

ADB's PDST PROGRAM FOR EXPORT PROMOTION (SECRETARIAT: Domestic Commerce Wing)

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The Government of Pakistan and the Asian Development Bank (ADB) have launched new initiatives aimed at increasing the levels of diversification and sophistication of the country's export basket. This is referred to as Pilot Dialogue for Structural Transformation (PDST) which is a mechanism to engage public and private sector in dialogue at the product level with the objective of identifying missing public inputs (such as certifications, knowledge about export markets, specific regulations needed etc.) that are crucial in order to export successfully. Only the private sector knows what these inputs are. The ultimate objective of these dialogues is to fill in this missing gap that is crucial for many firms to be able to increase their exports of high-value products.

The PDST is part of work between the Government and the ADB on "Accelerating Economic Transformation", whose objective is to help the country implement a series of measures and reforms that lead to a virtuous cycle of industrialization, growing employment, increasing productivity and ultimately prosperity.

Structural Transformation requires effective Government provision of public goods to support diversified and sophisticated products. Discussions between public and private sectors are usually held at a very general level. Whereas effective public-private dialogue mechanisms need to be adopted to elicit information on key and "missing" product-specific public support and goods. Strengthening of current industrial support practices requires linking public support and clear evaluation mechanisms. In the past also the focus of subsidizing was mainly on profitability, not on increasing productivity and there were administrative complexities and duplications. There is a long record of support to the textile and garment sectors that has created a bias in resource allocation.

To achieve the objectives underlying the PDST initiative, the Government has set up a high-level Steering Committee in the Ministry of Commerce. Its mission is to initiate ten pilot programmes with the private sector in ten product categories. If this becomes a successful exercise, these dialogues will be institutionalized and open to many other products. The ten products were chosen based on ADB's analysis of Pakistan's capabilities, and they are in agreement with the Trade and Textile Policies of the Government, both announced recently. These products include gems and jewellery, meat and preparations, non-metallic mineral manufactures, dairy products, oils and perfume materials, medicinal and pharmaceutical products, general industrial machinery and equipment, bonded fibre fabrics, wadding, wicks and textiles fabrics for use in machinery or plant. These are products exported by Pakistani firms in very small quantities, but which have great potential; and also are of a significant level of sophistication.

The Steering Committee for the execution of the program is comprised of representatives from Ministry of Commerce, Ministry of Industries and Production, Ministry of Textile, Ministry of Finance, Planning and Development Division, Ministry of Food and Agriculture, Ministry of Livestock and Dairy Development, Ministry of Science and Technology and the Federal Board of Revenue. Other industry support and trade and export promotion agencies such as SMEDA (Small and Medium Enterprise Development Authority), TDAP (Trade Development Authority of Pakistan), TUSDEC (Technical Upgradation and Skill Development Company) and PITAD (Pakistan Institute of Trade and Development) are also part of the Steering Committee.

The ten pilot dialogues will be carried out by ten task forces that have been set up in the first meeting of the steering committee. The taskforces will visit private sector companies exporting the selected products. They will be technically supported by international and domestic experts to be financed by a technical assistance grant from ADB. The final reports of the taskforces are expected towards the end of the year and will include time bound action plans that will identify product-specific missing public goods required to increase exports of the ten selected products.

The Steering Committee will oversee the pilot dialogues and will give regular guidance to the taskforces. It will also review the final reports produced by the taskforces and will approve the final action plans for implementation. The action plans are expected to include elements of best practices in modern public policy, such as the inclusion of "sunset clauses" (industrial interventions must be designed for a fixed period), "exit strategies" (industrial interventions must be designed with a strategy to exit the industry after a specified time, or after certain milestones are reached) or "performance indicators" (use of indicators in the design and implementation to identify outputs and outcomes). These will help Pakistan's policy makers implement more effectively the Trade and Textile Policies.

In this regard, the first meeting of the steering committee was held in the Ministry of Commerce on 17th September, 2009 in Islamabad and it was chaired by the Secretary, Ministry of Commerce. The participants discussed and agreed some operational issues including the TORs of the steering committee and task forces, and roadmap of the initiative. The Domestic Commerce Wing of the Ministry of Commerce is the Secretariat for the execution of the ADB's Pilot Dialogue for Structural Transformation Program.