is a summary of supplemental or “sub-recommendations” noted elsewhere throughout the Report.

1.8.1 Bring women and other marginalised groups into the conversation:

- **Women’s chambers** should have a permanent seat on the PPD Council; at least one-third of all Council members and SWGs should be women.
- **SMEs** should have a permanent seat on the PPD Council as well as the option to participate in all SMGs of their choice.
- ICRU must help bridge the geographic ‘gap’ via video conferencing and training on using the OFM.
- Giving **informal businesses** a voice in the formal debate and delivering tangible reforms that improve their bottom line might encourage gradual moves toward formality.
- ICRU should work with **PSIC** to gather information on marginalised businesses in distant areas. SWGs should include PSIC in their deliberations to ensure the most marginalised SMEs have a voice in BE-IC reforms.
- **Deputy Commissioners** can be key local champions for PPD, as well as ICRU ‘focal points’ for private sector feedback and communicating BER-IC progress in their districts. This will help engage distant districts directly, especially those with weak BMO representation.
- **Foreign investors:** PBIT’s active participation in SWGs and as an Alternate PPD Council member or with Associate/Observer status is needed to address the concerns



of foreign investors who have less advocacy representation in Punjab than elsewhere in Pakistan.

1.8.2 ICRU

- **Ongoing PPD:** Independent, uncoordinated PPD activities by different D&As must be mapped, coordinated and integrated into the overall PPD framework to ensure that (1) D&As are ‘credited’ for their PPD initiatives; (2) ICRU builds on the progress to establish relationships with key D&As; (3) ICRU can coordinate BER-IC reforms across government.
- **SMEDA:** As a federal government agency with strong sub-provincial presence, SMEDA can support ICRU on several levels. (see Section 4.3.1)
- **PITB** should be engaged consistently to keep abreast of developments and capitalise on opportunities for data capture that can inform BE-IC reform dialogue.
- **Media, communications:** Relying on mainstream media risks PPD messages being politicised and key details misrepresented or reported inaccurately. Directly communicating with stakeholders shows that PPD is a GoPJ priority-- allowing the voice of champions on both ‘sides’—public and private sector—to set the tone and control messaging.
- **Access to Research:**
 - ICRU’s ‘home’ under P&D should allow it access to **PERI** researchers to complement its own capacity.
 - ICRU should map and engage independent institutes, looking for opportunities to inform the process and players;
- **SWG**s
 - Tax issues will be a top area of discussion. **PRA** should be involved in all relevant SWGs.

1.8.3 PPD Council

- **PA:** Chairpersons of BE-IC-related committees and/or Ministers should be included on the PPD Council as well as certain SWGs so they stay abreast of developments and can add lawmakers’ perspective on positioning reforms for adoption by the Assembly when needed.
- Independent experts should have seats on the PPD Council.

1.9 Next Steps

Finally, the Report details a list of next steps to take the recommendations forward. It also recommends capacity building measures to improve the fitness/contribution of both BMOs and GoPJ to the PPD process. The full details are in Section 10.



1.10 Conclusion

The key conditions for launching a credible PPD programme are in place: political backing from the top echelons of the GoPJ and commitment from the private sector; a preliminary structural foundation; significant funds have been allocated; donors are ready to support the process; and the political imperative for moving ahead quickly to operationalise PPD in Punjab is strong. The time is ripe for capitalising on the solid groundwork done to date to build a vibrant, sustainable platform for PPD in Punjab.

2. Introduction

With a population estimated at over 100 million people, Punjab province is home to approximately 60% of all Pakistanis and generates more than 60% of the country's GDP. Punjab significantly outpaced national growth rates in recent years, but last year it slowed and now stands almost equal to the national level.

The Government's blueprint for economic development, *the Punjab Growth Strategy 2018*, calls for 8% annual economic growth and \$17.5 billion in private sector investment by next year. Actual growth to date has been about half the targeted level. Sustained private sector-led growth is vital for the Government to deliver on its development targets, yet many policy and regulatory impediments are constraining the private sector. There is pent-up demand by both government and business for systematic, institutionalised public-private dialogue to reach consensus on the reforms needed to improve the business and investment climate in Punjab.

This report follows on from a BERF mission in August 2016 to evaluate the feasibility of launching an on-line feedback mechanism (OFM) for public-private dialogue (PPD) in Punjab. The OFM Report concluded that such a tool was indeed feasible but that capacity constraints would need to be addressed before "structured, institutionalised PPD can take off". Indeed, as one of several mechanisms for conducting PPD, the OFM would have to be integrated into functional PPD structures and processes which were not in place.

At the request of the DFID and the Government of Punjab (GoPJ) a team of BERF consultants conducted a second mission to map/assess in greater detail the existing framework and practices for PPD in Punjab and recommend ways to make it effective, institutionalised and sustainable.

This report presents the findings of the mission including detailed recommendations as to how the PPD process in Punjab should be structured, resourced and operated as well as where the OFM fits in the overall PPD framework.

2.1 Objectives of Assignment

The objectives of the assignment were to conduct a more in-depth assessment and prepare recommendations for effective PPD structures and practices in Punjab, following on the initial review completed in August 2016.

- Examine and provide recommendations on the proposed BER PPD Unit which has been designed to sit within the PPP Cell in P&D, in particular the proposed staffing, functions and other relevant operational details; and provide recommendations to P&D on whether the PPD Unit's proposed location is effective and efficient and if an alternative location is proposed, provide clear reasoning for this recommendation.



- Examine and provide recommendations on the proposed PPD Council, including possible modifications to its current membership, meeting schedule and objectives.
- Examine the ICRU with reference to its suitability as an apex body for BER in Punjab, and in particular its proposed staffing, functions and other relevant details concerning its operation.

2.2 Approach to Study

The BERF team carried out the mission in two phases, namely initial desk research followed by a field visit to Punjab from January 17th to 27th. Ahead of the fieldwork, the team reviewed documents related to the planned structure of the Investment Climate Reform Unit (ICRU), existing PPD set-up, devolution of power to provincial governments and other relevant documents. In Lahore, the team met with key Government of Punjab (GoPJ) departments involved in business environment and investment climate reform, representatives of BMOs and individual businesspeople. Most of the meetings were with senior officials with significant decision-making power in their respective institutions (see Appendix 1).

The team met with businesses and chambers in Lahore, Faisalabad and Multan, allowing them to capture views from firms and businesses based in northern, central and southern regions of the province. A member of the International Finance Corporation (IFC) working on the broader Punjab Jobs and Competitiveness Program (JCP) joined the team for some of the meetings.

The mission also coincided with the visit of a related team of experts, led by the U.K. Government's Better Regulatory Delivery Office (BRDO). Both missions were funded by DFID and jointly coordinated by the Government of Punjab's Resource Management Program (PRMP) office with support from the IFC. Whereas the BRDO team was asked to make recommendations about the overall ICRU operations, the BERF mandate was to focus on the framework, structures and functions for effective PPD in Punjab.

The research and field visit focussed on the following issues:

- Analysing the current PPD process in Punjab, focusing on its effectiveness and ability to influence policy-making;
- Consultations with key public servants in Punjab, the Secretary P&D and other key Departments³ and current members of the ICRU (Acting MD and newly appointed MD);

³ Throughout the mission, the P&D Department was occupied with preparing the Annual Plan. As a result, the team had only a kick-off meeting with the Secretary P&D on Day 1.

- Proposing where the PPD function and OFM should be housed, the appropriate Secretariat and staffing;
- Staffing for the ICRU;
- The relationship between each of PPD Council, ICRU, PPP Cell⁴ and Programme Steering Committee (PSC), as well as their relationship to other government MDAs; and
- Proposed membership of the PPD Council.

⁴ PPP Cell is now considered defunct.



3. Key factors driving the need for PPD in Punjab

Across Punjab and across industries, there is pent-up demand among both GoPJ and private sector players for structured, facilitated, consistent, accountable and results-driven dialogue to improve the business and investment climate. Dialogue is happening, but it is not inclusive, structured or systematic and is thus failing to generate the comprehensive policy and regulatory reforms that are needed for the GoPJ to deliver on its economic growth and employment targets.

Below we identify a number of key factors that together warrant institutionalising a robust PPD framework in Punjab.

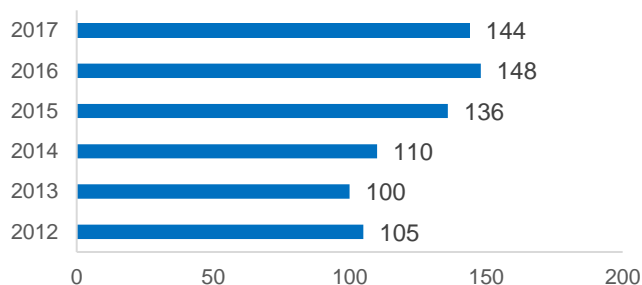
Business environment

“A complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate, (e.g. government agencies, regulatory authorities and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.).” **Donor Committee on Enterprise Development (DCED)**

3.1 Macroeconomic Context

Punjab's economy faces a combination of serious challenges that have immediate and structural roots. Its population has been increasing rapidly for decades⁵ whilst annual growth in the output of goods and services has slowed to just over 4% per year for the last decade. If these trends continue, the province will face deeper poverty, diminishing expectations, a demoralised citizenry and larger numbers of unemployed youths who could be susceptible to disruptive activities.

Doing Business: Ranking for Pakistan



Source: World Bank

The principal agent for addressing the challenge is the private sector, accounting for some 90% of Punjab's output of goods and services. The sector's fortunes are thus crucial for the well-being of the provincial economy.

However, declining rankings in the World Bank's annual Doing Business Survey, reports by experts and consultations with private sector representatives make clear that significant,

⁵ The Pakistan Bureau of Statistics predicts that by 2025 the population of the Punjab will increase more than 25% to over 125 million— about triple the 1981 level

ambitious reforms are needed for the private sector to successfully fulfil its much-needed role in helping the GoPJ deliver on its development goals.⁶

Doing Business Ranking 2015-6 (World Bank)				
Topics	2015 Rank	2016 Rank	Change	Responsibility
Starting a Business	114	122	-8	Federal & Provincial
Construction Permits	63	61	2	Provincial
Getting Electricity	157	157	Same	Federal
Registering Property	137	137	Same	Provincial
Getting Credit	128	133	-5	Federal
Protecting Minority Investors	24	25	-1	Federal
Paying Taxes	171	171	Same	Major Federal
Trading Across Borders	168	169	-1	Federal
Enforcing Contracts	151	151	Same	Federal & Provincial
Resolving Insolvency	92	94	-2	Federal & Provincial
Overall	136	138	-2	

Source: World Bank Group – Doing Business Report 2016

The Province’s blueprint for economic development, Punjab Growth Strategy 2018, aims to move aggressively to enhance the capabilities of the private sector. However, the strategy also correctly states that the public investment programme of some GBP 4 billion is not sufficient. At best, it could serve as a catalyst. This increases the need for the public sector to bring about policy and regulatory reforms that will facilitate the private-sector and enhance their contribution to the provincial economy.

3.2 Punjab Growth Strategy 2018

Recent economic and institutional reforms in Punjab focus on implementing the Punjab Growth Strategy 2018. It takes a distinctly pro-BER position, emphasising that annual growth of 8% must be led by the private sector and be export-oriented. Government intends to provide the enabling policy environment this growth requires.

⁶ “Diagnostic and Research study on policy reforms for Punjab’s priority business sectors,” BERF, December 2016.

“Constraints faced by Industry in Punjab, Pakistan” Syed Turab Hussain, Usman Khan, Kashif Zaheer, Malik Adeel Faheem, International Growth Centre, January 2012

“Barriers to Firm Growth in Pakistan”, Usman Khan, Nazish Afraz and Syed Turab Hussain, 2013, International Growth Centre

The *Strategy* covers the following key BER issues:

- putting in place regulations that improve Punjab’s investment climate
- promoting productivity-led growth
- engaging with the federal government to enact pro-growth policies via:
 - sound macro-economic management,
 - conducive trade policy,
 - adequate, consistent energy supplies,
 - efficient logistics
- broader, deeper, more inclusive access to communication networks.

Punjab Growth Strategy 2018

“Punjab’s growth has to be private sector-led, employment-intensive and export-oriented while being regionally balanced and environmentally sound. A private sector-led growth strategy will ensure that the relatively modest public investment program will leverage, via public-private partnerships in a number of sectors such as the provision of infrastructure, a much larger private investment in downstream production activity (the ‘crowding-in effect’)”

3.3 Need for private-sector engagement

The GoPJ’s BE-IC policy and regulatory reforms must be underpinned by effective PPD to achieve the Strategy’s targets. However, bringing about policy and regulatory reforms that facilitate competitiveness, export-led private sector growth and employment is always difficult. Some public-sector agents resist BE-IC reforms fearing a loss of control. Others may fear losing the comfort of the status-quo. Likewise, some reforms are rejected by the private sector if they seem poorly designed or irrelevant to addressing the actual issues on ground. Some reforms fail simply due to ineffective implementation. Punjab’s experience is no different.

Recommendation

The GoPJ must consciously and systematically develop a BE-IC reform agenda to achieve its annual growth target of 8% by 2018. One key way to do this is to thoroughly and compellingly engage the private-sector in both designing and implementing the policy and regulatory reforms that affect businesses and investments.

3.4 Devolution & New Local Governments in Punjab

The Punjab Growth Strategy 2018 plan to support private sector growth comprises policies that make product and factor markets more flexible, lower costs of production and distribution, and improve efficiency through increased competition. It also aims to move the structure of the major sectors and the provincial economy as a whole toward greater value-added and export-oriented products. This approach takes on added importance in light of the 18th Amendment to the Constitution, which transfers some key policy-making authority, for example industry and agriculture, to the provinces.



However, the GoPJ is still not entirely master of its own fate. Despite devolution of many key government functions from the federal to provincial governments, a number of key policy areas that impact critically on the private sector in the provinces, such as exchange rate, monetary, and fiscal policies, remain the sole responsibility of the federal government.

Recommendation

PPD can help the GoPJ identify and prioritise the BE-IC reforms that will most effectively spur growth and help it deliver on the Punjab Growth Strategy. The GoPJ can do a lot to enhance the efficiency of its factor markets, i.e. land, labour and capital, so that factors of production can move easily and cheaply to where they are most in demand. Punjab's factor markets remain rather rigid and unreliable. For example, private-sector actors have repeatedly pointed to the inadequacies in the system of registering land transactions, and the resulting uncertainty that is created over property rights. Uncertain property rights, in turn, mean that it can be difficult to use such assets as collateral. If they are accepted, it is frequently for a value substantially less than their market price. It is within the province's power to remedy this (See table 1 below).

Similarly, Punjab's labour market must be made more flexible, by addressing issues such as restrictive regulations relating to overtime conditions, lengths of temporary contracts, and retrenchment procedures. Moreover, businesses still complain of intrusive and uncoordinated inspections by different authorities that continually disrupt production. Due to the various restrictive measures and discretionary approaches of different authorities, many, if not most firms are known to circumvent labour laws to some degree.

As with land transactions, most of the actions required to make Punjab's factor markets function more efficiently lie within the power of the provincial government. Table 1 below provides a snapshot of all key issues under provincial control and those that remain under Islamabad's mandate. Given that so many issues fall under the GoPJ's authority, a lot can be done to improve the business and investment climate via PPD with the private sector.

Table 1: Key issues of Punjab’s factor markets

Policy/Process Area		Provincial & Local Government	Federal Government
1	Land Acquisition & Registration, Land Taxes & Titles	Green	
2	Water Connections and use policy	Green	
3	Sewerage Connections, fees etc.	Green	
4	Building Designs & Inspections, safety measures	Green	
5	Company Incorporation	Green	Red
6	Electricity Connection and Tariff Determination		Red
7	Gas Connection, use and Tariff Determination		Red
8	Tax & Sales Tax (NTN, GST Registration)		Red
9	Tariffs/Duties structures, Import & Export Licences		Red
10	EOBI (enforcement and policy)		Red
11	Police Registration & Security	Green	
12	Environmental Compliance (policy and enforcement)	Green	
13	Labour Laws & Compliances	Green	
14	Excise & Taxation (professional tax, local cess etc.)	Green	
15	PESSI (enforcement and policy)	Green	
16	Provincial Sales Tax/PRA (enforcement, collection, registration & Policy)	Green	

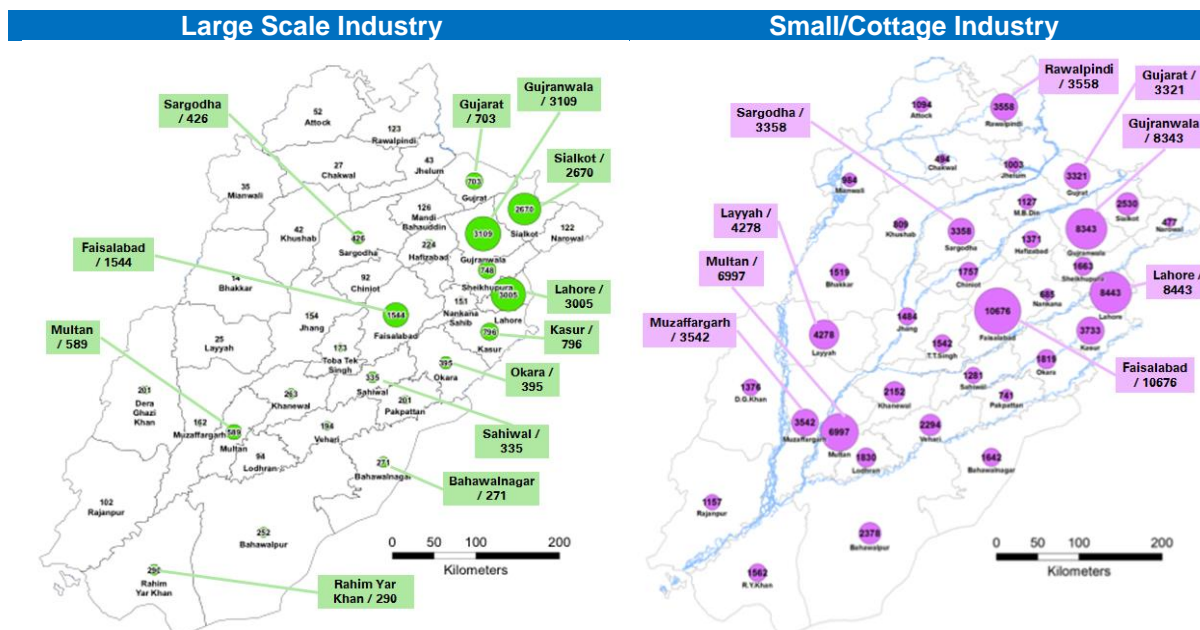
3.5 Geographic disparities/exclusion

The provinces 36 districts are usually categorised as Northern, Central and Southern Punjab. Key policy and lawmakers sit in Lahore, over 700km from the Southern District capital of Rahim Yar Khan. BMOs and businesses based in the closer Central and Northern regions can more easily reach decision makers. Figure 1 below shows industrial concentration of large, medium and small industries across the province. Although most industries are located in Northern Punjab, the other regions have the potential to grow if their concerns are heard and addressed.

