

# How Sector Development Approach helps for Improving BE for SMEs

## **A Case Study – Pakistan**

**The Role of Business Development Agencies in Developing Economies for Improving the Business Environment for SMEs**

**Bangkok Conference on BE**

**November 29, 2006**

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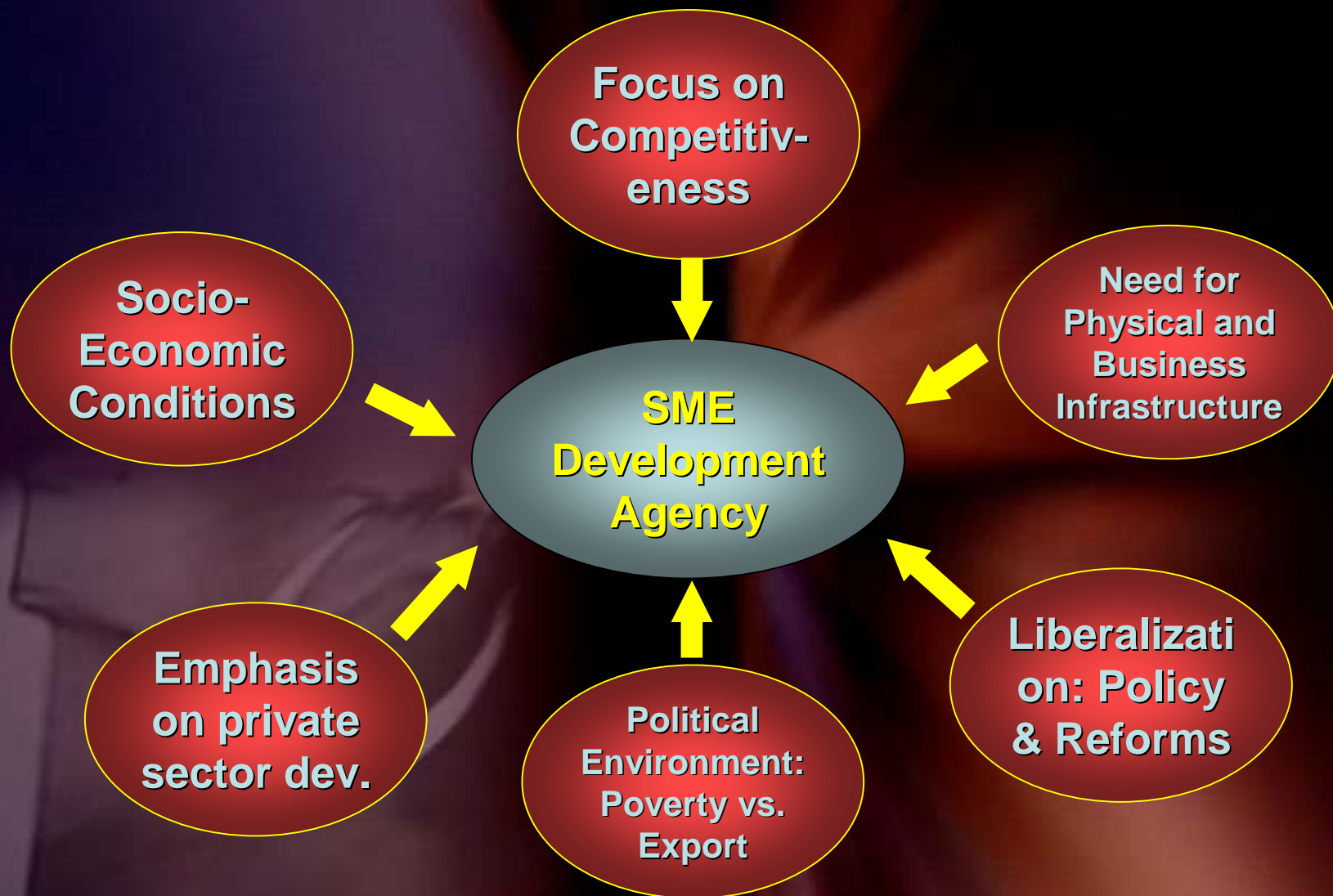
**SMALL & MEDIUM ENTERPRISE DEVELOPMENT AUTHORITY  
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# Improving SME Business Environment Implications in Developing Countries



