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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	Business Environment
BEF	Business Environment Reform
BERF	Business Environment Reform Facility
BMO	Business Membership Organisation
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
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
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 is prepared under the Business Environment Reform Facility (BERF), 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 17-27 January 2017.

The State Government of Punjab (GoPJ) has prioritised promoting sustained growth in Pakistan's most populous province. The GoPJ and private sector groups share a vision that structured, systematic PPD (Public-Private Dialogue) is needed to spur the growth required to meet development targets for the province.

Some unstructured PPD is underway, but it is not effective or inclusive. Key PPD entities exist in fledgling form only. They are not functional and their mandate is not sufficiently clear. In the absence of a functioning system, PPD is not coordinated, inclusive, structured or systematic. As a result, current PPD 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.

In short, the initial conditions for institutionalising PPD in Punjab are in place. The BERF mandate was therefore to recommend the framework, structures and functions for effective PPD in Punjab.

The report first outlines the current PPD structures and presents the relationships between the various proposed PPD entities in Punjab. It then presents the headline findings and details recommendations as to how the PPD process should be structured, resourced and operated. It also recommends where the OFM (Online Feedback Mechanism) fits in the overall PPD framework. The report ends with a brief summary of the main actions needed to take the recommendations forward.

1.1 Current PPD Structures, Players and Practices in Punjab

P&D (Planning and Development Department) is the GoPJ lead for PPD and BE reforms in Punjab. The nine-member PPD Council is the apex body for PPD, but it is inactive and includes no representatives of the organised private sector or marginalised groups. The ICRU (Investment Climate Reform Unit) is to serve as secretariat to the PPD Council, proposing and coordinating implementation of reforms. At the time of the team's mission, a Managing Director was taking up her duties, but the ICRU had no office, staff or active operations. Working groups corresponding to the four main sectors in the *Punjab Growth Strategy* have yet to be formed. D&As (Departments and Agencies) in Punjab have some influence on policymaking, but many play a stronger role as regulators. Consultation with the private sector takes place on an 'as needed' basis, often initiated by the private sector to address specific issues impeding their business. Businesses large and small mainly rely on business membership organisations (BMOs) to represent their interests to the GoPJ. The most influential are the Chambers of Commerce and Industry (CCIs) and trade groups representing tens of thousands of



businesses in key sectors. Smaller groups complain that they do not have access to D&A decision-makers. Decisions about reforms are not communicated well. Thus implementation can be inconsistent. Previously envisaged PPD entities such as PPD Unit, PPP (Public-Private Partnership) Cell and PSC have no role going forward.

1.2 Findings

The key conditions for launching a credible PPD programme are in place.

PPD has political backing from the highest echelons of the GoPJ and business leaders expect them to follow through. A preliminary structural foundation is in place with the ICRU and PPD Council which P&D can build upon to provide a solid institutional framework for effective, inclusive PPD that is grounded in global experience. Geographic disparities contribute to marginalisation of some groups. The OFM is a feasible tool for more inclusive PPD that can be housed and managed by a properly capacitated ICRU. Crucially, substantial funding to operationalise the PPD programme in Punjab has been allocated and donors seem ready to help build the capacity of the GoPJ and BMOs to operationalise PPD. With elections coming next year, there is a strong political imperative for moving ahead quickly.

1.3 Recommendations

BERF recommends that all PPD is conducted through the ICRU and the PPD Council and provides the following eight principal recommendations as to how the PPD process in Punjab should be structured, resourced and operated:

- 1) The ICRU is the appropriate institutional home for PPD in Punjab and should remain there.
- 2) Sector Working Groups should be established under the ICRU with balanced membership from GoPJ, BMOs and marginalised players such as businesswomen, SMEs.
- 3) The PPD Council should remain the apex body for PPD, but should be re-constituted to better balance public/private participation and voice.
- 4) The OFM should be integrated into ICRU operations.
- 5) Some of the budget under PC-1 should be re-allocated to optimise effectiveness and allow the ICRU to grow as it delivers results.
- 6) P&D should capitalise on momentum to operationalise PPD before the 2018 election.
- 7) Capacity-building is needed for GoPJ and BMOs to participate fully and deliver reforms.
- 8) PPD structures and functions should prioritise, actively promote and facilitate participation of marginalised groups - businesswomen, SMEs and the informal sector.

1.4 Action Plan: Implementing the Recommendations

This section constitutes the bulk of the report, detailing the main actions needed to implement each of the eight recommendations, one by one.