Recommendation

A more formal, inclusive and accountable PPD platform such as that recommended here will help with representation of marginalised groups, leading to BE-IC reforms that address their unique needs.

Figure 1: Distribution of Industrial Units across Punjab



Source: Industries, Commerce & Investment Department, Government of the Punjab, Presentation 2016

3.6 Informal sector — Voluntary marginalisation

Informal, small and cottage businesses in Punjab represent as much as 90% of the formal economy in some sectors.⁷ Medium to large players often complain that they are unable to compete with informal businesses that lower their costs by avoiding a plethora of regulations and taxes. Indeed, bringing informal players out from the shadows may be an issue that formal sector players raise in the PPD process.

Small and cottage businesses based in and around Multan told the assignment team that they have never participated in policy discussions with the GoPJ. However, unlike the formal sector, they do not see this as a major constraint. Nonetheless, they share some of the same concerns about impediments to doing business. Typical BER issues such as registrations, licensing, tax and labour requirements are not relevant to businesses operating ‘under the radar’. For that reason, informal players see no place for themselves in PPD. Indeed, they may have a disincentive to ‘out themselves’ by joining the dialogue. Even if keen to engage, informal businesses lack collective representation and the capacity to contribute meaningfully to BER in Punjab.

⁷ Pakistan Institute of Development Economics study (2012) suggests that the size of the informal economy in 2008 was between 74%-91% of the formal, reported economy.



Recommendation

Informal businesses/SMEs share some of the same concerns about impediments to doing business as their larger-scale competitors. Their interest in PPD might be piqued and they might eventually be nudged into the formal sector by engaging them “informally”, for example, via the anonymous feature of the OFM on pressing issues of concern, such as access to credit. In other words, delivering tangible reforms that improve the bottom line for informal businesses might be traded off against gradual moves toward formality. At minimum, the OFM offers them a voice in the formal debate.

3.7 Empowering Women

Businesswomen have been marginalised in Punjab for a long time. For a variety of reasons, they are only now beginning to be offered a ‘seat at the table’ in dialogue around BE-IC reforms in Punjab. Statistics on women entrepreneurs in Punjab are scarce but it has been suggested that in Pakistan as a whole, close to 100,000 SMEs are owned and managed by women entrepreneurs in urban areas alone, with 65% of these likely to be in Punjab.⁸

The GoPJ has worked rigorously on balancing gender ratios and in 2012 introduced a Women’s Empowerment Package with mandatory quotas in many areas. There is evidence of improvement in education and health, but women lack meaningful empowerment and independence in deciding economic issues (See Table 2 below). Women still feel disadvantaged in getting their voices heard. Benchmarking done by the Punjab Commission for Status of Women demonstrates that although women’s ownership of economic assets has increased, their power to make decisions or play a role in the management of these assets is still lagging.

Recommendation

Institutionalised PPD backed by legal and/or administrative authority and pro-active measures to integrate women’s voice at all levels can ensure that women business operators are empowered to influence BE-IC reforms in Punjab. (See Section 8.4.3 for additional details)

⁸ Interview with SMEDA



Table 2: Gender Gap Index - Punjab

Gender Gap Index Indicators	Female	Male	Female-to-male Ratio
Economic Participation & Opportunity	-	-	-
Labour force participation	30	100	0.30
Wage equality for similar work (survey)	8808	14618	0.60
Estimated earned income (PPP USD)	1503	8000	0.19
Legislators, senior officials and managers	3	97	0.03
Professional and technical workers	22	78	0.28
Education Attainment	-	-	-
Literacy rate	52	71	0.73
Enrolment in primary education	63	66	0.95
Enrolment in secondary education	55	61	0.90
Enrolment in tertiary education	49	57	0.86
Health and Survival	-	-	-
Sex ratio at birth (female/ male)	105	100	0.95
Healthy life expectancy	57	56	1.02
Political Empowerment	-	-	-
Women in parliament	76	293	0.26
Women in ministerial positions	3	21	0.14

Sources: MICS 2014, PSLM 2013-14, UNESCO Out-of-School Study, ILO Statistics, Labour Force Participation Survey 2013, Official website of Punjab Provincial Assembly, etc.

PPD: A way to co-ordinate multiple initiatives

As discussed above, Punjab's population approximates the combined size of the UK and France. At its size and with relatively little fiscal space, the GoPJ's management of the economy is quite challenging. Weak capacity often results in the government trying to firefight issues with quick fixes. At times, this can cause the government to create multiple interventions to fix the same issues.

BE-IC reform is no exception. At present, several initiatives are under way to improve the environment for the private sector. Some of the key activities include:

- One-window facilitation centres by the Industries, Commerce and Investment Department
- Business facilitation/registration centres by the Punjab IT Board
- Taxation surveys and stakeholder engagement by PRA
- Consultation on Skills by PSDF and TEVTA and similar initiatives by the Labour and Environment Departments that engage the private sector.



Recommendation

Independent activities by different departments should be coordinated to make a major impact on the current business and investment environment in Punjab. A formal PPD forum/mechanism will allow all these departments to start talking to each other more formally and develop initiatives that are in sync rather than in conflict of each other.

4. Mapping and Analysis of PPD Structures and Practices in Punjab

4.1 Prevailing PPD players and effectiveness of dialogue

The OFM Report done under BERF in August 2016 provided an initial mapping of the PPD structures and processes in Punjab.⁹ The key finding was that there was no institutionalised, systematic PPD process in the Punjab. Instead, dialogue with the private sector was ad hoc, reactive, mainly non-transparent and often based on personal access to key officials.

Having now examined the PPD structures and processes in greater detail via consultations with stakeholders in all three principal regions of Punjab as well as with a representative cross-section of the main industries in the province, it is clear that the initial findings of an ad hoc approach to PPD still stand.

“Some players seek to initiate dialogue and advocate their BER positions to their GoPJ counterparts via BMOs, whilst others use their influence as large taxpayers and employers to gain access to key decision-makers on their own. Smaller enterprises, women business owners and others may take up issues directly with local-level officials, relying on the more influential BMOs to advocate for their interests at higher levels. All are concerned that structured, institutionalised PPD is not sufficiently prioritised or resourced.” (OFM Report, BERF 2016)

Overall, the strength of BMOs’ complaints is inversely proportional to the size of the business/industry sector and their access. Larger, more significant players complain least about provincial-level issues, taking issue more often with federal-level conditions. Smaller and more marginalised players such as SMEs, agriculture/livestock and women’s groups are comparatively more concerned with provincial-level BER issues and suffer extremely limited and ineffective opportunities to engage with policy makers. In short, there is no structured process for PPD. Groups and individuals that have access to decision-makers are unfairly advantaged compared to more marginalised groups. Consequently the policies/reforms are either not implemented or they are skewed in favour of the few.

Below we profile the main PPD players and recommend structures for their roles/participation to improve inclusiveness and effectiveness of PPD in Punjab.

Definition of PPD

‘PPD’ is a structured, often facilitated exchange between public sector officials and other stakeholders. PPD aims to promote the right policy and regulatory mix to enable sustainable growth and equitable development. It is most effective when anchored at and championed by the highest levels of government. Done well, PPD increases the likelihood of a particular reform succeeding by facilitating a balanced, representative group of public and private sector players to identify, fine-tune, reach consensus on, implement and then measure the effectiveness of key reforms. By obtaining the best available feedback, PPD can result in improved policies and regulations that benefit government, the private sector and other stakeholders.

⁹ See Appendix 4 for Executive Summary of the OFM Report.

4.2 Government structures and players

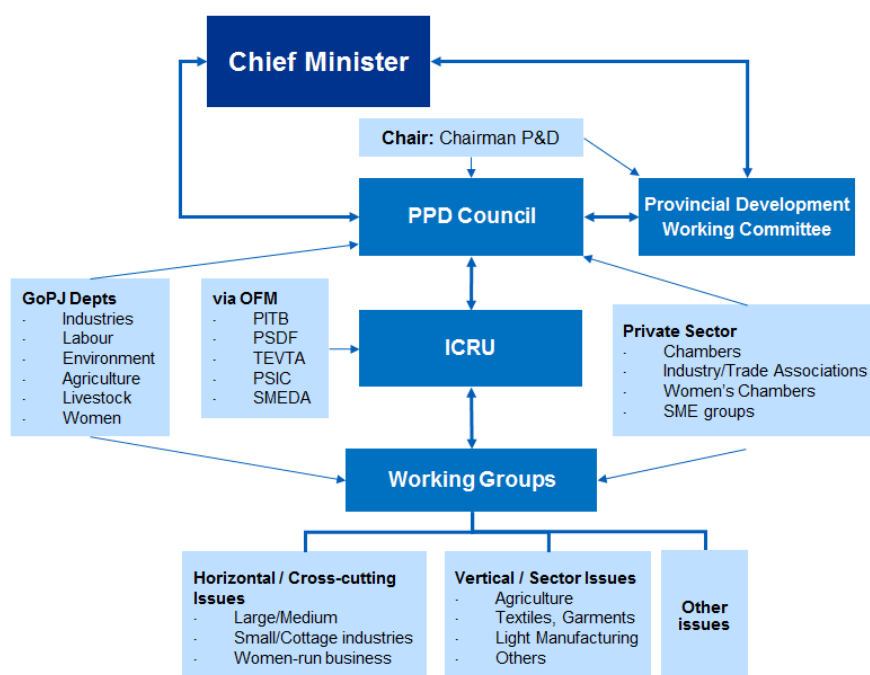
4.2.1 Emerging Institutional Coordination

The Planning and Development Department (P&D) leads on coordinated PPD and BER-IC reforms. Individual D&As engage separately with the private sector on BER-IC issues specific to their authority. P&D also coordinates implementation of the Punjab Growth Strategy 2018, the GoPJ's blueprint for economic and social development.

Under P&D, an Investment Climate Reform Unit (ICRU) will serve as the coordinating hub for PPD and BER-IC reforms. A PPD Council will be the apex body for BER-IC decision-making.¹⁰ As noted in the OFM report,¹¹ a “PPD Unit” under the existing PPP Cell was envisaged to be the coordinating hub and secretariat to the PPD Council under the existing PPP Cell. However, ICRU is now designated to perform those functions and there will be no PPD Unit. The PPP Cell will focus on specific transactions, having no direct role in PPD for BE-IC reforms.

“The primary focus of the Punjab Growth Strategy are (sic) the drivers of inclusive growth that are within the provincial domain and affect productivity of firms and farms and their investment decisions.”
Punjab Growth Strategy 2018

Figure 2: Relationships of PPD Stakeholders



¹⁰ See Sections 5 and 6 for details on the roles of the ICRU and PPD Council and recommended changes to improve their effectiveness.

¹¹ See Appendix 4 for the Executive Summary of the Report



4.2.2 PSC

A Program Steering Committee (PSC) has been established which is specific to the World Bank Jobs and Competitiveness Program (JCP). It is headed by the Chairman P&D Board. PSC membership closely mirrors that of the PPD Council, but includes more private sector representatives. Other than as it relates to the JCP, the PSC has no mandate for PPD.

Recommendation

The PPD Council has been specifically mandated to lead on BER-IC reforms and it has met once. As such, we recommend that the PSC remains dedicated to JCP issues and that the PPD Council maintains its supervisory role for PPD, but is reconstituted to better balance public/private participation/voice and to reflect global good practice. The PPD Council will need to be re-launched internally and externally once it is re-formed.

P&D's Rules of Business do not explicitly include 'business environment and investment climate reform' in its mandate, but do include "Policy formulation with respect to private sector development and promotion of Public-Private Partnership(s)." This mandate combined with P&D's convening authority, its cross-government coordination role and most importantly the commitment of P&D leadership make it the most suitable home for structured, institutionalised PPD.

4.2.3 Departments & Agencies (D&As)

Significant consultation takes place on an 'as needed' basis, sometimes at the behest of D&As, but often initiated by the private sector approaching the relevant D&A to address specific issues impeding their businesses.

The Departments of Industries Commerce and Investment, Agriculture, Livestock, Labour Welfare, Food, Mines & Minerals and Tourism conduct periodic forums with the private sector on diverse BER-IC issues. However, since there is no formal structure or procedural demands, consultations are usually reactive to issues that the D&A leadership wants addressed, thus determining their nature and frequency. Private sector representatives complain that they very rarely receive any feedback on whether their input was taken on board or not.

Recommendation

It is crucial that the ICRU fully maps all ongoing PPD at the D&A level and integrate the initiatives into the overall PPD framework by, for example, including participants in Sector Working Groups to inform policy debate. This should ensure that:

- D&As are 'credited' for their PPD initiatives
- ICRU builds on the progress to establish relationships with key D&As
- ICRU can coordinate BER-IC reforms across government.



4.2.4 Office of the Deputy Commissioner

Punjab recently transitioned to new local governments replacing the District Coordination Officer (DCO) with the office of Deputy Commissioner (DC). The DC is the top provincial representative in the District charged with overseeing all governance and regulatory activities in the district, including coordination with the Tehsil Municipal Authorities (TMAs).

Recommendation

In many cases, local businesses engage DCs as executive officer for the GoPJ and can thus be key local champions for PPD, as well as ICRU ‘focal points’ for private sector feedback and communicating BER-IC progress in their districts. This approach will help inclusiveness by engaging distant districts directly, especially those which have weak private sector bodies to represent them at the provincial level.

4.2.5 Technical Education & Vocational Training Authority (TEVTA)

TEVTA is a large organisation with a mandate to deliver skills training across the province. TEVTA has offices in each of the districts mandated to assess unmet private sector demand for skills. However, TEVTA performance has been sub-par, causing industry to complain about the poor and irrelevant nature of TEVTA courses. Whilst their district level presence and mandate to engage the private sector is promising, the relatively low potential value-add combined with the comparatively high risk of losing private sector confidence in the PPD process due to TEVTA’s low appraisal by business means it is inadvisable to vest TEVTA with any meaningful role in the initial stages of PPD development.

4.2.6 Punjab Skills Development Fund (PSDF)

Funded by DFID with matching funds from the GoPJ, PSDF operates as a corporate entity (Section 42 company) to support skills training in Punjab. They engage strongly with the private sector and enjoy a good reputation among leading beneficiaries of PSDF programmes, however, the dialogue mechanism to inform policy is a weak link. PSDF might be included in working groups formed to address relevant labour/skills competitiveness issues.

4.2.7 Punjab Small Industries Corporation (PSIC)

PSIC’s primary mandate is to oversee the operation of small industrial zones/parks across the province with a focus on marginalised small and cottage industries. PSIC representatives work in the districts and field staff engage with businesses operating from industrial zones.

PSIC can provide a useful node for engaging small and cottage businesses that usually operate for subsistence. For them, reduced costs of doing business can have greater relative impact on their businesses and their well-being. Moreover, PSIC can play a vital role in identifying and advocating for the issues affecting small rural enterprises, especially those in the deprived southern areas.

Recommendation



ICRU should work with PSIC to gather information on marginalised businesses in distant areas. SWGs should make a practice of consulting/including PSIC in their deliberations to ensure the most marginalised SMEs have a voice in BE-IC reforms. PSIC also conduct the census of small and cottage industries. ICRU may want to include a few key questions in the next census or ask PSIC to do a representative survey that isolates and highlights priority issues of the most disadvantaged groups.

4.2.8 Punjab Board of Investment & Trade (PBIT)

Established in 2009, PBIT operates under the Industries, Commerce and Investment Department (ICID) as the GoPJ's primary agency for promoting trade and investment opportunities, especially FDI, in the province.

The agency's main objectives are to:

- facilitate business
- attract foreign and domestic investors
- advocate for a conducive business environment nationally and locally.

PBIT is staffed by both public and private sector professionals and is governed by a Board that combines expertise from both business and government officials. PBIT has developed core sector groups with adequate representation and has convening authority— an important complement to any PPD platform. However, it lacks the decision-making authority that is crucial to BER-IC in Punjab. PBIT has developed a strong niche in investment promotion, but does comparatively little on investment 'aftercare'. Through its engagement of key private sector players, PBIT collects key feedback that can inform the PPD process, providing a useful complement to the ICRU.

Recommendation

Like other ongoing dialogue platforms in Punjab, it is vital that ICRU work closely with PBIT to integrate its work into the overall PPD process. Part of this can be done via coordination/partnership but PBIT's active participation in Sector Working Groups and as an Alternate PPD Council member or with Associate/Observer status is also needed to raise/address the concerns of foreign investors who have less advocacy representation in Punjab than elsewhere in Pakistan.

4.2.9 Punjab Information Technology Board (PITB)

Amplly resourced and with a fairly high-profile within the GoPJ, PITB is an agency that leads a growing list of IT-based governance reform and public accountability initiatives in the province, including the Ease of Doing Business Portal that aims to automate all provincial registrations for businesses. As such, PITB has promising potential as an influential, supporting player in the PPD constellation as well as a key partner in implementing reforms.



Recommendation

PITB is continually developing new initiatives, some of which could offer useful linkages with PPD/ICRU. ICRU must liaise closely and continually with PITB to keep abreast of developments and capitalise on opportunities for data capture that can inform the dialogue on BER-IC reforms in Punjab. At the same time, PITB are in favour of the OFM concept and can provide vital input in designing IT-based tools to support PPD processes, build inclusiveness and accountability and track reform progress. PITB does not need to have a place on the PPD Council, but should be invited to join key meetings, roundtables, etc. to advise on how systems/technology can strengthen trust, improve outreach and ensure the PPD process delivers measurable results.