# Sector Development as an Approach

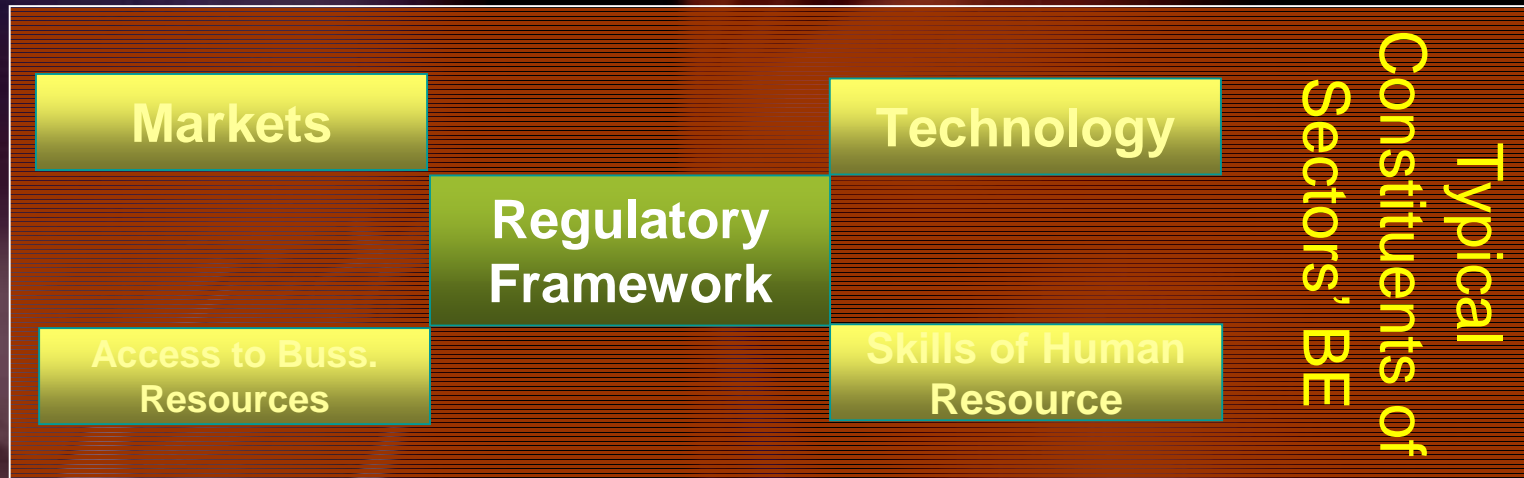
- **SME Sector large – complete coverage impossible**
- **Sector Development Approach – SME prominence**
- **Complete Value Chain Analysis**
- **Process led by private sector – Strategy Working Groups (SWOG)**
- **SWOG identifies issues and priority**
- **SMEDA provides needed resources - fostering model of public private partnership.**
- **Focus is kept action oriented**
- **Exercise culminates into sector development plan**
  - **Solutions to improve the business environment through policy interventions**
  - **Actions to improve productivity and competitiveness at enterprise level**