Operationalising the ICRU, including SWGs, and the PPD Council are the highest priorities. A functional ICRU is needed before the SWGs or PPD Council can begin working. Until the PPD Council is operational, the SWGs cannot begin working, e.g. feeding proposed reforms to the Council for decision-making. Because the ICRU, SWGs, PPD Council and OFM exist only on paper, implementation requires P&D to initiate and carry out many things at the same time. Work to develop the OFM should wait until the ICRU, PPD Council and SWGs are functioning well. This will allow P&D and the ICRU's Managing Director time needed to operationalise the three key structures and will also allow the PPD process to build initial traction before bringing the OFM on-stream.

1.5 Next Steps

Having specified the raft of measures needed to implement each of the eight principal recommendations, the main actions/decisions necessary to take the report forward are discussed. These include reconciling this report's recommendations with those for overall ICRU operations prepared by the UK Regulatory Delivery and conducting a validation seminar with key PPD players to model the multi-stakeholder dialogue called for under PPD and reach consensus on the way forward.

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. Punjab Board of Statistics data shows that actual growth to date has been about half the targeted level.¹ 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. Consultations with stakeholders carried out under this assignment revealed significant 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 builds upon the findings and recommendations of 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 DFID and the Government of Punjab 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.

2.1 Objectives and Scope of the Report

The assignment's objectives were to first outline the current relationships between the proposed PPD entities, i.e. PPD Unit, PPD Council, Programme Steering Committee (PSC), ICRU and PPP Cell, as well as their relationships to other government Departments and Agencies. Having done that, the BERF team was then required to detail recommendations as to how the PPD process in Punjab should be structured, resourced and operated as well as where the OFM should fit into the overall PPD framework.

The scope of the assignment included analysing the current roles of BMOs and CSOs so as to recommend how they should fit into PPD framework. It also included examining barriers to inclusion of marginalised groups in the OFM and recommending how PPD could increase the

¹ <http://www.bos.gop.pk/system/files/Dev-2015.pdf>

accountability of policy makers to the private sector. The scope called for providing recommendations to P&D on its proposed PPD structures as follows:

PPD Unit

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

PPD Council

- Examine and provide recommendations on the proposed PPD Council, including its role, possible modifications to its current membership, meeting schedule and objectives.

Investment Climate Reform Unit (ICRU)

- Examine the ICRU’s suitability as an apex body for BER in Punjab – in particular its proposed staffing, functions and other relevant details concerning its operation.

PSC

- Examine role and proposed membership, including participation of appropriate private sector members.

OFM

- Recommendation on which PPD entity the OFM should feed into and who should be responsible for managing it.

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 and staffing of the Investment Climate Reform Unit (ICRU), existing PPD set-up, devolution of power to provincial governments, international best practice 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 2).

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 as well as those of businesswomen and the informal sector. 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 UK Government's Regulatory Delivery. 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 UK Regulatory Delivery team was asked to make recommendations for overall ICRU operations, the BERF mandate was to focus on the framework, structures and functions for effective PPD in Punjab.

3. Current PPD Structures, Players and Practices in Punjab

The mission confirmed the initial findings of the OFM Report, i.e. the PPD now taking place in Punjab is predominantly 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.

“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)

Definition of PPD

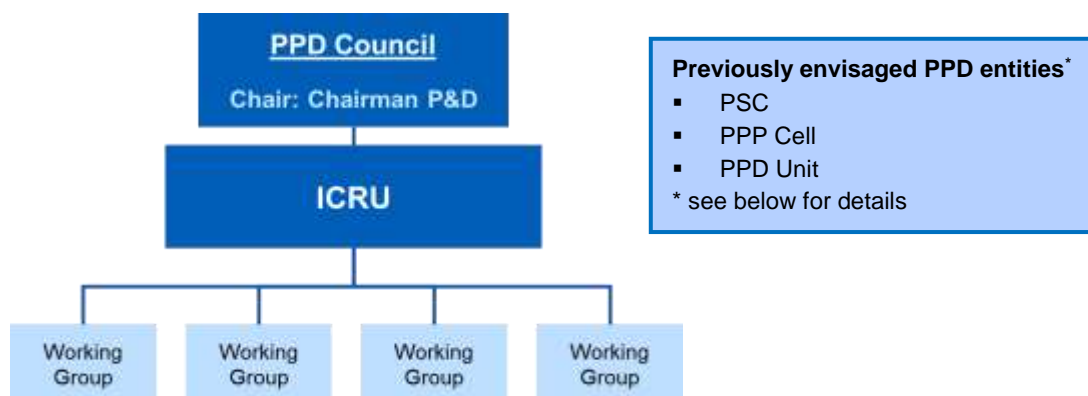
‘PPD’ is a structured, often facilitated exchange between public sector officials and other stakeholders. PPD aims to promote the right policy and regulatory mix to enable sustainable growth and equitable development. It is most effective when anchored at and championed by the highest levels of government. 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.