4.2.10 Punjab Revenue Authority (PRA)

Tax is among the most pressing issues for businesses in Punjab. Following decentralisation, Punjab Revenue Authority (PRA) - answering to the Department of Finance - has recently become an active revenue collector in Punjab and is seeking to expand its tax base. However, PRA's capacity has not grown in parallel with its expanding responsibilities which weakens oversight of PRA staff. That could open space for abusing corporate payers. There is little evidence of any private sector discussion or dialogue on the provincial service tax policies and it seems that many businesses are being taxed by both the federal and the provincial government.

Recommendation

PRA's work will be a top area of discussion around BER-IC regulatory reforms. ICRU must therefore include PRA in all relevant working groups. Membership of the Secretary Finance on the PPD Council will ensure that PRA's input is included at the highest level of PPD decision-making.

4.2.11 Punjab Economic Research Institute (PERI)¹²

PERI is the policy and research arm of P&D, conducting research on socio-economic issues as requested/instructed, compiles data, publishes research results and to advises government on various economic policies.

Recommendation

ICRU's 'home' under P&D should allow it access to PERI researchers, thereby providing key support to complement ICRU's own research staff (if any). PERI researchers might also be called on to provide evidence and/or expert opinions on BER-IC issues.

¹² <http://peri.punjab.gov.pk>

4.2.12 Provincial Assembly (PA)¹³

In addition to forming the provincial government, the Assembly is responsible for (1) lawmaking, (2) overseeing the GoPJ and (3) financial accountability. That makes lawmakers key BE-IC reform players in several ways. First, some BE-IC reforms may require amending legislation. Also, PA members can be strong advocates for BE-IC reforms given that a majority of them are business people themselves. They can also hold Government to account for implementing reforms. At present, the private sector lacks a formal mechanism or platform for structured dialogue with parliamentarians other than periodic visits to their constituencies or invitations to give testimony before committees. Some PA members by their very mandate such as Minister Finance, Minister Planning and Minister Industries may have greater opportunity to engage with the private sector.

Recommendation

One to two key parliamentarians – chairpersons of BE/IC-related committees and/or Ministers Finance, Industry – should be included on the PPD Council as well as certain SWGs. That will enable them to stay abreast of developments whilst adding lawmakers' perspective on positioning reforms for adoption by the Assembly when needed.

4.2.13 Venues to coordinate reforms with Federal Government

As noted in this study and in the OFM Report, Islamabad retains authority to decide many of the most pressing issues affecting the competitiveness of Punjab businesses. Whilst PPD shall focus initially on BE-IC reforms that can be decided by Lahore, it will be important for the ICRU to have platforms/channels to raise some issues under the federal government's authority.

In addition to SMEDA's channels noted above, Chief Executive Punjab has three platforms--enshrined in the Constitution – from which to advocate for BE-IC reforms at the federal level:

- 1) Council of Common Interests
 - Electricity and power issues/tariffs can be discussed and advocated here.
- 2) Inter-Provincial Coordination Committee
 - Taxation and finances can be discussed here.
- 3) National Economic Council

¹³ <http://www.pap.gov.pk/index.php/home/en>

- Matters of economic interest can be raised here. The Chief Executive and anyone he names can present the province’s case at this venue. More detailed analysis may be carried to assess the usefulness and the exact mandates of these forums.

Only Council of Common Interests is required to meet quarterly meeting whereas for the other two bodies it is up to the discretion of the government.

4.3 Federal Bodies

4.3.1 SME Development Authority (SMEDA)

SMEDA’s primary focus relates directly to BE-IC reform, i.e. formulating policy to encourage SME growth across Pakistan. SMEDA is not only a policy-advisory body but also helps other stakeholders in addressing their SME development agendas.¹⁴ SMEDA can contribute usefully to a provincial PPD platform, however the practical political economy is likely to reduce that potential.

As the only federal business development entity headquartered in Lahore, SMEDA has direct access to the Federal Ministry of Industries & Production (MIP). However, MIP’s effectiveness in bringing about significant policy change to support BE-IC issues is limited because it does not enjoy the same influence as the Federal Board of Revenue (FBR) or the Commerce Ministry, for example.

SMEDA’s clients, on the other hand, do business in the provinces and they are affected more by sub-national policies and regulations. SMEDA must thus work closely with the GoPJ and private sector to deliver on SME needs. SMEDA also runs Business Development Centres (BDCs) in all key chambers across the country¹⁵ and is present at most Chamber meetings, forums and discussions. BDCs gather input on SME-specific problems and businesses’ recommendations that are then compiled by the SMEDA and communicated to MIP for further sharing with relevant ministries. Chambers have flagged BDC weak capacity to properly contextualise BE-IC issues and little evidence exists that SMEDA’s work has, to date, triggered key policy changes. Nevertheless SMEDA represents one of few existing institutional channels for PPD and advocacy from the provincial to the federal level. This makes ICRU-SMEDA cooperation a promising priority for catalysing PPD results on key issues that only the federal government can resolve.

SMEDA advantages:

- physical presence throughout Punjab
- established mechanisms for live dialogue
- a wealth of input from chambers
- platform for raising BE-IC reform issues with federal policy-makers, regulators

¹⁴ <https://www.smeda.org/>

¹⁵ The effectiveness of these centres is mixed and is usually person-specific.

Recommendations: How SMEDA can support ICRU-ICRA

- Use existing SMEDA data to identify, prioritise BE-IC issues thereby informing the work of SMGs.
- Communication partner: use BDC units to create awareness, sensitise chambers, SMEs about the PPD framework, players, scope and OFM; disseminate PPD results, progress reports
- BDCs may be given access to OFM to facilitate input from chambers-- especially those that may lack capacity or resources; help train chambers on OFM use;
- Provide guidance and practical support to get Punjab’s voice/BE-IC reforms onto the federal agenda. Other mechanisms (mentioned above) can further augment this.
- SMEDA (under MoI) has the mandate to develop SME Policy and Industrial Policy-- powerful tools to turn results of PPD into tangible reforms to improve the BE-IC environment.

4.4 Private sector players

4.4.1 Chambers of Commerce & Industry (CCI)

There are eighteen (18) Chambers in Punjab with the FCCI-Lahore itself including dozens of individual chambers.¹⁶ Together, they cover the full depth and variety of businesses in the province. The chambers in commercial centres of Lahore, Rawalpindi, Sialkot, Faisalabad and Multan are the most influential.

Governance

Generally, each chamber has a similar structure. Federal regulations reportedly require chambers to elect new leadership every year. This is ostensibly intended to reduce ‘elite capture’ by powerful business leaders. In reality, this prioritises campaigning over substance by making electioneering a virtually continuous process that can divert focus from BE-IC issues. It also means that the GoPJ lacks consistent BMO counterparts. Similarly, BMOs must continually re-earn the trust of GoPJ officials if the PPD process is to succeed.

Nevertheless, Punjab chambers are vital partners that play a decisive role in success or failure of the PPD process. The key strength of the chambers is their membership model whereby companies pay fees for information, policy analysis, and collective advocacy. This allows ICRU-ICRA to capitalise on chambers as ‘bundlers’, representing the collective voice of business to capitalise on chambers’ outreach, established engagement channels and data gathering. As noted in the OFM Report, chambers (and trade associations) can act as key node points for online and in-person PPD.

¹⁶ www.fcci.com.pk/rte/File/national-chambers.pdf



The current practice of inviting chambers to discuss matters either after a policy has been decided or in a crises situation is neither a sustainable nor an effective mechanism.

Recommendation

Chambers must play seminal roles at all levels of the PPD process, i.e. on all working groups as well as the PPD Council, OFM and PPD communications. The ICRU and PPD champions must actively court and establish the necessary relationships and curate them continually to ensure chambers participate as committed partners. Influential chambers in Lahore, Rawalpindi, Faisalabad and Sialkot already enjoy the privilege of access to a host of policy makers. The PPD platform/ICRU must aim to systematise these engagements to make PPD more inclusive, accountable and effective.

4.4.2 Chamber of Small Industries

SMEs comprise more than 80% of all businesses in Punjab. Until government recently allowed SMEs to form chambers, there was no organised forum dedicated to SME issues.¹⁷ The first, functional SME chamber was set up in Faisalabad. It appeared to be fairly gender balanced, including women as office bearers. Because the issues faced by SMEs differ in most cases from those of larger firms, SME voices must have appropriate weight in the PPD system.

Recommendation

SMEs should have a permanent seat on the PPD Council as well as the option to participate in all working groups of their choice.¹⁸ Where necessary for logistical reasons, non-Lahore based representatives must have the option to participate via video conference. Because the chambers are so few as well as being new, they often lack the capacity to present their issues adequately. The ICRU must support SME representatives and chambers to identify and analyse the issues and then prepare evidence needed to support their positions. They may also need specific support to fully utilise the OFM.

4.4.3 Sector and Trade Associations

Chambers in Punjab represent a broad swathe of businesses/industry and hence provide a strong 'horizontal' or cross-cutting view of the BE-IC situation at any given moment. Sector associations on the other hand are key to providing insights to BE-IC issues that are 'sector-specific' or 'vertical'. Whereas, the majority of BER- IC reform issues are horizontal, PPD must sort out some critical vertical issues to boost growth as well.

Most of the nearly 100 sector/trade associations in Pakistan have their head or regional offices in Lahore.¹⁹ Some belong to larger sectors such as textiles, garments, auto, cement and

¹⁷ Some larger BMOs have/had SME committees

¹⁸ Some working groups/issues may not be relevant to SMEs so universal participation in working groups should not be 'mandatory'.

¹⁹ www.fcci.com.pk/rte/File/national-chambers.pdf



sugar and steel have much stronger access to federal and provincial government. These associations typically go directly to top decision-makers and politicians, even the Prime Minister, to seek resolution of their issues. However, this can result in preferential policy changes or regulatory exemptions that benefit a specific sector or group within that sector at a cost to other companies or sectors. A more formal process is required to prevent such ‘a la carte’, discretionary PPD/approach to BE-IC reforms.

Moreover, not all associations have the same capacity to present evidence to support their cases to the public-sector. Associations, especially those that represent SME sectors such as agriculture, dairy, fans, cutlery, other small light engineering sectors do not have evidence-generating or communication/presentation skills capacity to advocate effectively.

Recommendation

Key sector groups e.g, textile, garments, footwear, auto parts, small manufacturing must be integrated into the formal PPD process to bring issues specific to these sectors as well as marginalised associations to the table and ensure their views are factored into decision-making. Initially, to limit the scope and focus efforts where there is demonstrable support for PPD among both GoPJ and BMO stakeholders, the working groups should mirror the first three sectors named in the Punjab Growth Strategy 2018, i.e. Industry and Trade, Infrastructure and Agriculture/Livestock. Specifically, we recommend that the first SWGs are set up for Garments, Footwear, Light Manufacturing and Agriculture/Livestock as those are the most important sectors in Punjab. (See Section 7.2 for detailed recommendations on membership governance, operational issues). Consulting up front with key sector players will be crucial to get their buy-in and to reach consensus on how best to ensure their participation. This may take time. At minimum, sector/trade associations must be included in all relevant SWGs. Because some key groups are located outside Lahore, ICRU must help bridge the geographic ‘gap’ via video conferencing and training on using the OFM.

4.4.4 Women’s Chambers of Commerce & Industry

Two women’s chambers currently work in Punjab, one representing northern and central Punjab (based in Lahore) and the other representing southern Punjab, (based in Multan). Structural insights noted above generally apply to the women’s chambers as well, but empowerment remains an issue. BMOs remain dominated by men and tend to still marginalise issues and ideas raised by women. Historically, women were not represented on most committees and boards. However, in 2012 the Chief Minister approved the Women Empowerment Package making women’s representation mandatory. Women’s Chambers now have a seat on all committees and public sector boards in Punjab. Whereas this policy has improved women’s numerical representation, empowerment remains questionable. That

the head of the ICRU is a woman sends a strong signal of the importance of women's participation in PPD.

Recommendation

To strengthen the voice of women and empower them to more fully contribute to policy dialogue, women's chambers should have a permanent seat on the PPD Council and at least one-third of all members of the Council and all Sectoral Working Groups should be women. The OFM will improve inclusiveness as well, enabling the ICRU to identify BER-IC issues and reforms that are priorities for women. Further support to strengthen women's voice might include a special access point or 'ombudsman'20 at the ICRU for women to register their concerns.

Women's Empowerment Package 2012

- Quota for women in public service employment including posts recruited through Punjab Public Service Commission (PPSC) shall be enhanced to 15%.
- Women to fill 25% of general seats as Members of the PPSC
- All boards of statutory organisations, public sector companies and committees as well as special purpose task force and committees shall have 33% women representation.
- At least one woman in all selection and recruitment committees for regular and contractual employment.
- Government shall take an affirmative action to radically increase women representation in all administrative leadership positions (including departmental heads and key field offices).
- 33% women consultants in Provincial Ombudsman Office.

4.4.5 Emerging private sector advocates

Recently, initiatives like Corporate Punjab,²¹ Corporates 100 and the Pakistan Business Council²² have emerged as private sector efforts to bring leaders of major corporations together to generate new business opportunities and deliberate key issues. This hybrid BMO arrangement is new in Punjab. As such, ICRU should liaise continually with them and track their work but formal integration into the PPD processes should be delayed until their position and influence in the PPD space are clear. The future MD of ICRU is a member of Corporate Punjab, positioning her well to gain their input.

4.5 Civil Society players

4.5.1 Think Tanks & Research Centres at Universities (non-governmental)

Independent research centres and think tanks have recently emerged in and around Lahore. They work on key areas of policy reform with the provincial government, but engage more credibly with the private sector due to their neutrality and purpose. The most prominent among them are the Mahboob-ul-Haq Research Center at Lahore University Management School

²⁰ WCCI has reportedly tried this with some success.

²¹ **Corporate Punjab** is an online forum that has gathered CEOs of large corporations in the Punjab. It is a fairly new venture (4 months old) and is gradually picking up interest.

²² PBC is a business-led, policy advocacy platform. Its members comprise 53 of the country's largest private-sector businesses and conglomerates, including multinationals. It includes no SMEs.



(LUMS), the Center for Economic Research (CERP), Consortium for Disseminating Policy Research (CDPR), and IDEAS. All offer strong potential research and analytical support to the PPD process preparing the evidence basis to support for sound decisions by the GOPJ and private sector.

Recommendation

ICRU should engage with these groups to gauge their strengths and capacities, discuss their appetite for contributing to PPD, stay abreast of their work and look for opportunities to draw on their expertise to inform ICRU staff, the SWGs and the PPD Council. Indeed, we recommend in Section 8 below that independent experts from such organisations have seats on the PPD Council.

4.5.2 Media

Global experience shows that print and social media are typically widely read among public and private sector elites whilst other key groups look to television, radio and word-of-mouth for news. The media can help bring an atmosphere of transparency and accountability to the PPD process, thereby strengthening trust. At the same time, Pakistani media is quite politicised so we advise discretion in engaging the media. Indeed, it is important that ICRU communicate directly with participants and core stakeholders alike.

Recommendation

Relying on the media risks PPD messages being politicised and key details misrepresented or reported inaccurately. More importantly, directly communicating PPD information/updates shows that PPD is an important priority for the GoPJ, allowing the voice of champions on both 'sides'—public and private sector—to set the tone and control messaging. At the outset, it is especially important that ICRU communications are neutral, fact-based, concise/business-like and do not exaggerate the core messages.

5. ICRU: PPD coordination unit

5.1 State of Play: ICRU

When reflecting on the evident commitment by the GoPJ to institutionalising pro-active, sustainable PPD, it is important to build on existing plans, structures and processes as much as possible. **The ICRU is the appropriate coordinating unit or institutional home for PPD in Punjab.**

As noted in the OFM Report, the GoPJ has begun establishing an Investment Climate Reform Unit (ICRU) under the Planning and Development Department (P&D) to spearhead business environment/investment climate reforms (BER-IC) in Punjab, coordinating “development, implementation and monitoring of the process of legislative, regulatory, procedural and institutional reform.”²³ The ICRU is also expected to collect data, conduct research and do analysis to enable it to recommend promising regulatory and legislative reforms to the BER-IC in Punjab. A Program Steering Committee (PSC) has been established specific to the World Bank Jobs and Competitiveness Program. It is headed by the Chairman P&D Board. Membership of the PSC closely mirrors that of the PPD Council (see below), but includes more private sector representatives.

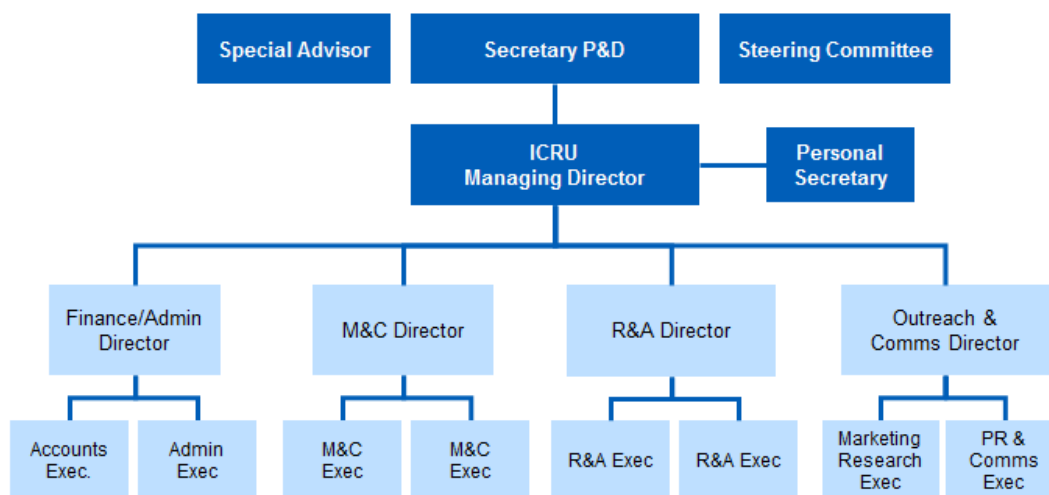
At this point, the ICRU is not operational. The GoPJ approved the PC-1 last year and a Managing Director has been recruited but she has yet to take up her post fully. In the first instance the ICRU reports to the Secretary P&D. A high-level “Program Steering Committee (PSC)” chaired by the Chairman P&D and including private sector representatives is to “supervise and support” the ICRU, but its principal function is to advise the GoPJ/WBG program under Jobs and Competitiveness. A senior, eminent, well-respected “Special Advisor” – “preferably from the private sector” – is to assist ICRU leadership.²⁴

²³ Annex II, PC-1 *Establishment of ICRU in P&D Department*

²⁴ Annex II, PC-1 *Establishment of ICRU in P&D Department*



Figure 3: Planned ICRU Organogram²⁵



5.2 ICRU to become PICRA?

GoPJ plans call for transforming the ICRU into an Investment Climate Reform Authority (PICRA). In Pakistan, authorities are often set up specifically to act as independent entities, outside the formal structures of government, particularly procurement. Establishment of the ICRU and its conversion to the ICRA are envisaged to take place within six months.²⁶

Establishing PICRA would reportedly require an act by the Provincial Assembly. The World Bank Group recently developed a Concept Note²⁷ on establishing the ICRA that envisages it as a “permanent fixture within the structure of the GoPJ” at which time the PPD Council would also be merged into the ICRA, replaced by a Board of Directors.²⁸

Its PPD responsibilities would include:

- Identify and address factors that are impeding investment in the key production sectors and recommend policies and regulations improvements (sic) that will attract local & international investment into the production sectors.
- Coordinate and consolidate all initiatives relating to investment climate reforms within Punjab to develop a single, integrated policy agenda and avoid duplication.²⁹
- Establish (and manage) mechanisms for Public-Private Engagement to obtain feedback from the private sector and update policies on a regular basis.