# Sector Strategy Template

## Integrated Approach - Value Chain Analysis



Analyzing Demand & Supply Side Gaps



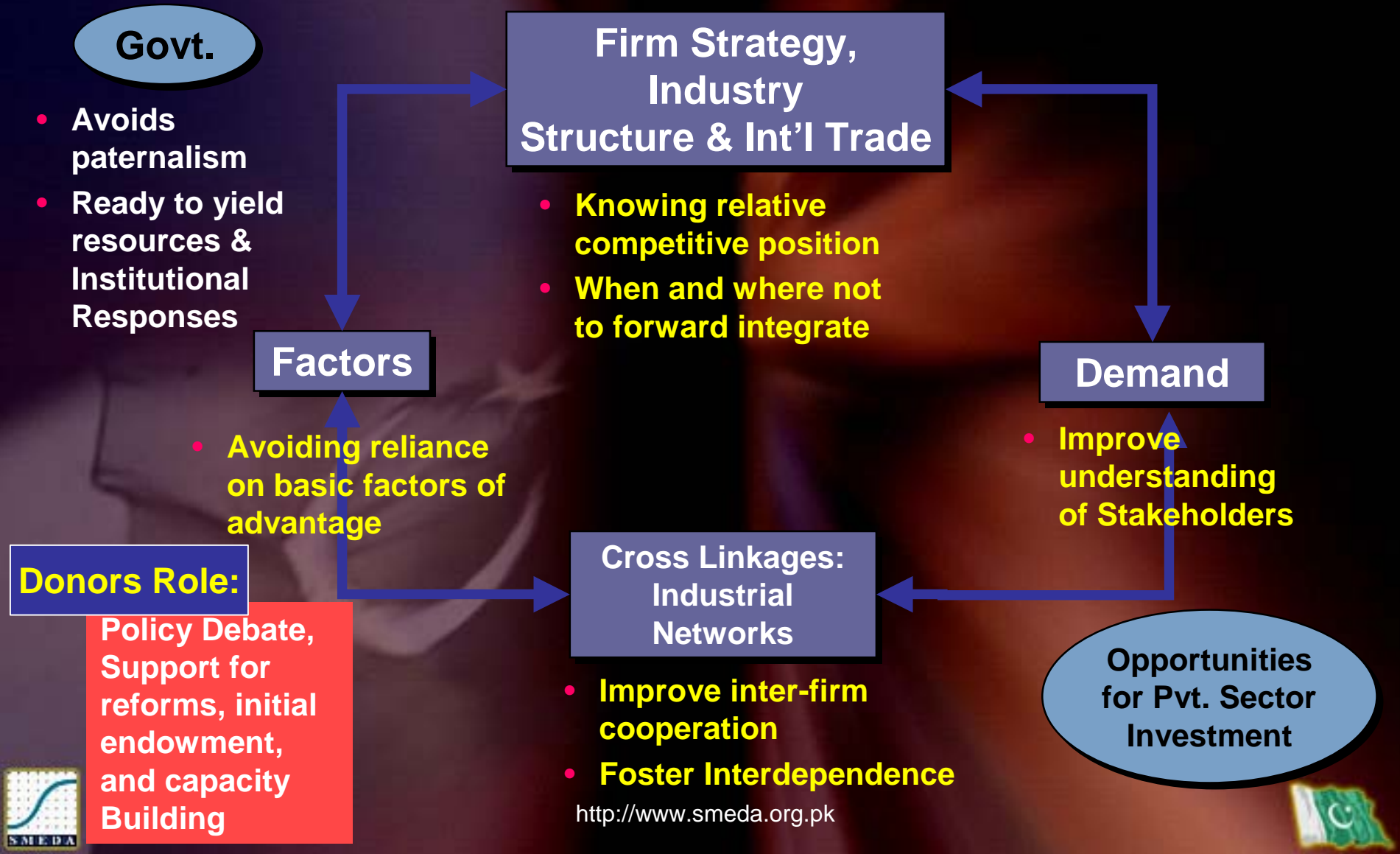
# Value Chain Analysis - Not Enough

- **Even well researched efforts fail to bring change in:**
  - policy or regulatory environment
  - BDS market or the business infrastructure for SMEs
- **Failure is attributed to:**
  - Little focus at Meso Level to give necessary institutional response
  - Regulatory and institutional reforms are very slow take long time to realize
  - Importance of micro level interventions are emphasized especially with reference to various BDS and provision of sector specific infrastructure
- **Reviewing its approach:**
- **Institutional arrangement for leading the sector development**
- **Mobilization initial investment to fund pilots.**