²⁵ Copied from PC-1 for ICRU

²⁶ Presentation to the Chief Minister, acting MD of the ICRU

²⁷ *Concept Note*

²⁸ Presentation to the Chief Minister, acting MD of the ICRU

²⁹ It is unclear how PICRA would do that given the prevailing practice of private sector approaching each relevant department or agency individually for resolution of BER issues under its purview.

- Ensuring that feedback from the private sector, PPD Council (or Board) is properly disseminated to the relevant departments.
- Initiate studies, reports and play an active advocacy role vis-à-vis Federal Government to catalyse reforms required in those policies and laws that are in the federal domain.

The Note highlights the need to “ensure private sector involvement” as one of six key success factors of the institutional arrangement according to good practice. Yet, it specifies no role for the private sector other than appointing a part-time “Special Advisor”.³⁰ (See Section 6 for recommendations on the ICRU; Section 8 for the composition of the PPD Council.)

5.2.1 Problematic issues

Similarly, composition of PICRA’s Board of Directors – as presented to the Chief Minister³¹ – calls for a disproportionate number of GoPJ representatives (19-20) vis-a-vis the private sector (6). Consultations with chambers and trade associations made clear that the Board’s membership must be balanced more evenly to earn the trust and participation of private sector players. Additionally, the proposed PICRA Board composition includes no SME representatives and explicitly calls for only one member – from the Provincial Assembly – to be a woman. The Punjab Fair Representation of Women Act 2014 requires 33% representation of women on all Boards of statutory organisations, public sector companies, special purpose taskforces and committees.

“Overall control of the PPD process lies with a large forum or smaller governing board that meets quarterly. Reporting to the forum is a secretariat, which might be housed in a government ministry, a BMO or be established as an independent institution. Thematic working groups concentrate on more specific areas, with technical support from the secretariat. As the programme matures, sub-working groups may be added to divide work further. In some cases, distinct private sector working groups meet prior to joint technical committees, to enable the private sector to develop their own common positions in advance. A minority of programmes also incorporate a government coordination unit, to liaise across MDAs and to promote reforms with implementing agencies. The overall programme may be mandated by a presidential decree or merely a memorandum of understanding between participating organisations.”

Public–Private Dialogue Interventions in Sub-Saharan Africa. D.Hetherington. Business Environment Reform Facility. October 2016; What Works in Business Environment Reform in Sub-Saharan Africa and South Asia. Dan Hetherington. BERF, January 2017.

Below is the planned organisational structure of PICRA. Notably, it includes considerably more departments and staff positions than proposed for the ICRU, perhaps due to an expanded scope of work beyond PPD though that was not clear from the mission.³²

³⁰ *Concept Note* p. 3

³¹ Proposed to Chair the PICRA Board

³² As noted above, a team from the U.K. Department for Business, Energy and Industrial Sector (BEIS) Better Regulation Delivery Office (BRDO) will be advising the GoPJ on the overall ICRU-ICRA scope, structure and staffing and operations. The BERF mandate focuses on ICRU only as a hub for PPD

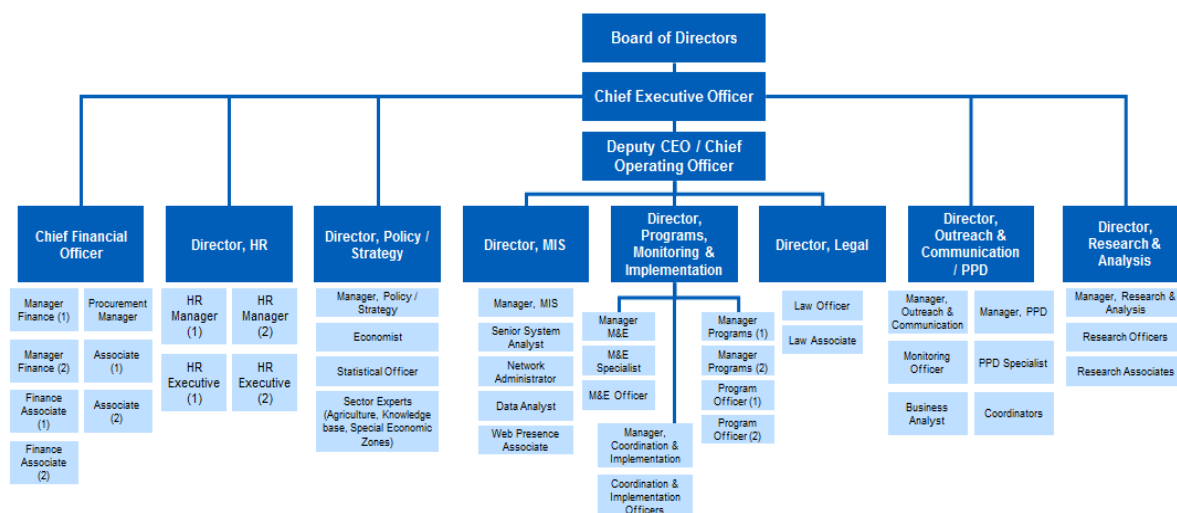


5.2.2 PPD under PICRA

The proposed ICRA structure below could be suitable for PPD in Punjab. It calls for the PPD function to be headed by a Director with support from two managers (1) Outreach/Comms and (2) PPD. They are in turn supported by three specialists and an untold number of Coordinators. Whilst the role foreseen for coordinators is not clear, it would be useful for each to support 1-2 or the Sector Working Groups that we recommend here. They might similarly serve as focal points for key sector representatives.

Operation and maintenance of the OFM technology/tool could be managed by the IT Team or contracted out as needed. Compilation of the input from the OFM as well as live engagements could be handled by the Research and Analysis Team. They too will need to support the PPD Team and Sector Working Groups to prepare research and conduct analysis on BER issues. In its role as Secretariat to the PPD Council, the PPD Team would be responsible for preparing reform proposals for the Council's decision, organising meetings and comprehensively facilitating all PPD work in Punjab.

Figure 4: PICRA Structure



Recommendation

Whether PPD is led by PICRA or the ICRU, we recommend that all PPD responsibilities be led by the CEO/MD with direct reporting to her/him by the following subordinate departments:

- Outreach & Communication/PPD
- Research & Analysis
- Policy Strategy



■ Programmes, Monitoring & Implementation

HR, Finance, MIS and Legal should report to the Chief Operating Officer-Deputy CEO/Dept. MD.

5.2.3 Online Feedback Mechanism (OFM)

We support the OFM Report’s recommendation that the OFM function should be ‘housed’ at the ICRU with co-ownership from BMOs, starting from design through to deciding on scaling up the OFM and beyond. This ensures that it is integrated into the overall PPD architecture and processes, while capitalising on P&D’s convening authority. Integrating the OFM into ICRU operations helps ensure its sustainability: the ICRU has been approved by the GoPJ and some funding has been allocated for its operations.

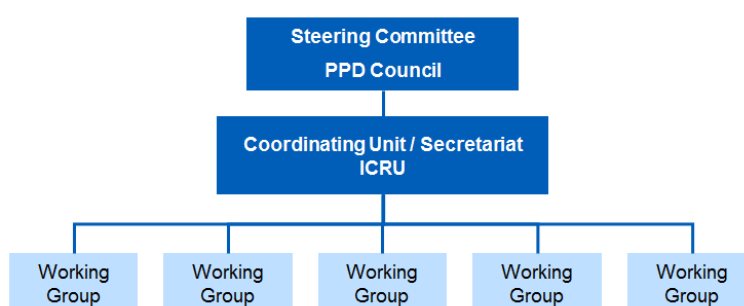
As a tool for PPD, OFM sits most logically under the PPD Directorship. However, because OFM is relevant to other departments as well, we recommend that OFM operations should be jointly headed by the Directors for (1) Outreach & Communication and (2) Comms, Research and Analysis, reporting directly to the MD/CEO.

6. ICRU Recommendations

6.1 Role, Key Functions: good practice

Often called the hub or the “engine of PPD”, global experience shows that a dedicated Unit or Secretariat charged with mobilising, coordinating and facilitating constructive dialogue is among the critical success factors for any PPD process.³³ Below is an organogram based on global good practice, including where the Punjab entities now in the fledgling stage of development – PPD Council and ICRU – fit into that structure.³⁴

Figure 5: Common PPD Organisational Structure³⁵



6.1.1 Keep the ICRU at P&D

Charged with coordinating issues across the GoPJ, delivering on the Punjab Growth Strategy 2018 and reporting to the Chairman, P&D is the logical institutional home for the ICRU and should remain there. Keeping its “home” at P&D positions the ICRU ideally for reporting to the Chief Minister as well. ICRU should be housed in the P&D building to support its position as the PPD coordinating unit and PPD Council Secretariat, to ease access to key players and support during start-up, build good working relations and avoid confusion.

“An organizational design operated under the guidance of a secretariat is often useful to ensure an organized approach to PPD. The secretariat must be perceived by others as a fair and honest broker, providing administrative, analytical, advocacy and communications support. It has a unique opportunity to shape how stakeholders engage and under what process and set of rules.”
Charter of Good Practice in Using PPD for private sector development and inclusive growth, 2015.

The ICRU’s key responsibilities should include:

- lead ‘agency’ or ‘office’ for PPD
- acting as PPD convenor, facilitator

³³ “Role of the Coordinating Unit in a Public-Private Dialogue”, WBG 2016.

³⁴ No working groups have been established in Punjab. We propose that the PPD working groups mirror the sector breakdown in the *Punjab Growth Strategy 2018*.

³⁵ See Section 8 on the PPD Council for details on recommended membership.

- liaising between government and industry, SMEs and coordinating dialogue
- coordinating, integrating all dialogue about PPD across the GoPJ, private sector, etc.
- providing research & analysis to create the evidence-basis for PPD, BE-IC reforms
 - compiling and packaging OFM results
 - teaming with other research providers including BMOs, think-tanks, universities
- planning and leading all communication around BER/PPD in Punjab
- coordinating/managing the OFM work, systems
- advocating for reforms
- serving as Secretariat for Working Groups, PPD Council
 - setting the agenda
 - organising meetings, logistics
 - leading all internal/external communications, reporting
- monitoring, tracking and reporting on reform implementation
- supporting P&D Department for donor-funded projects

ICRU's role step-by-step

- Plan and lead the PPD process from start to finish, i.e. engage the private sector and relevant GoPJ departments to identify priority issues, reforms
- Collect, compile and analyse feedback from all sources (live consultation, OFM, etc.)
- Prepare the 'case' for and recommend/propose reforms for PPD Council's decision
- Communicate the decision internally across GoPJ
 - disseminate meeting minutes
 - implementation updates
 - deadlines
- Coordinate implementation with relevant departments, agencies
- Accountability: monitor progress, ensure timely implementation of reforms
 - liaise with implementing DAs to advise on decision details and deadlines
 - support DAs to identify any bottlenecks & facilitate consensus on solutions
- keep stakeholders up-to-date

6.1.2 Proposed changes to current ICRU provisions

- The incoming MD is a seasoned banker with broad business experience, obviating the need for the Special Advisor position called for in the PC-1.
- The mandate of the Program Steering Committee (PSC) is limited to oversight and advisory support on a “program’ level. It is not a decision-making authority and thus not an appropriate supervisory body for PPD in Punjab.
- Functions of the PPD Unit (planned in the PC-1) are folded into the ICRU.

At present, the proposed ICRU structure in PC-1 lacks clarity and the nomenclature used for the key positions do not suit the broader mandate of ICRU, i.e. to bring about key regulatory reforms in the province that will ease the business environment and enhance the investment climate. The structure and job descriptions for these positions in PC-1 need tightening. For example, the Director M&C is required to:

- Develop and manage an implementation and a monitoring program to cover all ICR activities within Government of Punjab;
- Provide implementation support and inputs on specific reform issues to all the relevant agencies;
- Devise and implement an M&E framework for the ICRU;
- Coordinate donor funded or other investment reforms program.

The first two points address monitoring of the province-wide ICR agenda, the third talks about monitoring ICRU and the fourth coordination of donor programmes. All these activities require different skills, in particular the second requirement for the M&C head to provide ‘implementation support on specific reforms to all agencies’. That is too broad and thus unrealistic. The fourth point on coordination should be better worded and placed under the responsibility of the Research and Policy Director. Lastly, “M&C” should be changed to “M&E” with a clear focus on monitoring and evaluation of ICRU/ICRA activities. Communication requires a distinctly different skill set, one which is rarely compatible with M&E. The same department that leads on communication and engagement should also be responsible for advocacy.

6.2 Establish Sectoral PPD Working Groups (SWGs)

As noted in the OFM Report and confirmed during the mission, some active PPD is underway within various departments of the GoPJ. With the GoPJ now taking steps to formalise ongoing dialogue and incorporate it into an overall PPD framework, it is crucially important to secure buy-in and ownership of the new, integrated PPD process from the various BE-IC departments early on. In doing so, the ICRU must not usurp functioning dialogue platforms that are in place across the GoPJ. It is equally important that existing dialogue platforms and ‘a la carte’ engagements with individual businesses do not lead to reform decisions that are not consistent with the work of the ICRU and PPD Council.



SWGs are vital for leading on engagement, focusing on sector-specific issues and to ensuring the relevance of dialogue and timely implementation of reform decisions. Global good practice shows that PPD initiatives typically establish several sectoral working groups including members from both the private and public sector.³⁶ Each group should include consistent representation by women and SME members from relevant sector associations. Such groups are often co-chaired by a government and private sector representative appointed by group members. With support from a coordinating unit like the ICRU, sectoral working groups commonly address legislative, policy, regulatory and procedural issues deemed by the private sector to impede efficient business operations. This is consistent with the PC-1 for the ICRU as well.

If SWGs mirror the sector priorities of the *Punjab Growth Strategy 2018* it will help ensure crucial support of D&As that are conducting dialogue with the private sector in various forums and committees at various levels.³⁷ The OFM Report noted that the now defunct PPD Unit “(was) to constitute thematic working groups corresponding to the four central pillars of the Punjab Growth Strategy 2018.”

The *Punjab Growth Strategy* identifies the following key areas to achieve the growth targets:

- **Manufacturing and industrial development** – the government aims to establish a number of industrial estates across the province. More strategically, the Punjab Industries Department is beginning the process of developing a Punjab Industrial Policy over the next 6-12, which should involve significant consultations with the private sector.
- **Improving energy supplies** – shortages have long crippled industrial production in the province. Many energy policy-related issues however fall under federal jurisdiction and the ability of the province to affect the situation is unclear.
- **Investing in human capital** – heavy emphasis on skills development and training for the largely young population and the importance of creating quality jobs for this bulging youth population
- **Managing rapid urbanisation** – the distinction between rural and urban in the province is increasingly irrelevant, as most of the population lives within an hour of an urban centre.

The ICRU should stay that course, establishing working groups corresponding to the following sectors:

- Industry and Trade
- Agriculture and Livestock
- Infrastructure
- Health and Education

³⁶ “*Role of the Coordination Unit in a Public-Private Dialogue: Practical Note on Design, Implementation and Management*,” Herzberg and Sisombat, World Bank Group, Collaborative Leadership for Development, 2016.

³⁷ No sectoral working groups are included in the Concept Note for PICRA

6.2.1 Start incrementally, build-in focus

To limit the scope and focus efforts where there is demonstrable support for PPD among both GoPJ and BMO stakeholders/players, the ICRU's initial focus should be on the first three sectors, i.e. Industry and Trade, Infrastructure and Agriculture/Livestock. These are lynchpins of the Punjab economy, providing jobs for Punjabis and revenue for Government. Health and education typically involve some BER issues, but the sector is generally more about improving delivery of key non-business services, sometimes via PPPs.

6.2.2 Coordinate but do not subsume existing platforms

Many of the key Departments and Agencies relevant to BER issues in Punjab have established functioning platforms for dialogue with the private sector. For example, the Department of Labour Welfare leads a Worker Welfare Board as well as the Provincial Tripartite Consultation Committee that meets each quarter for discussing BER issues with the businesses/industries that Labour regulates. The P&D-run CPEC, Pakistan-China Economic Corridor convenes working groups and a Provincial Steering Committee, co-convened by the Chief Secretary Punjab and the Chairman P&D Board.³⁸ Other departments and agencies most likely have similar arrangements for PPD.

6.2.3 ToR: Primary responsibilities for Sectoral PPD Working Groups

Working groups should have the mandate and flexibility to form Technical Teams when needed to address complex, sector-, sub-sector- or district-specific issues that are not relevant to all members of the Sectoral Working Group. Technical Teams can also be useful when reform issues touch on the mandate of multiple sector groups

- Lead engagement and dialogue with the private sector on BE-IC reform issues in Punjab
 - With support from ICRU, lead development of questions to be put to BMO members via the OFM.
- Discuss technical issues affecting businesses in the sector;
- Identify, reach consensus on reform priorities, strategies, proposals for resolving issues unique to the sector
- Develop a short-list of 3-4 priority reforms or “actionable issues”³⁹ on which the group/GoPJ should focus.

³⁸ Strategy Paper, *Implementation & Support of China-Pakistan Economic Corridor (CPEC)*, Punjab, October 2016

³⁹ Developing a short-list with BMOs is itself a form of dialogue that builds trust and mutual ownership in the outcomes before consultation via the OFM is launched.

- Reaching consensus on the short-list itself with BMO members is a key form of dialogue that builds trust and mutual ownership in the outcomes.
- Prepare the evidence basis for the reform
 - With support from the ICRU, summarise feedback, prepare ‘the case’ for action for approval by the PPD Council
 - Mindful of a previous GoPJ tendency to engage the broader business community only *after* reforms are decided and moving to implementation, one of the issues selected would ideally be a policy or regulation that is in *draft* stage, i.e. not yet being implemented. This will evidence the GoPJ’s commitment to conducting PPD differently and thereby help build confidence among private sector players from the outset.⁴⁰
- Engage stakeholders to support ICRU work monitoring reform implementation
 - Support implementation

6.2.4 Membership in SWGs

Each group should be restricted to 7-9 key people. Membership should be inclusive, accurately representing each sector geographically as well as by market position/influence criteria e.g. annual revenue, number of employees, export sales, etc.⁴¹ Women’s groups and SMEs should be appropriately represented on each Working Group to ensure that their unique perspective is included in reform recommendations.

“Membership should be reviewed frequently to ensure that members who do not show sufficient commitment can be replaced. Working groups which are not performing can be wound up, and other ones formed, to tackle either the same or different subjects... Apart from enabling working groups to be formed as demand for an issue rises, this mechanism also offers a sense of accomplishment to participants, who associate the closing of a working group with a ‘job well done’ once a reform has passed.” PPD Handbook, WBG

The relevant Department(s) and/or Agencies should be represented by a director-level specialist with hands-on knowledge of the sector/issue. Private sector members should include professionals from key sector associations, chambers or individual players with hands-on responsibility for dealing with reform issues.

Secretaries and CEOs should not be appointed to the working groups. Their participation should be limited to the decision-making entity, the PPD Council (or ICRA Board). A senior-level member of the ICRU should serve as convenor and secretary for each meeting.

⁴⁰ In the relatively rare cases when the GoPJ/P&D do consult BMOs, they have come to expect it only after the reforms, policies, etc. are decided and implementation starts. By asking early on, BMOs will see key evidence of ‘behavioural change’ on the part of the GoPJ/P&D which will build confidence among BMOs that the GoPJ/P&D truly ‘mean business’ with PPD.

⁴¹ “Over inclusivity” can be cumbersome and lead members with weaker motivation to drop out, thus causing the group to lose momentum.

Private sector members of all working groups must represent businesses properly registered in Pakistan in order to (1) avoid fears of PPD- OFM being used for tax netting; (2) avoid objections from GoPJ and formal private sector about including views of “illegal” businesses.

In more mature PPD contexts, Sectoral Working Groups are often supported by sub-groups or Technical Committees as a way to break complex issues into discrete components and/or Private Sector Working Groups which allow businesses space to develop their positions ahead of joint sessions with government.⁴²

In Punjab, each SWG might also be split into an Investment Team and a Regulatory Reform/Doing Business Team to keep dialogue strictly focussed and facilitate participation from key subject-matter experts without the groups getting unmanageably large. Provision might also be made for SWG chairpersons to convene special technical committees as needed and agreed with SWG members.

6.2.5 Importance of including players outside Lahore

Many of Punjab’s most important sector players, employers and taxpayers, e.g. textiles and garment manufacturers, operate outside Lahore. Including their views in sector-specific working groups is crucial for the success and legitimacy of PPD in the province. To ease/maximise the participation of influential sector representatives in other areas of Punjab, working group meetings can be held via video conferencing.

6.2.6 Meetings

An agreed agenda should define the issues to be discussed. Evidence is presented based on results of the OFM as well as other forms of consultations among BMOs or otherwise. Guided by a facilitator, SWGs discuss agenda issues/recommendations on (1) policy issues (e.g. laws, sub-decrees, decisions) or (2) direct operational impediments faced by businesses (e.g. roads, power supplies, unofficial fees). Only in exceptional cases, with consensus among SWG members and the PPD Council, can unresolved issues be submitted to the PPD Council for decision.

6.2.7 Going forward

ICRU must first compile an inventory of all relevant private sector engagement platforms now underway in each BER Department/Agency. ICRU must then put processes in place to ensure that PPD working groups build upon (and do not duplicate or usurp) on-going PPD work in various Departments/Agencies. ICRU’s “offer” is to coordinate and communicate their work, incorporate their input (which requires that reports and minutes are routed to the working group

⁴² “Role of the Coordination Unit in a Public-Private Dialogue: Practical Note on Design, Implementation and Management”, Herzberg and Sisombat, World Bank Group, Collaborative Leadership for Development, 2016.

chair) and add value and provide support to the departments (many of which like Labour, lack the capacity to craft and implement policy and regulatory reforms).

6.3 PPD Mandate

High-quality PPD need not require a formal mandate if the capacity and commitment to constructive, informed dialogue is in place. That said, giving PPD a formal mandate can often make clear the purpose, scope and objectives from the outset, build confidence in the commitment of both sides to the process, increase the likelihood of continuity, and better integrate PPD into the prevailing institutional architecture in Punjab.⁴³ Whilst most players we consulted acknowledge the need for follow through and accountability to ensure PPD's sustainability, views differ as to how that is best achieved in practice.

6.3.1 Legal authority

Some players in Punjab argue that the ICRU and PPD Council and the policy/regulatory consultation must be legally mandated in order for the process and institutions to survive political changes. It may also be needed to secure trust among private sector players that there is a mechanism in place to ensure accountability for tangible reform results.

Global good practice varies on this issue.⁴⁴ A PPD system mandated by law can be useful in countries with strong bureaucratic traditions or where perceptions of corruption are high. Securing legal backing for PPD should not be allowed to unnecessarily delay launching PPD. Neither should the legal provisions be so strict that they prevent the PPD process and structures from adapting to changing circumstances.

6.3.2 Administrative authority

Others believe that it will suffice to amend P&D's administrative code, i.e. the *Rules of Business* to ensure that the ICRU, Sector Working groups and PPD Council under the umbrella of Chairman P&DD are:

- fully empowered to fulfil their roles and functions;
- time-bound in implementing reform decisions.

However, that approach would likely also require stipulation as to the venue and authority responsible for adjudicating instances where one side fails to fully fulfil its obligations in the prescribed time.

6.3.3 Contractual authority

Alternatively a Memorandum of Understanding (MoU) signed by the government and private sector can be enough in some countries to secure the PPD mandate. This is subject to the

⁴³ "Charter of Good Practice in Using PPD for private sector development and inclusive growth", 2015.

⁴⁴ *Ibid*

same potential weakness about adjudication mechanisms as is amending the *Rules of Business*.

Below we present common approaches to establishing the PPD mandate.

Table 3: Options for establishing the PPD mandate and building momentum⁴⁵

Mandate Option	Description	Strengths	Weaknesses
Mission statement	Purely internally generated and implies no official relationship with government.	Quick and easy to set up. Gives a dialogue maximum flexibility and independence.	Need to be agile and inventive to get dialogue outputs onto public sector agenda.
Formal mandate	Like a mission statement but with high-level political origin, e.g. a presidential decree, formal invitation from prime minister.	Creates immediate credibility for dialogue. Easier to obtain than a full legal structure.	Reduces scope to be confrontational when necessary and no guarantee of voice being heard.
Legal or regulatory Mandate	A law or regulation that stipulates how outputs of dialogue feed into the policy process.	Surest guarantee that dialogue will input into decision making.	Difficult to obtain, change. Risks delaying start-up, inability to respond to changes. Guarantee of input into decision making does not necessarily guarantee that input will be taken seriously.
Memorandum of Understanding	Formal document that sets out how PPD will work with existing institutions	Creates clarity about role, function, institutional alignment. Can be combined with other options.	Risks being overly restrictive of potential for organic growth and flexibility for roles to evolve.
Temporary initiative with timebound objectives	Publicly-stated deadline to which stakeholders commit, such as “50 economic reforms in 150 days”	Can create a sense of urgency, momentum where it is lacking. Can be combined with other options.	Needs careful planning as it risks credibility if a publicly-stated aim and deadline is adjusted or ignored.

Recommendation

The ICRU is already approved via the PC-1, but it is not clear if that document suffices to secure its authority across Government and its institutional sustainability. Some modifications to the PC-1 (or supplemental documentation) may be needed so that it accords with the recommendations here. Specifically, the PC-1 calls for setting up a separate PPD Unit from the ICRU. Also, the PSC should be limited to managing the JCP. It should have no PPD mandate. The PC-1 may need to be amended to clarify that issue. Similarly, the PC-1 refers to a “PPD Unit” subordinated to the PPP Unit at P&D. We recommend that references to the PPD Unit be redacted from the ICRU. Alternatively, the PPD Unit could be structured as a department within an overall ICRU.

⁴⁵ PPD Handbook, 2006 World Bank Group



The PPD Council should also be formally instituted and it is the Council that must have the mandate to not only coordinate and convene take and direct decisions. The Chairman P&D works under the set of Rules of Business (ROB) of P&D. Three ROB's offer opportunity to establish the PPD Council under P&DD, headed by the Chairman to have a more authoritative role in compelling sector departments to bring about agreed regulatory and policy changes. The relevant ROB's include:

- **ROB 1.** Formulation of provincial government vision, policies & strategies for economic planning and development in consultation with all stakeholders in the light of NEC's guidelines.
- **ROB 8.** Secretariat for the Provincial Development Working Party (PDWP) and clearing house for development schemes within the competence of CDWP and ECNEC.
- **ROB 14.** Policy formulation with respect to private sector development and promotion of Public-Private Partnership(s) (PPP)

Whereas ROB 1 and 14 allow P&D to formulate the overall policy for economic management and private sector development they do not empower P&D to enforce sectoral policy decisions. ROB 8 on the other hand, does allow P&D much power and a forum for exercising it. As the 'clearing house' of the PDWP, the Chairman P&D can instruct departments to account for decisions taken at the forum. Once the ICRU/PPD Council has taken final decisions on reforms the Chairman can use the PDWP forum to push for enforcement. We would further recommend that ROB 8 is slightly amended to explicitly include this matter as a mandate to be deliberated by the PDWP. The Chairman P&D can then report the progress back to the Chief Minister as is done for the development portfolio and initiatives.

Whatever the mechanism chosen for securing the PPD mandate, ICRU and PPD Council decisions must be binding on all parties and timelines for action stipulated.

6.4 Staffing

There are two principal staffing approaches to launching PPD in Punjab. The pros and cons of each are presented below.

6.4.1 Option 1: Start big, ready to take on future demands

The first approach would have P&D put in place a fully staffed and capacitated ICRU-team, ready to meet all immediate and expected demands on them as the hub for PPD and BER-IC reforms across Punjab. The structure and staffing might be similar to that envisaged for the ICRA as shown above.

Pros

- Fully equipped to handle immediate and expected demands, workload, growth



- Greater immediate visibility from robust recruitment and hiring of highly skilled professionals
- ICRU can take on a large agenda from Day 1 which improves the likelihood that ICRU will be able to satisfy pent up, private sector demand for BER-IC reforms
- Quick utilisation of already-allocated funding under PC-1

Cons

- Need for higher number of qualified professional staff, and thus longer recruitment and training time could delay/forestall commencement of PPD
 - Difficulty identifying, attracting ‘suitably qualified’ and interested professionals risks losing stakeholders’ trust, especially private sector/BMOs where expectations are now higher for PPD’s launch and delivery of concrete reforms
- Initial excess capacity may:
 - be exploited by others for non-PPD work
 - open P&D to criticism for bad management, not matching spending to actual needs based on prevailing demand for PPD
- Unclear if PC-1 funding can be re-allocated or used for expansive staffing

6.4.2 Option 2: Start small and grow organically

This approach would have the ICRU start small, with a more limited, yet nimble staff as has been done in other countries-- perhaps along the lines of the ICRU structure above. This would make it easier for the MD to build her team strategically according to immediate requirements, then grow organically as the PPD process gains traction and momentum. At the outset, the MD-ICRU could draw strategically on external resources to fill capacity gaps. For example, research could be done with support from PERI, BMOs (e.g. LCCI) and other donor-funded providers.

Pros

- Actual work can begin immediately with key staff on board;
 - shorter recruitment and training period
 - easier to find just a handful of qualified staff
 - fewer funds, office space needed
 - staffing/organogram are already approved and funded under PC-1
- Structure/staffing can evolve organically and emerge out of actual expansion needs



- Requires focused work with quick delivery of results can build more credibility, trust
- Easier to manage
- Builds flexibility, cross-functional competence due to staff needing to ‘wear more hats’
- Smaller staff simplifies accountability

Cons

- Less visibility at the start
- May not be able to take on board an extensive agenda immediately
- May not be able to fully utilize PC-1 allocated funding

Recommendation

The second approach is more viable as it gives the MD who has a strong private sector management experience the latitude she needs to build the team as she sees fit. This will also allow ICRU to focus more exclusively on PPD and key BER-IC reform issues and deliver some tangible ‘quick wins’. As noted at Section 8 the OFM could be developed and integrated into PPD structures and operations once traction and trust are established. A gradual, organic approach will build more credibility with the private sector which can stimulate broader and deeper participation in the PPD process.

Option 2 would require careful design and selection of staff positions.

6.4.3 Key staff positions under Option 2

Director, Policy & Research

He/She should be:

- a strong policy analyst with expertise conducting and managing research, ideally on BER-IC issues.
- able to analyse existing research done by larger chambers and associations, academia and development partners.
- able to synthesise this research and develop succinct, well-reasoned policy notes on specific BER issues that can define the PPD agenda and topics to be looked at by the OFM.
- beyond using existing research, the Director should be able to develop linkages with key think tanks such as LUMS, CDPR, CERP and IDEAS to generate research support for the ICRU.

- capable of contributing to the research agenda of PERI, identifying the key issues that ICRU/ICRA wants to look at.
- additional skills might include commissioning consulting studies to look at areas that have not been previously researched in depth.

Director, Communication, Outreach and Advocacy

She/he ensures that the work of the PPD Council, ICRU and SWGs is smooth, effective and 'pro-actively transparent'-- providing reliable, credible, prompt, and comprehensive information circulating between the government and private sector as well as to media. Among the first tasks will be to develop a Communication and Engagement Strategy for ICRU, detailing the objectives, approach, messages, tools to build ownership and participation among internal and external stakeholders, including how advocacy tools can be used to both generate demand for reform and influence the supply side as well

Some characteristics and qualifications needed for the role:

- A professional communicator or government relations manager (not from advertising, commercial PR or journalism).
- Experienced working with the private sector in communication, community, or investor relations, speechwriting
- Diplomatic, composed, good advocate, able to establish quick rapport with senior as well as junior colleagues, clients in GoPJ and industry
- A skilled strategist, having drafted and implemented at least one major public policy strategy/campaign
- Capable of managing the work to develop and then to deploy the OFM
- Experienced, capable writer in a variety of media— web content, social media, print, speeches
- Skilled writer/manager of perception and substantive surveys, questionnaires then synthesising the results.
- Native Urdu speaker with superior written and spoken English
- Understanding of the private sector's governance interests, information needs and preferred channels for communication to enable her/him to devise effective strategies to convey PPD messages.

Communication and outreach are crucial elements of any PPD programme. Staffing, funding and a robust strategy for internal and external communication/engagement must be in place from the very start. (See the full OFM Report for detailed recommendations.⁴⁶)

⁴⁶ Executive Summary of OFM Report is included here at Appendix 4.

6.4.4 ‘Emergency Response Mechanism’ (ERM)

Business hopes that the ICRU’s leadership and facilitation will generate results, but recognises that most reforms will take considerable time to be crafted, agreed and take effect. Some issues, particularly those under the remit of a single Department, should be capable of being resolved more quickly. It is important that the ICRU is the hub or *one-stop shop* for all BE-IC reform issues, rather than maintaining the current practice of ‘a la carte’ engagements or ‘firefighting’ by individual D&As (Departments and Agencies).

We recommend including an ‘emergency response mechanism (ERM)’ within the ICRU’s mandate for addressing issues of limited administrative or regulatory scope, but which nevertheless negatively affect a significant number of businesses. ICRU in consultation with the Departments/Agencies and BMOs should develop distinct criteria for issues to “qualify” for submission via the ERF. Among the criteria might be revenue and employment impact as well as whether it is an issue that the GoPJ is mandated to decide, **without** the need to involve the PPD Council which meets less frequently and only addresses high-level, cross-cutting, political reforms not administrative issues touching on individual D&As. This is crucial. Otherwise, the mechanism/submissions could overwhelm the ICRU, thereby reducing trust in the PPD process.

The ERM might be handled as follows:

- individual companies submit proposals to ICRU directly via the OFM or via their BMO if they are members; ICRU and BMOs must log all submissions they receive by entering them into the OFM for tracking and accountability— otherwise individual submissions might be ‘lost’
 - “acknowledgment of receipt” responses must be sent immediately to all submitting individuals/BMOs including boilerplate language about the ERM process/timeline, next steps
 - BMOs submit a short problem/impact statement via a standardised template provided by ICRU; (this is done to ensure submissions are complete, well-reasoned)
- ICRU analyses the ERM submissions, recommends course of action/decision and responds within 10 working days
 - “accepted – it will be taken up at the next relevant sector working group meeting (monthly)
 - “not accepted” – it does not meet the ERM criteria but should be further considered by the BMO;
- SWG called to ERM meeting on one working weeks’ notice to discuss/decide the ICRU recommendation;
- ICRU communicates results and follows up to ensure implementation.

7. PPD Council Recommendations

Recognising the need for a high-level oversight and decision-making body to ensure that reforms resulting from the PPD process are implemented, the Chief Minister (CM) established a **PPD Council** on 11 August 2015. Headed by the Chairman of the P&D Board, the Council is the apex body for PPD in the Punjab. This was a first step aimed at formalizing PPD and integrating it into the policymaking processes in Punjab, yet it the PPD Council is not mentioned in the PC-1 and there is reportedly no document or terms of reference confirming its role and function(s).⁴⁷

Like the ICRU, the PPD Council is inactive. The Council reportedly convened once, in February 2016. Results of the inaugural meeting were not made known to the BERF Team. We were unable to confirm if minutes were circulated to members or any information made public about the Council or its first meeting.