# Sector Development – Targeting Competitiveness

## Pakistan Initiative for Strategic Development And Competitiveness (PISDAC)



# An Approach that was successful

## ■ Process

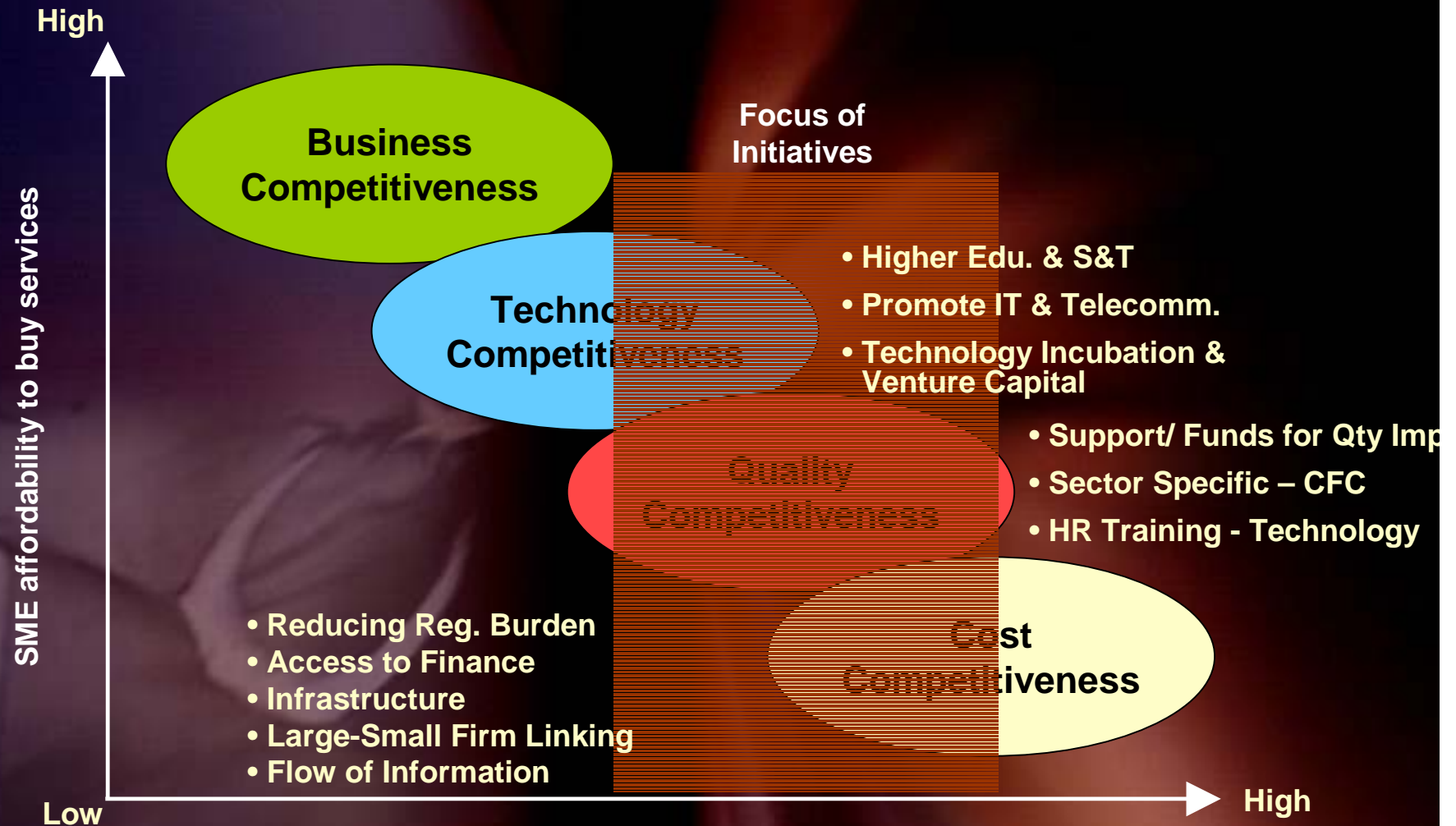
- Formalize sector development through a single platform and provide resources
- Complete Value Chain Analysis & Strategy
- Develop Linkages within value chain and with local and int'l organizations

## ■ Targets

- Policy reforms by Government
- Endowments from Government/ Donors
- Investment by Private Sector
- Institutional Response: “*Collaborative Enterprises*” in Public-Private Partnership

# Operational Strategy

Based on Sector Development & Competitiveness Improvement Approach





# Results

- **Marble & Granite**

- Pakistan Stone Development Company (PASDEC) for the M&G sector, USD 5 million as endowment
- Government funds USD 34 million for Dev. Projects

- **Dairy Sector**

- Pakistan Dairy Development Company; GoP provides USD8 million in grant and USD32 million from banks
- Government development plan of USD 83 million

- **Gems and Jewelry Sector**

- Industry repositioning – Export Sales orders of USD13 million
- Critical linkages with international training institutes
- USD 2.5 million endowment for the Gems and Jewelry Sector Development Company and USD 25 million for Dev. Projects



# Conclusion

- **Sector studies suggested that firm level conditions greatly vary from sector to sector**
- **Regulatory and policy environment cites to custom made solutions**
- **In all cases urgency points to reforms at intermediary meso-level inst. and access to BDS**
- **The priority of reforms: public private dialogue and governance, BDS market, product market competition, and regulatory environment**
- **The formalization of the process and providing it institutional outfit is a precondition for success**
- **Donor support for Success:**
  - **providing initial resource endowment**
  - **Capacity Building: articulation of microeconomic issues and explaining their relationship to macro policy issues**
  - **Developing organizational capacities, resource mobilization and creating political pressures**