7.1 Membership

Presently, the PPD Council includes nine members. There are no representatives from the organised private sector or SMEs.⁴⁸ Some key MDAs involved in BER issues are not represented on the Council either. Virtually none of the GoPJ or business leaders consulted by the team during both missions knew of the PPD Council.

7.2 Looking ahead: Mandate & political backing

Going forward, the PPD Council should continue to serve as the apex/governing body for PPD in Punjab. Its primary role should not be as a ‘management board’ instructing the ICRU, but rather to set policy by taking decisions on whether to implement BER-IC reform proposals resulting from the working groups (and ICRU).

It is vital that the Council is vested with a clear, documented mandate with statutory authority backed by the force of law. This ensures that it can survive eventual changes to the political leadership and sends a clear signal to private sector partners as well as across the GoPJ that the leadership is committed to serious, structured PPD over the long term. The founding document or by-laws should include rules of procedure, operation, governance, clarity of roles and relations among PPD players inside and outside government and reporting requirements as well as accountability.

⁴⁷ The team received a short set of Power Point slides with details of the PPD Council.

⁴⁸ Members include: Chairman of P&D Board, Secretaries of Law, Finance, Industries, CEO of PBIT, Head of PPP Unit (P&D) and three “private members”—an MP and ‘businessman’, Chairman of PBIT, Professor of Economics and former ADB economist.



7.3 Meetings

The PPD Council should be formed and members/alternates appointed once the ICRU is operational and Sectoral Working Groups are in place. At the outset, when mutual trust is being built and actionable reforms are being identified, negotiated, agreed and implemented, the PPD Council should meet according to a fixed bi-monthly schedule. Meeting each month is likely to be too often, but quarterly meetings would allow too much ‘lag time’ and put the process at risk of losing momentum, credibility.

The ICRU, with high-level support from the Council where needed, must see to it that the ‘pipeline’ of reform proposals flows consistently enough to justify meetings according to a fixed schedule. For that reason, there must be both a modicum of ‘managed flexibility’ tempered with firm and public accountability. If a regularly scheduled Council meeting needs to be pushed back to allow the ICRU to prepare the evidence basis for a particular reform proposal, there should be a time-bound mechanism for doing that, but that mechanism must also require full reporting to PPD players and public stakeholders explaining the justification for the postponement.

Meetings should have agendas and designated facilitators: senior members or a trusted independent personality with sufficient eminence, independence and gravitas to ensure that dialogue remains focussed and constructive while delivering results. The facilitator’s role, characteristics and process for selection should be stipulated in the founding document for the PPD Council and agreed by a majority of members.

7.4 PICRA

Composition of the Board of Directors under the planned authority of PICRA varies considerably from the membership of the PPD Council recommended above.⁴⁹

Key differences are:

- Chair: Chief Minister Punjab
- Vice Chair: “a leading and respected business person, nominated by the Chief Minister
 - this opens the Board up to potential politicization and ‘capture’
- 24 members, majority of them from GoPJ,
 - only one BMO representative (LCCI)
 - four major business leaders
 - no SME representatives
 - explicitly calls for only one woman from the Provincial Assembly

⁴⁹ See PICRA Section 8.4 for additional details.

7.5 Recommendations

7.5.1 Co-Chairs

The PPD Council should be Co-Chaired by the Chief Secretary P&D and a top BMO representative-- agreed via consensus of the business community. The Chief Minister should serve as Patron.⁵⁰

This will give the Council, ICRU and the PPD process as a whole the gravitas they need to turn active dialogue into sensible reforms.

Just as with PPD Council members, it is advisable for the BMO co-chair to rotate every 18- 24 months to:

- reflect the consultative nature of the process ensure the leadership is representative of the evolving economy
- protect against potential ‘elite capture’
- introduce new dynamics, thinking, idea

Set up a strong institutional mechanism

“Successful reformers involve all relevant public agencies and private sector representatives. To ensure coordination among all the line ministries and agencies involved in the process, successful reformers assign clear accountability to relevant actors. Many establish level oversight committees that set the strategic vision for reform, work to prioritize the reform agenda, maintain reform momentum, and provide the political weight for reform implementation. Technical working groups then lead implementation at the agency level. These working groups generally designate a point person and ministry to take responsibility for and lead coordination of the efforts of each group. The most successful technical committees have representatives from all key agencies involved in a particular area, as well as knowledgeable members of the private sector.”

Institutional Set-up for Investment Climate Reforms: Good Practices, PICRA Concept Note, World Bank, 2016

7.5.2 PPD Council Membership: Recommendations

Stakeholders consulted during the mission felt strongly that the current Chief Minister, whilst very “pro-business”, currently handles an exceptional number of demands on his time, which may make it difficult for him to champion the PPD process as actively as may be needed, particularly at the outset. He should however have role as ‘Patron’ (as noted above) as well as a very “up front” role in (re-)launching the PPD process and at key milestone events in its development.

Barring exceptional circumstances, we recommend that as the highest ranking civil servant in P&D, the Chief Secretary’s role need not rotate. Indeed, her/his enduring engagement can serve to protect the Council from undue political influence and strengthen continuity and sustainability amid ever-changing political conditions.

It is advisable to include members/alternates from Industry/Sector Associations – *not* only Chambers – since most chambers represent businesses in their locality only and are often quite political. The membership should also reflect regional and gender inclusiveness. Punjab

⁵⁰ There is substantial precedent in other countries for the executive serving as patron for decision-making and to ensure efficient implementation of reforms; see “Concept Note: Establishment of the Investment Climate Reform Authority.”



is understood to include three primary regions, Northern, Central and Southern. One seat should be designated for a regional representative and filled on a rotational basis.

Options

- 1) BMOs from the region nominate their member
 - a. disadvantage is that consensus selection could be difficult, politicised;
 - b. Could be disputes over how to draw the lines/borders of each region;
 - c. use the on-line feedback mechanism (OFM) to manage the nomination process.
- 2) GoPJ designates the regional members
 - a. advantage is it's easier to 'manage' the process;
 - b. disadvantage is too easy to politicise, exclude viable players.

7.5.3 Gender inclusiveness

One seat should be reserved for a member of a women's BMO. However, as noted above, the Women's Empowerment policy calls for 30% of all positions in public bodies to be held by women. This aligns with the target set by international best practice.

Gender PPD Checklist of Key Questions (*abridged*)

- How many members of the PPD forum have the specific mandate to represent the interests of businesswomen?
- What linkages do members of the PPD forum have with businesswomen or with women's business organizations?
- What activities has the PPD forum undertaken to identify and act on the specific barriers faced by women in business?

Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners (WBG, 2016)

Establishing a quota for the total number of women on the Council may not work in practice as GoPJ members of the Council (e.g. Department Secretaries) might not include many women. In that case, BMOs and other groups would have to appoint mainly women to reach the quota and that may not either lead to a reasonable balance. The GoPJ/agency responsible for gender issues might also be included either as a full member or alternate to the women's BMO member to ensure that women's issues are included in all BE-IC reform decisions.

Case Studies

In Nepal, the country’s main BMOs have developed the concept and design of the Nepal Business Forum (NBF). The Federation of Women Entrepreneurs Associations of Nepal (FWEAN) has particularly played a key role in bringing traditionally non-participating stakeholders to the PPD table. Consequently, issues faced by Nepalese women have been recognized as key priorities for the country’s development. The NBF Executive Order includes six Working Groups, one of which is the Women-in-Business Working Group, co-chaired by the FWEAN President and the Secretary of the Ministry for Local Development.

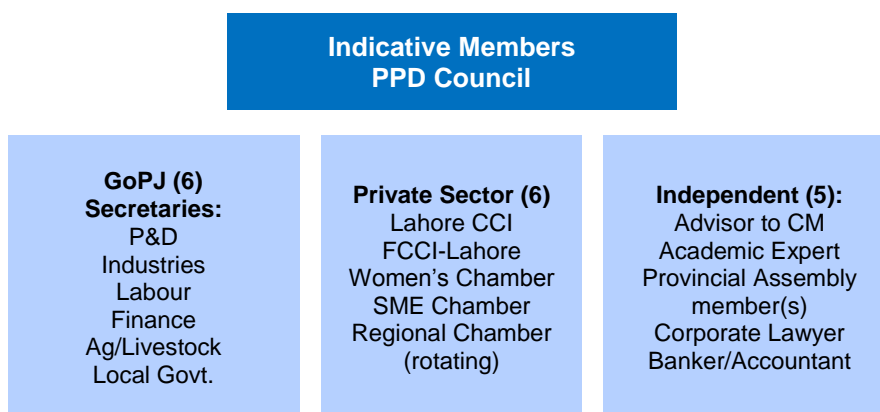
In Bangladesh, an IFC-sponsored PPD called the Bangladesh Better Business Forum (BBBF), has increased its push for gender-specific reforms. (this does not address the structural solution we recommend for integrating women) In 2008, because women entrepreneurs find it difficult to travel away from home to enquire about loans and refinancing instruments, the Business Finance Working Group of the BBBF recommended that banks be allowed to establish dedicated SME service centers.

Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners (WBG, 2016)

7.5.4 Alternate Members

Each PPD Council member should have an official Alternate Member who will be expected to attend Council meetings in the event that the primary member is not available or in cases where the Primary Member has vacated her/his post and a successor has not been named. We recommend that Alternate Members from the GoPJ are senior subordinates to the Primary Member. All non-GoPJ members should be appointed to 18-24 month terms.

Figure 5: PPD Council Indicative Members



Timing

Multiple teams have engaged with stakeholders from GoPJ and the private sector around BER issues since the OFM visit in August 2016. World Bank/IFC representatives have kept PPD on the minds of key players as well. There is palpable demand on all sides for structured, systematic dialogue to reform the conditions for doing business and investing in Punjab.



Continual consultation over the past six months means that anticipation of a functional PPD system has grown among BMOs and other private sector players.

Establishing the PPD system and delivering ‘quick wins’ or tangible results/reforms is vital to developing the mutual trust and traction needed for its sustainability. Sound structures and processes are important, but championing by key GoPJ and private sector leaders and professional managers to shepherd dialogue and implementation of reforms is absolutely crucial.

7.6 Risk

The Chief Minister has championed dialogue with the private sector and reportedly stands behind establishing a solid PPD framework, initially to be led by the ICRU with an eventual conversion to ICRA in approximately six months’ time. With elections expected in mid- 2018, there is a risk that any successor to the CM may not share his vision/commitment to systematic PPD in Punjab. That makes it all the more urgent to operationalise the ICRU and PPD Council without delay so they have time to develop traction by demonstrating results that ensure the PPD survives any short-term changes to the political leadership.

7.7 Options

There are two options to consider from:

- Develop all PPD structures and the OFM for simultaneous roll-out
- Ensure the ICRU, Sectoral Working Groups and PPD Council are functional/operational, then develop the OFM to complement ‘live’ feedback mechanisms.

7.7.1 Option 1

The private sector strongly supports and looks forward to availability of the OFM as a tool for informing and intensifying dialogue around BER issues, broadening access to and accountability of the policy-makers and regulators in the GoPJ.

The online feedback mechanism (OFM) is expected to take about six (6) months to develop. During that time, work could get underway to operationalise the ICRU, Sectoral Working Groups and PPD Council. That way, a fully-operational and outfitted PPD process could launch from the very outset.

Advantages

- ensures inclusive access from Day 1
- facilitates inputs from all corners of the province
- delivers on private sector anticipation/expectations



Disadvantages

- requires large investment of time and funding upfront
- risks overburdening new ICRU staff and nascent PPD systems with high-quantity input that must be analysed, synthesised, packaged for PPD Council decisions and communicated back to stakeholders
- increases private sector expectations of results which are unlikely to be unmet
- testing/piloting is needed before it can be launched and operational across the province

7.7.2 Option 2

PPD can begin without the OFM, but it cannot work effectively without the ICRU and PPD Council. Presently, neither is operational. The ICRU's Managing Director is not yet working full-time in Lahore. She must recruit and hire a full complement of staff, establish its office in P&D, arrange its legal/administrative status, work out operating procedures, build relationships with key players inside and outside Government and more. This will take time. It can be done in six (6) months, but that may be ambitious. Before development of the OFM can start, the ICRU, or perhaps initially P&D, must have funding at its disposal, procurement systems in place and a Project Manager/Coordinator to work with developers and oversee the process as well as a robust communication strategy worked out. Staff from the ICRU as well as BMOs will need training on how to use it as well.

Advantages

- allows ICRU Managing Director and P&D leadership time to focus on getting PPD infrastructure in place, operational;
- OFM development/procurement plan and dialogue around that could be among the first ICRU tasks to demonstrate to the private sector its commitment to the OFM;
- easier for ICRU to develop traction, trust and resolve immediate issues via structured, face-to-face PPD.

Disadvantages

- delaying OFM risks disappointing the private sector, diminishing trust (low risk);
- relies on face-to-face engagement which is time-consuming, expensive, less inclusive and at greater risk of 'elite capture';

Recommendation

Option 2 is the advisable approach.



8. Budget

The PC-1 for ICRU provides a detailed budget of 385 million PKR (See Appendix 2) breaking down all main costs to conduct its various functions and operations over five years. The budget accommodates reasonable salaries for 13 staff positions, i.e. the MD, four Directors and eight Executives. Based on the PPD mandate recommended above, we suggest that at least two of the ‘Executives’ salaries be used to employ PPD Coordinators. One could be placed under the Director Policy and another Director Communication and Outreach.⁵¹ The ‘surplus’ positions budgeted for under PC-1 should remain unfilled, allowing the ICRU to grow organically as recommended above.

The PC-1 also provides PKR 45 million to cover consultancy costs. The overall amount is reasonable, but earmarks more than half of the amount (PKR 25 million) to be spent in year 1, then just PKR 5 million per year for the remaining four years. Global experience shows that comparatively more funding is needed for external consultants during start-up, but the sum may need to be re-allocated depending on the final structure, scope of operations, fixed costs for office space and equipment, etc. As recommended here, the ICRU/ICRA should utilise existing research and evidence capacities of PERI, BMOs, think tanks/universities and development partners. Any additional research may have to be commissioned. We note below as well that training/capacity-building will be needed for both the GoPJ and BMOs.

The ICRU-ICRA will also incur significant costs for outreach, engagement and communication, e.g. launch events, dissemination sessions, workshops, meetings of working groups and communication costs. This may occasionally require renting premises and printing of material and policy papers. Some of the printing may require hiring of specialist graphic designers and report editors. The PC-1 currently allocates a total of 5 million PKR with 3 million PKR to be spent in year 1. We suggest that around 12-15 million may be needed over the 5-year period, but recommend that the budget is re-visited once the communication strategy is finalised and more is known about offices, logistics, etc.

The PC-1 budget⁵² may also need to be revised to reflect the costs to develop and run the OFM. The OFM report done in August 2016 provided full cost estimates.

⁵¹ The “PPD Coordinator” job titles could also be modified to “Executive Coordinator” if needed to facilitate reallocating the salaries prescribed under PC-1.

⁵² See Appendix 2

9. Next Steps

Below we outline the main actions needed to take the above recommendations forward.

- BRDO Report
 - review the BRDO recommendations for ICRU
 - identify/explain any inconsistencies
 - present relevant/appropriate inconsistencies for stakeholder input
- Finalise recommendations; incorporating DFID, WB input
- Revise OFM Report to reconcile it with PPD findings, recommendations⁵³
- Present consolidated recommendations to P&D leadership; incorporate their feedback as needed
- Conduct validation seminar with key players, informants (with consultants'/TA support)
 - include proposed timing of OFM roll-out
 - present BRDO recommendations relevant to PPD, ICRU
 - reach consensus on the way forward
- Finalise PPD structure, processes, staffing, etc.
- Decide, prepare and execute the mechanism for securing the PPD mandate, i.e. MoU, law, etc.
 - Modify PC-1 (including budget re-allocation) and *Rules of Business* as needed
- Craft Communication & Engagement Strategy, including PPD Launch Plan
 - Secure TA support
 - Stage internal & external launches of PPD
 - Host high-level 'PPD summit' as kick-off
- Assess capacity of core BMOs, D&As for PPD, create training plan to fill most pressing gaps
- Map capacities of research providers to support ICRU to prepare evidence-basis for BE-IC reforms.

⁵³ A few recommendations in the OFM Report have now been 'invalidated' by developments-- most notably the decision not to form the PPD Unit and the advice here that the PPD Council should serve as the apex decision-making body, not the PSC. These contradictions may need to be reconciled once we receive consolidated feedback from WB-IFC, DFID, P&D to the proposed PPD framework. ICRU/P&D may then require support to create an integrated workplan to take the PPD framework and OFM forward

- Develop overall work plan— including recruitment schedule to fill ICRU vacancies
 - Prepare ToRs, job announcements
 - Liaise with PSDF about candidates, recruitment progress to date
- Map ongoing PPD, including at District level
 - prepare summary with plan to integrate into structured PPD
 - present for key public-private players
 - implement, integrate ongoing PPD into ICRU operations
- Prepare compilation with summary of all existing reports, surveys, analysis of impediments to business in Punjab as starting point for PPD, including:
 - SMEDA data, input from engagement of BDCs
 - Gallup survey results
 - BERF report (December 2016)
 - other donor-funded studies.

10. Capacity building: A critical success factor

10.1 Capacity of GoPJ to design, implement reforms

Only recently did the 18th Amendment vest provincial governments with the authority to make policy on a host of BER issues.⁵⁴ Weak policy-making and regulatory experience present risks to the success of PPD. The private sector as well as Punjab departments express frustration with the ability of the provincial (and federal) government to design and implement reforms that will ease doing business and stimulate more investment. Consultation and dialogue *must* be followed by timely, tangible, well-crafted reforms that are understood by civil servants and implemented professionally across the province. Capacity in the most populous of Pakistan’s provinces must be built up as a priority.⁵⁵

“Substantial capacity is required to prepare policy recommendations, negotiate constructively, collect feedback, analyse evidence, and organise overall dialogue. While a variety of responsibilities for organising dialogue may fall on the facilitator, investing in the capacity of private and public representatives is crucial. The private sector needs capacity for researching, assessing, and coordinating businesses’ needs and views. Government needs to ensure that it has the expertise and resources to analyse policy, formulate coherent reform strategies, and communicate with stakeholders.”

Advocacy and PPD Toolkit, Vital Voices Global Partnership

Example

One GoPJ Department responsible for regulating core business issues reportedly has just over 70 staff (no increase since 1972) and no vehicles to cover all 36 districts in a province with 100 million people and thousands of businesses representing 60% of the country’s GDP. This department is also charged with enforcing laws dating as far back as 1923.

Recommendation

Going forward, it is crucially important that the reforms addressed/agreed as part of the PPD process take careful account of the GoPJ’s capacity to design and implement them. Donors should make TA support available to do this where needed. Similarly, GoPJ departments have little experience with structured, systematic PPD. BER-related departments as well as the ICRU staff itself would benefit from training in facilitating dialogue, evidence-based policy-making, policy advocacy, strategic communication, reform tracking systems/M&E and the like.

⁵⁴ See Appendix 3 for a list of the policy areas over which the GoPJ has authority to rule and those remaining with Islamabad.

⁵⁵ A detailed assessment of GoPJ policy-making and regulatory capacity was beyond the scope of this assignment; it may be covered in more detail in the BRDO report.



10.2 Capacity of BMOs to contribute to effective PPD

At the same time, some of the most prominent, well-established BMOs need stronger policy engagement and evidence-based advocacy skills in order to be an ‘equal partner’ to government in PPD.⁵⁶ A particular weakness evident in consultations with multiple BMOs in Lahore, Faisalabad and Multan is focus. Despite a clear ‘agenda’ for the meetings, most members had difficulty sticking to the topic at issue. Similarly, BMO leaders had trouble facilitating discussions to ensure they led to relevant feedback and input. There are indications that, as in many other countries, Punjab BMOs lack the internal capacity (and/or the will) to engage their members effectively or inclusively for feedback on BER issues. The OFM is designed to address this in part. However, the private sector must not see PPD as ‘talk radio’ i.e. merely a platform for complaining, cataloguing BER issues and expecting the GoPJ to revert with a solution. The private sector must have the knowledge, ‘back office practices’ and capacity to present evidence-based solutions if it is to participate as a trusted partner in effective PPD. Otherwise, Government’s investment of time and resources in the PPD process could wane.

“Business lacks the capacity to engage the state. This is a major issue.” **BMO Executive, Lahore**

This is a particular concern for smaller BMOs and those in remote areas such as the extreme south. Most cannot afford or find qualified staff that can help their member businesses contextualise their concerns or prepare the evidence base to advance their policy advocacy. Presentation of issues to policy makers and regulators by most of these BMOs is weak and uncoordinated. When access is otherwise limited, a compelling case is needed to gain the attention needed. Otherwise, smaller BMOs fail to convince government and no action is taken.

Recommendation

The ICRU, with TA support, should first map the capacity of BMOs then craft a capacity-building plan to build capacity. Subsequently, ICRU should facilitate weaker BMOS to ally in clusters, pooling their resources to strengthen their advocacy. For example, the interests of extreme Southern districts may be represented via the Multan Chamber which may have more promising capacity. A train-the-trainers approach might be used to enable the bigger BMOs such as the Multan Chamber to support smaller BMOs as well.

10.2.1 Language as a constraint

Urdu language is another capacity constraint to BMOs and SME groups with members outside urban areas using an English-only platform – live or on-line. This weakness cannot be reasonably addressed except by making the OFM accessible in Urdu, including via SMS and app features.

⁵⁶The ICRU-ICRA will have a research function, but it should only be *supplemental*— compiling, curating, synthesising and packaging the evidence prepared by BMOs and feedback via the OFM to advocate for BER.

In short, for public and private sector players to play their roles effectively, thereby increasing the likelihood of PPD's success in Punjab, both sides will need TA support to build their respective capacities. A first step might be TA support to assess representative BMOs' member research, communication, engagement and advocacy capacities compared to global good practice for PPD, followed by a cost-effective plan and timeline for filling the relevant capacity gaps on both sides.

11. Conclusion

In summary, the key conditions for launching a credible PPD programme are in place. First, PPD has political backing from the highest echelons of government and business leaders expect the GoPJ to follow through. Both sides are convinced that solid, sustainable growth cannot come without institutionalised, systemic dialogue to jointly devise the business environment and investment climate (BE-IC) reforms needed for Punjab to prosper. P&D knows that delivering on the *Punjab Growth Strategy* depends on helping the private sector excel. Its latest *Annual Development Programme Guidelines and Strategy* puts strong emphasis on addressing policy and regulatory constraints to doing business and investing in Punjab. This was a key reason it established the ICRU and PPD Council.

Secondly, a preliminary structural foundation is in place with the ICRU and PPD Council which can plausibly be built upon to provide a solid institutional framework for effective, inclusive PPD that is grounded in global experience. Supplementing the ICRU and PPD Council with Sector Working Groups is vital for involving hands-on managers in addressing concrete, ‘vertical’ issues that affect Punjab’s highest priority sectors.

Third, BMOs across Punjab representing businesses large and small are eager for the OFM to come online. The OFM remains a vital tool for including the voice of marginalised groups in crafting BE-IC reforms that deliver meaningful results. It can have a suitable ‘home’ at the ICRU.

Crucially, substantial funding needed to operationalise the PPD programme in Punjab is already allocated.⁵⁷ Going forward, donors seem ready to support the GoPJ and BMOs to ensure they can optimally contribute to the process. With elections expected in 2018 and the GoPJ needing to report results from the *Punjab Growth Strategy 2018*, the political imperative for moving ahead quickly to operationalise PPD in Punjab is strong.

In short, the time is ripe for capitalising on the good groundwork done to date to build a vibrant, sustainable platform for PPD in Punjab.

Summary of the main recommendations:

- The **ICRU** is the logical institutional home for PPD in Punjab and should remain under P&D. Its primary functions should be to serve as (1) coordinating hub for development and implementation of BE-IC reforms in Punjab; (2) secretariat to the PPD Council and Sector Working Groups. Some revisions to the PC-1 or supplemental documentation may be needed to formalise its mandate and reflect the recommendations detailed in this Report. It should start with a streamlined staff and grow organically, as has been done in other countries. A gradual, demand-based approach is most likely to build

⁵⁷ As explained in the OFM Report, additional funds and TA will be needed to develop and operationalise the OFM.

traction and credibility among players on both sides while ensuring that resources are used effectively.

- **Sector Working Groups** (SMGs) should be established under the ICRU with members from the GoPJ, BMOs and representatives of marginalised players. Their initial focus should be on the first three sectors prioritised in the *Punjab Growth Strategy 2018* – Industry & Trade, Infrastructure and Agriculture/Livestock.
- The **PPD Council** – co-chaired by the Chairman P&D Board and an eminent private sector leader – should remain the apex body for PPD in Punjab, but it should be reconstituted to better balance public/private participation and voice. It should also be vested with clear, documented mandate backed by the force of law.
- The **Programme Steering Committee** (PSC) should have no direct role in PPD, instead remaining dedicated to *Jobs and Competitiveness Programme* issues.
- Demand for the **OFM** remains strong. It fits most logically under the ICRU. Development and integration of the OFM should wait until the ICRU, PPD Council and SWGs are functioning well.
- The five-year **Budget** allocation in PC-1 is reasonable, but some reallocation and/or additional funding may be advisable to optimise effectiveness and allow the ICRU to grow in response to BE-IC reform results and subsequent demand for PPD.
- **Timing** is crucial. P&D should capitalise on broad-based support and private sector expectations for structured, institutionalised PPD as well as high-level political backing, available funding and evident donor interest to establish a sustainable PPD system. Ongoing championing by top leaders of the public and private sector is a critical success factor.
- **Capacity-building** is needed for GoPJ and BMO players to fulfil their requirements in the PPD process. Donor-funded technical assistance support in facilitating dialogue, evidence-based policymaking, member engagement, policy advocacy, strategic communication and engagement and reform tracking systems/M&E is vital.

Summary of sub-recommendations

- Bring women and other marginalised groups into the conversation:
 - **Women’s chambers** should have a permanent seat on the PPD Council; at least one-third of all Council members and SWGs should be women.
 - **SMEs** should have a permanent seat on the PPD Council as well as the option to participate in all SMGs of their choice.
 - ICRU must help bridge the geographic ‘gap’ via video conferencing and training on using the OFM.



- Giving **informal businesses** a voice in the formal debate and delivering tangible reforms that improve their bottom line might encourage gradual moves toward formality.
- ICRU should work with **PSIC** to gather information on marginalised businesses in distant areas. SWGs should include PSIC in their deliberations to ensure the most marginalised SMEs have a voice in BE-IC reforms.
- **Deputy Commissioners** can be key local champions for PPD, as well as ICRU ‘focal points’ for private sector feedback and communicating BER-IC progress in their districts. This will help engage distant districts directly, especially those with weak BMO representation.
- **Foreign investors:** PBIT’s active participation in SWGs and as an Alternate PPD Council member or with Associate/Observer status is needed to address the concerns of foreign investors who have less advocacy representation in Punjab than elsewhere in Pakistan.
- ICRU
 - **Ongoing PPD:** Independent, uncoordinated PPD activities by different D&As must be mapped, coordinated and integrated into the overall PPD framework to ensure that (1) D&As are ‘credited’ for their PPD initiatives; (2) ICRU builds on the progress to establish relationships with key D&As; (3) ICRU can coordinate BER-IC reforms across government.
 - **SMEDA:** As a federal government agency with strong sub-provincial presence, SMEDA can support ICRU on several levels. (see Section 4.3.1)
 - **PITB** should be engaged consistently to keep abreast of developments and capitalise on opportunities for data capture that can inform BE-IC reform dialogue.
 - **Media, communications:** Relying on mainstream media risks PPD messages being politicised and key details misrepresented or reported inaccurately. Directly communicating with stakeholders shows that PPD is a GoPJ priority-- allowing the voice of champions on both ‘sides’—public and private sector—to set the tone and control messaging.
 - Access to Research:
 - ICRU’s ‘home’ under P&D should allow it access to **PERI** researchers to complement its own capacity.
 - ICRU should map and engage independent institutes, looking for opportunities to inform the process and players;
- SWGs

- Tax issues will be a top area of discussion. **PRA** should be involved in all relevant SWGs.
- PPD Council
 - **PA**: Chairpersons of BE-IC-related committees and/or Ministers should be included on the PPD Council as well as certain SWGs so they stay abreast of developments and can add lawmakers' perspective on positioning reforms for adoption by the Assembly when needed.
 - Independent experts should have seats on the PPD Council.

Appendix 1 List of Persons Consulted

Name	Affiliation
Saima Zuberi	Operations Officer, International Finance Corporation, World Bank Group
Dr. Amjad Bashir	Senior Economist, International Finance Corporation, World Bank Group
Iftikhar Ali Sahoo	Secretary, Planning & Development Department Punjab
Svetlana Bagaudinova	Lead Expert, ICR Programme, <i>Doing Business</i> Expert.
Syed Aasim Shahe	Vice President, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and a group of 14 members of FPCCI
Raja Hassan Akhtar	Chairman, Regional Standing Committee (Mines and Minerals), FPCCI
Khurram Afzal Malik	Ex- Director Policy Research Punjab Board of Investment and Trade
Sajid Latif & Team	DG E-Governance, Punjab Information Technology Board
Dr. Ijaz Nabi	Academic, Adviser to CM Punjab Planning & Development
Mujtaba Piracha	Secretary, Industries, Commerce and Investment Punjab
Sheharyar Tahir & SMEDA Team	Deputy General Manager External Relation Directorate, SMEDA
Dr. Shehla Akram	Founder President, Women's Chamber of Commerce and Industry
Almas Hyder	Senior Vice President, Lahore Chamber of Commerce and Industry, plus numerous members, staff
Ali Jalal	Deputy Program Director, Punjab Resource Management Program, Planning and Development Department Punjab
Imran Dawood	Treasurer Punjab Region, APTMA
Anis Ul Haq	Secretary General Punjab Region, APTMA
Hamid Yaqoob Sheikh	Finance Secretary, Government of the Punjab
Saif Anjum	Secretary Environmental Protection, GoPJ
Abdur Rauf Khan	Secretary Labour Welfare, GoPJ
Dr. Aman Ullah	Acting Chief Economist /Joint Chief Economist, Planning & Development Department
Dr. Mumtaz Anwar	Director PERI
Dr. Bilal Mehmood	MD Punjab Small Industries Corporation
Mr. Zeeshan ⁵⁸	CEO of Peshawar Zalimi and Initiator of Corporate Punjab Initiative
Ch. Muhammad Shafiq	Chairman Faisalabad Flour Mills Association
Malik Muhammad Ashraf	President Faisalabad Chamber of Small Traders & Small Industry – Group of 18 businesses including ex-president and others
Mr. Faisal Qasmi	Company Secretary, FIEDMC
Mr. Zahid Anwar	Chairman, Pakistan Agriculture & Dairy Farmers Association – 13 members of the association attended the group discussion
Mr. Suleman Ghani	Deputy Commissioner, Faisalabad
Pakistan Auto Parts Manufacturers Association (PAAPAM)	Met with a group of 5 key players in the auto parts industry
Pakistan Footwear Manufacturers Association (PFMA)	Met Chairman (Mr. Javed Iqbal), ex-Chairman, Sec. General
Crestex (textiles)	Mr Sadiq Saleem – VP Finance

⁵⁸ Telecon



Name	Affiliation
Sadaqat Textiles Limited	Mr. Khurram Mukhtar (Chief Executive) and Mr Iqbal Ghori (CFO)
Miss Masooma Sibtain	VP South Region Women Chamber, MULTAN
Ch. Zahid Boota	Punjab Small Industries Corporation, Deputy Director Multan
Maj (R) Tariq Khan	Lutfabad Fruit Processing Facility
Khawar Mehr Ali	Khawaja Tanneries, Multan
Khawaja Muhammad Yousaf	Spun Yarns
Multan Chamber of Commerce & Industry	Met VP Muan Iqbal Hassan, Secretary General Khurram Javed
Lahore Chamber of Commerce & Industry	Meeting Chaired by VP, attended by several members and the research team
Mr. Sajid Mobeen	DG M&E, Planning & Development Department
Mr. Ali Bosan	COO Punjab Skills Development Fund
Ms. Maleeha Bangash	Designated MD, ICRU
BDRO Team	Graham Russell, Director Regulatory Delivery; Tasmin Long, Sr. Programme Mgr—Developing Markets
Jawad Khan	CEO, PSDF; Acting MD, ICRU
Shahzad Ahmed	All Pakistan Cement Manufacturers Association
Aftab Khan	Group Director, Nishat House (Cement)
Farid Fazal	Director, Marketing & Sales, Nishat D.G. Khan Cement

Appendix 2 Budget for ICRU included in PC-1

Items	Expenditures					
	2016-17	2017-18	2018-19	2019-20	2020-21	Total (5 Years)
Salaries	34,700,000	45,804,000	50,384,400	55,422,840	60,965,124	247,276,364
Occupancy Cost (Office Building)	4,000,000	6,000,000	6,600,000	7,260,000	7,986,000	31,846,000
IT Equipment	7,435,000	0	0	0	0	7,435,000
Furniture & Fixture	2,305,000	0	0	0	0	2,305,000
Vehicle/Motorcycl e	2,075,000	0	0	0	0	2,075,000
POL (Vehicle/Motorcyc le)	220,000	357,000	392,700	431,970	475,167	1,876,837
POL (Generator)	300,000	330,000	363,000	399,300	439,230	1,831,530
Vehicle Operation & Maintenance	100,000	110,000	121,000	133,100	146,410	610,510
Repair & Maintenance IT Equipment + Other Equipment	200,000	220,000	242,000	266,200	292,820	1,221,020
Operational Expenses	4,390,000	5,049,000	5,553,900	6,109,290	6,720,219	27,822,409
Traveling/Transpo rtation	1,000,000	1,000,000	1,000,000	500,000	500,000	4,000,000
Conference, Symposia, Seminars etc.	3,000,000	500,000	500,000	500,000	500,000	5,000,000
Consultancy Cost	25,000,000	5,000,000	5,000,000	5,000,000	5,000,000	45,000,000
Contingencies (1%)	872,250	646,700	704,570	762,227	832,250	3,817,997
Website, CRM Software & Annual Maintenance Contract	2,500,000	300,000	300,000	200,000	200,000	3,500,000
Grand Total	88,097,250	65,316,700	71,161,570	76,984,927	84,057,220	385,617,667



Appendix 3 Investment & Industrial Policymaking - Federal vs. Provincial (Punjab)

Business Issues	Responsible Entity	Authority
Framework for:		
FDI Entry	BOI	Federal
Permit for Foreign Branch	BOI	Federal
Business Visa	BOI	Federal
Registration of Entity	SECP	Federal
Taxation		
Income Tax, Customs, FED, WHT, GST on Goods	FBR	Federal
GST on Services	PRA	Provincial
Property Tax, Excise & Token Taxes	Excise & Taxation Department	Provincial
Export Processing Zones	EPZA	Federal
Special Economic Zones	BOI & PBIT	Federal & Provincial
Foreign Exchange Controls	SBP	Federal
Labour Policy	Labour & HR Dept	Provincial
Land Acquisition	BOR	Provincial
Building Controls	Dev't Authorities & TMA	Provincial
Environment	EPD	Provincial
Law & Order	Home Department	Provincial
Competition	CCP	Federal
Intellectual Property	IPO	Federal
Corporate Governance	SECP	Federal
Corporate Reporting	SECP CRO	Federal
Privatization	Privatization Commission	Federal
International Trade	Ministry of Commerce	Federal
Domestic Commerce	Ministry of Commerce	Federal
Professional Services		
Engineering Services	Pakistan Engineering Council	Federal
Medical Services	Pakistan Medical & Dental Council	Federal
Accountancy Services	ICAP	Federal
Legal Services	Pakistan Bar Council	Federal
Financial Services	SBP & SECP	Federal
Energy Services	NEPRA	Federal
Communication Services	FAB, PEMRA, PTA	Federal
IT Services	PSEB	Federal
Infrastructure for:		



Financial Services	SBP	Federal
Transport	Transport Department	Provincial
Industrial Estates	PIEDMC, FIEDMC & PSIC	Provincial
Telecommunication	PTA	Federal
Electricity	DISCOs & NEPRA	Federal
Gas	SNGPL	Federal
Airports	CAA	Federal
Ports	n/a	n/a
Railways	Pakistan Railways	Federal
Highways	NHA and C&W Department	Federal & Provincial
Inputs & Raw Material		
Agriculture	Agriculture Department	Provincial
Livestock	Livestock & Dairy Devt Dept	Provincial
Mineral Resources	Mines & Minerals Dept	Provincial
Skills	TEVTA	Provincial
Professional Education	Higher Education Dept	Provincial

Note: This is not an exhaustive list.

Appendix 4 Executive Summary of Scoping Study for an Online Feedback Mechanism, Punjab, Pakistan

This report is prepared under the Business Environment Reform Facility which is funded by the UK Department for International Development. It focuses on Stakeholder Engagement for business environment reform (BER) in Pakistan. The analysis and recommendations result from desk-based research and a mission in Lahore conducted from 8-12 August 2016. The report was undertaken by a team of consultants commissioned by DFID through BERF, managed by KPMG in the UK. The views expressed are those of the authors and do not necessarily reflect the views of either DFID or KPMG UK.

The State Government of Punjab (GoPJ) in Lahore prioritises promoting sustained growth in Punjab, Pakistan's most populous province, which is vital for them to deliver on their development targets. The time is ripe to institutionalise public private dialogue in Punjab and to put the tools necessary for this in place. There is a shared vision of government in Pakistan for private sector-led growth, and a palpable interest among business leaders in contributing their views on the policy and regulatory conditions needed to deliver this. Consensus can be formed around reforms to improve the climate for business in Punjab.

Internet access and smart phone penetration is growing rapidly across Punjab. We recommend establishing an online feedback mechanism (OFM) for gathering the views of large and small businesses across the province, including those owned by women, and using these to inform decision-makers in Lahore in user-friendly ways. The mechanism can thus also improve access by marginalised groups to the policy-making process in Punjab.

The report looks first at the context for business environment reforms in Punjab. It then analyses the current state of public-private dialogue (PPD), identifies and assesses the primary risks to an online PPD platform and recommends actions to mitigate these risks. It details a phased approach that integrates the online feedback mechanism into the PPD structures now in place in Punjab and concludes by providing the technological solution needed to bring the OFM in Punjab to life.

Online Feedback Mechanism Objectives

The OFM is intended to provide the GoPJ and the private sector with a user-friendly, technology-based tool to:

- Enable stakeholders to provide information, opinions and recommendations to government in Punjab and at the federal level about:
 - the impact of the policy and regulatory environment on business in the province
 - their priorities and ideas for potential reforms to improve business conditions.
- Put in place a feedback loop system whereby the GoPJ can respond to issues raised through the online facility.



This report explains specific OFM features in detail whilst outlining implementation aspects of the proposed technological solution in Section 10. The high-level recommendations and summary of key features follow below.

Key Drivers of the Business Environment in Punjab

Key drivers influencing the business environment in Punjab, and Pakistan, were raised repeatedly by both public and private sector representatives during the mission, including the process of decentralisation in the public sector and the quality of government/business relationships. Additional details can be found in Section 3.

Decentralisation

The 18th Constitutional Amendment, passed unanimously by Parliament in 2010, set in motion the transformation of Pakistan as a historically centralised state – with most important decisions made in Islamabad – to a relatively decentralised federation where most policymaking is done at the provincial level. Many jurisdictional questions have been resolved between the federal and provincial governments, yet some grey areas and/or issues for which they have joint authority remain. Such cases require improved, systematic dialogue and coordination between these two levels of government.

Government/Business Relationships

Trust between policymakers and the business community has waned. Both sides seek economic growth, but differ on policies and priorities. The private sector seems to engage willingly in PPD when asked, but there is a perception that such consultation is mere tokenism because the relevant decisions have already been made and it is felt that private sector concerns will not be acted upon. Business people complain that government officials promise that business issues can or will be resolved, yet often no action is taken. This leads some to conclude that civil servants are either unable or unwilling to take serious action on reforms out of fear of making the wrong decision. There is a suspicion that it is safer for civil servants to do nothing rather than risk making a mistake.

For the OFM to succeed private sector feedback must be acted upon and GoPJ actions must be communicated openly and promptly.

Main Recommendations

Below is a summary of our main recommendations. Full details are found in Sections 5 to 8.

Co-ownership of the OFM process with BMOs

BMO co-ownership of the OFM outcomes with the GOPJ must be secured- structurally, procedurally and via concrete actions⁵⁹ -from the outset and maintained throughout the lifetime

⁵⁹ A public launch and media event for signing of a joint MoU between P&D Chairman and BMOs might be held to raise the OFM profile and underscore private sector buy-in from the outset. New public/media events should be held for each reform decision resulting from the OFM.

of the initiative - from design through to communicating the results of individual PPD engagements. Trust and buy-in are crucial. Even with strong buy-in from both GoPJ and business, there is a considerable risk that the initiative could fail. Pent up demand on both sides for more meaningful PPD along with targeted Technical Assistance (TA) and communications should reduce that risk considerably.

Private sector feedback must be acted upon and GoPJ actions communicated openly and promptly both inside government, among the business community in Punjab and nationally. To ensure the private sector receives a timely, credible response from GoPJ/P&D, it is imperative that GoPJ/P&D leadership takes a number of actions before consulting with the wider private sector via the OFM.

GoPJ and BMOs must work together to:⁶⁰

- identify the BER areas where the GoPJ at both the provincial and sub-provincial levels is empowered to take decisions;⁶¹
- prioritise four-five areas in which the GoPJ is committed to taking action that improves the business climate in the Punjab.

Gradual, phased approach

A successful and effective OFM engages the private sector meaningfully and sustainably, is inclusive, and leads to policy reform conducive to growth and development in Punjab. Given the chequered and disjointed nature of PPD in Punjab, a phased approach over the first year is recommended. This creates the opportunity for incremental success which builds the capacity of government to handle and process feedback while signalling to the private sector the government's commitment to their input. A phased approach is crucial, carefully matching the demands on GoPJ staff for running the OFM with its capacity to do so.

- Pilot phase: approximately 3-4 months

Technological development of the OFM is expected to take approximately two months once procurement is concluded. Institutional arrangements and capacity-building of the ICRU, etc. can take place concurrently.

- Scale-up Phase: timeframe depends on whether post-Pilot scope of OFM is expanded

If the pilot is successful, the ICRU/GoPJ demonstrate the necessary capacity and BMOs express an interest in expanding the scope, OFM could be scaled up based on the feedback and lessons learnt from the first phase. The timeframe and scope of issues, functions,

⁶⁰ As noted in "Making OFM work", Section 9.

⁶¹ In the wake of the 18th Amendment devolving greater decision-making authority to the provinces, it may be that DCOs are the place where most tangible BE improvements can be achieved. That may not require 'reforms' per se, but rather more effective communications and awareness-raising so that district-level officials are aware of the reforms and attendant regulations, understand their role and can thus implement them more effectively/correctly.

responsibilities, etc. covered in the scale up phase must reflect ICRU/GoPJ and BMO capacities and budgets in order to ensure sustainability.

Fit the OFM into the existing structures for PPD in Punjab

There are numerous overlaps vis à vis the issues and reform objectives in Punjab. BER issues and other overlaps might suggest some re-structuring or consolidation of the respective supervisory functions/bodies. At this point, it is important to fit the OFM into existing structures for PPD and build in flexibility to adapt.

As the apex body for PPD and reform decision-makers in Punjab, the PPD Council has a valuable role to play. However, it does not presently include adequate representation of the private sector and there is no functional secretariat (PPD Unit). It is vital that the PPD Council meets regularly to advise on key policy and regulatory issues resulting from the PPD process in Punjab.

Regardless of the current or eventual division of responsibilities and capacities between the PPD Unit, the PPD Council and the ICRU, the OFM should be designed to serve both.

Put OFM operations under the ICRU

A PPD Unit or Secretariat would be the logical home for operating the OFM. In the absence of either of these, and because OFM focuses only on BER issues whereas PPD covers a much broader range of policies and reforms, we suggest that the Planning and Development Department in Punjab (P&D) place operation of the OFM under the responsibility of the ICRU, which also operates under P&D. “Housing” the OFM within the ICRU also ensures that the initiative is able to take advantage of the P&D Department’s convening authority.

The ICRU has been established as the lead focal point for spearheading investment climate reforms in Punjab. The approved PC-1 for the ICRU states that it reports, in the first instance, to the Secretary P&D. An OFM cell attached to the ICRU would seem to fit most logically into the Research and Analysis (R&A) Section of the ICRU, given that it will be providing inputs on private sector views on a range of reform issues. OFM inputs could be taken into account in R&A analysis of the policy and regulatory environment which are or should be targets reform.

A high-level “Program Steering Committee (PSC)” chaired by the Chairman P&D and including private sector representatives is to “supervise and support” the ICRU. A senior, eminent, well-respected “Special Advisor” – “preferably from the private sector” - will advise the ICRU leadership.⁶² In order to make it more inclusive (and avoid perceptions of ‘box-ticking’ or preferential treatment), the currently envisaged Special Advisor position might be expanded to a three- to five-member⁶³ Special Advisory Panel (SPA), representing key sectors of the Punjab economy, including women business people.

⁶² Annex II, PC-1 *Establishment of ICRU in P&D Department*

⁶³ An odd number of members is needed to prevent deadlocks in decision-making

During the pilot phase of the OFM, the PPD Council or Special Advisor/Special Advisory Panel should meet monthly or bi-monthly to take action on proposals resulting from the OFM in order for it to gain traction as a reliable, worthwhile tool for PPD. The ICRU must communicate its OFM-related work/decisions well to the business community and to MDAs that are responsible for implementing the reforms.

The Chairman and Secretary of P&D as well as the PPP Unit head have indicated initial support for housing the online mechanism under the IRCU. At present, the ICRU lacks the capacity to undertake this responsibility, however the Secretary P&D has requested that BERF provide additional support to assist them to develop that capacity.

Since the field mission in August, we have learned that the GoPJ may be planning to create a new Authority for investment climate issues. We view this as a positive development. The recommendation in this Report to set up a Special Advisory Panel (SAP) is therefore timely as such a body could be built into the prospective new Authority from the outset. Because details of the prospective Authority are not yet known, we suggest that the issue is best addressed in the context of the follow-on support requested by the GoPJ.

Plan for Sustainability

Integration of the OFM into existing GoPJ structures and functions is critical, not only to its effectiveness but also to its sustainability. From the outset, the OFM should be owned and administered by P&D with co-ownership from BMOs, starting from design of the pilot phase through to taking a decision on scaling up the OFM and beyond. Housing the OFM at ICRU helps ensure its sustainability: the Unit has been approved by the GoPJ and some funding allocated for its operations.

Promoting the OFM through BMOs is the most effective approach

BMOs offer well-established networks that engage and communicate with tens of thousands of business people, large and small, influential and marginalised. By logging individual members' submissions, the online mechanism could be designed to improve participatory decision-making by BMO members, thereby increasing BMOs' accountability to their members.

The best entry points for involving foreign investors in the OFM would either be through the Overseas Investors Chamber of Commerce and Industry (OICCI),⁶⁴ Overseas Pakistan Investors Council (OPIC), the Lahore Chamber (LCCI) or the Federation of Pakistani Chambers (FPCCI).⁶⁵ In the pilot phase, offering OFM access to the ICRU and/or PBIT network of foreign investors would enable the GoPJ to build on investor confidence in PBIT and gauge demand via known players.

⁶⁴ Headquartered in Karachi, 195 members representing 35 different countries and 14 different sectors of trade and industry.

⁶⁵ The Team was not able to meet with the OICCI during the field mission.



Strong, strategic communication is critical

Experience shows that a BER initiative like this cannot succeed without a strong communication strategy and a sequenced awareness-raising/outreach campaign. For the OFM to deliver on expectations, it is imperative that key players outside and inside the GoPJ understand why government supports it and why it is a useful, promising initiative. They must be made aware of the problems it aims to solve as well as those it will not solve. Above all, users must see results.

In communicating about the OFM, one must be careful not to portray it as a panacea for BER. It is not. It is simply a tool for informing the PPD process in Punjab, i.e. a user-friendly online platform that helps the GoPJ to obtain the views of business people across the province on the most pressing reform issues affecting their ability to compete and drive growth.

A distinct communication and outreach strategy is needed to ensure a successful launch, as well as continuing targeted communication with priority stakeholders throughout the course of the OFM. The specific objectives of the proposed communications and marketing component, along with resourcing and operational issues, overall approach, benchmarking, etc. are found in Section 8.

Operationalising the non-tech parts of the OFM

In Section 5, the Report provides step-by-step recommendations for how the OFM process should work.

A synthesis of the key steps:

- 1) GoPJ and BMOs each develop a short-list of 3-4 priority reforms on which the pilot phase should focus.
- 2) P&D/ICRU form small working teams drawn equally from the ICRU, relevant MDAs, BMOs, plus one member each from SMEDA or an SME-focussed BMO and a women's BMO to ensure that the feedback includes concerns of such groups.
- 3) P&D in consultation with the Special Advisor/Special Advisory Panel approves shortlist of 4-5 very specific issues relevant to reforms on which the GoPJ is willing to (a) solicit feedback; (b) take action within an agreed timeframe.
- 4) Public announcements by the Chief Minister (CM) or Chairman of P&D confirming that the ICRU and BMOs have jointly developed questions to seek feedback on key policy issues to improve the business environment in Punjab. Before this, CM or P&D Chairman announce, *without* reference to DFID, WB/IFC support, that the PPD portal is being developed to provide an online tool for BMOs and others to provide feedback that will help improve the business environment in Punjab.
- 5) Questions are sent to members of relevant BMOs for feedback. The period for comment is limited to 30 days to allow time for responses.



6) OFM/R&A compiles feedback reports.

- 1) Working groups summarise the feedback, prepare ‘the case’ for action that they recommend the Secretary P&D/PPD Council should approve at its next meeting.⁶⁶
- 2) Secretary P&D in consultation with the Special Advisory Panel (SAP) takes a decision on each BER proposal. The Chairman P&D or Chief Minister communicates the decisions both to the relevant MDAs and/or DCOs and publicly. MDAs are further instructed to develop implementation plans for each action/PPD Council decision. BMOs communicate the decisions to their members as well.

Technological solution

Pakistan has experienced rapid ICT growth in recent years and this trend is set to continue. There are 114 million mobile phones in the country as a whole but 78 percent of the population still do not have 3G/4G access.⁶⁷ Considering that Punjab alone accounts for roughly 60 percent of mobile and internet users in Pakistan, it is fertile ground for developing an OFM.

Key features of the proposed OFM

- User-friendly, accessible, simple-to-use web-based interface for 2-way interaction between the stakeholders, ICRU members and working groups, and (initially) select MDAs and BMOs via multiple channels/devices;
- An online repository where the ICRU and other authorised users can place relevant reform/policy documents to inform dialogue on the forums and questionnaires to be circulated among select participants; and
- Dashboards to continuously moderate usage and feedback before allowing qualified users access to updates and feedback of peers.

Main recommendations for the OFM - Phased implementation

A phased implementation is strongly recommended due to existing GoPJ capacity constraints and other reasons detailed in this Report. This would allow OFM to evolve along with higher user demand, greater ICRU capacity to manage it and greater GoPJ ability to provide satisfactory responses within the promised timeframe.

- Pilot phase: approximately 3-4 months

Technological development of the OFM is expected to take approximately two months after procurement is concluded. Institutional arrangements and capacity-building of the ICRU, etc. can take place concurrently. Following development and testing, OFM would be accessible to

⁶⁶ A schedule of bi-monthly meetings should be agreed and communicated in advance so that all members of the PPD Council, working groups and other stakeholders are aware and can plan accordingly. This will also assure the private sector that their feedback will be considered and addressed in a timely manner.

⁶⁷ <https://propakistani.pk/2015/07/31/mobile-phone-users-in-pakistan-slashed-to-114-million/>

members of ICRU, OFM working groups and BMOs relevant to the sectors/issues that are prioritised in the pilot phase.

- **Scale-up Phase:** timeframe depends on whether post-Pilot scope of OFM is expanded. If the pilot is successful, the ICRU/GoPJ demonstrate the necessary capacity and BMOs express an interest in expanding the scope, OFM could be scaled up based on the feedback and lessons learnt from the first phase. The timeframe and scope of issues, functions, responsibilities, etc. covered in the scale up phase must reflect ICRU/GoPJ and BMO capacities and budgets in order to ensure sustainability.
- **Host in the cloud:** Given the technical requirements of the proposed solution, OFM would be best hosted in a cloud-based, ‘platform as a service’ (PaaS) that allows users to control security policies and preferences.

Risks

The Report identifies several risks that the GoPJ and other stakeholders should consider when designing and implementing the proposed OFM. It also suggests ways in which these risks might be mitigated.⁶⁸ Risks include:

- **Lack of a credible response** from GoPJ to the input provided from their private sector “clients” (the single biggest risk).
- **GoPJ’s mandate to address the most significant BER concerns** remains limited despite the recent 18th Amendment devolving more powers to the provincial authorities.
- **Capacity constraints** need to be addressed before structured, institutionalised PPD can take off, although a nascent PPD structure is in place.
- **Opening the platform/mechanism too widely**, too quickly risks overwhelming P&D with more feedback than it can manage. That in turn threatens the mechanism’s credibility as an effective tool for PPD.
- **Lack of continuity and capacity.** It is common for key players in the reform process to change positions/portfolios relatively frequently. This risks adversely affecting support for PPD and the OFM specifically, institutional memory, continuity and familiarity with the process.
- Additional risks and recommendations on mitigation can be found in Section 6.

Next Steps

Finally the Report details a list of next steps to be taken in order to implement the Report’s recommendations. It divides them into ‘Non-tech’ and ‘Tech’ categories for ease of reference and planning. The full details are in Section 9.

⁶⁸ The list does not reflect any intentional prioritisation

Conclusion

GoPJ has taken the first steps toward formalising and institutionalising PPD in the province. Both P&D and the private sector, however, acknowledge that they would benefit from some additional thinking to align it more closely with good international practice. The OFM could be a tool to help that process whilst broadening participation in PPD in Punjab.

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