Scoping Visit for an Online Feedback Mechanism, Punjab, Pakistan, BERF, August 2016

Below we profile the main PPD players and the relationships among them.

3.1 Prevailing PPD Structures and Players

Figure 1: Current PPD Structure²



3.1.1 P&D: The lead on PPD in Punjab

The Planning and Development Department (P&D) is the GoPJ lead for coordinating PPD and BER-IC reforms in Punjab. In practice, there is little active coordination in the absence of a

² The PPD Council is dormant; ICRU is being capacitated; Working Groups and OFM exist only on paper currently.

functioning PPD system. Some Departments and Agencies (D&As) engage separately with individual firms and Business Membership Organisations (BMOs) on Business Environment – Investment Climate (BE) issues which are specific to the D&A’s authority. P&D also coordinates implementation of the *Punjab Growth Strategy 2018*, the GoPJ blueprint for economic development in the province.

3.1.2 PPD Council: The apex body

The Chief Minister (CM) established a PPD Council on 11 August 2015 as the apex body for PPD, to provide high-level oversight and final decision-making to ensure that reforms resulting from the PPD process are implemented. The Chairman of the P&D Board heads the PPD Council. This was a first step toward formalizing PPD and integrating it into the policymaking processes in Punjab. Notably, the PPD Council’s mandate is not outlined in the PC-1 and the team was provided no document or terms of reference confirming its role and function(s).³

The PPD Council is inactive. It reportedly convened once, in February 2016. Results of the inaugural meeting were not made known to us and we could not confirm if minutes were circulated to members or any information made public about the Council or its first meeting. Virtually none of the GoPJ or business groups consulted by the team during both missions knew of the PPD Council.

3.1.3 PPD Council Membership

On paper, the PPD Council includes nine members. There are no representatives from the organised private sector or SMEs.⁴ Some key MDAs involved in BER issues are not represented on the Council either.

3.1.4 ICRU

P&D has begun to establish an Investment Climate Reform Unit (ICRU) to spearhead reforms to the business environment/investment climate (BER-IC) in Punjab. The ICRU falls under the World Bank’s *“Jobs & Competitiveness Program for Results”* (JCP). The PC-1 for JCP approved by the GoPJ last year mandates the ICRU to coordinate *“development, implementation and monitoring of the process of legislative, regulatory, procedural and institutional reform.”* It is also expected to collect data, conduct research and do analysis to allow it to recommend promising regulatory and legislative reforms to the investment climate in Punjab. In the first instance the ICRU reports to the Secretary P&D.

P&D is charged with proposing reforms identified by the ICRU to the PPD Council. The ICRU is charged with coordinating implementation of reforms approved by the PPD Council.

At the time of the mission, the ICRU had recruited a Managing Director, but she had yet to take up her post fully. Staff were being recruited, but there was no office or active operations.

³ The team received a short set of Power Point slides with details of the PPD Council.

⁴ 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.

3.1.5 Working Groups

The PPD Unit (see below) was supposed to constitute working groups, composed of GoPJ and private sector representatives, corresponding to the four main sectors in the *Punjab Growth Strategy*, but the groups have yet to be formed.

3.1.6 GoPJ Departments and Agencies⁵

D&As in Punjab have some role in provincial policymaking, but many play a stronger role as regulators. Significant consultation with the private sector 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 business.

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. Since there is no formal structure for PPD (or staff to perform such functions), consultations are usually reactive to issues that the D&A leadership wants addressed, which determines their nature and frequency. Private sector representatives complain that they are consulted too late in the decision-making process and that they rarely receive feedback on whether their input was taken on board or not. Smaller groups complain that they do not have access to D&A decision-makers at any point in the process. Results of dialogue with D&As about BE issues and any decisions about reforms are not communicated well across the GoPJ or among businesses. Thus implementation can be inconsistent.

3.2 Previously Envisaged PPD Entities

3.2.1 PPD Unit

Initial plans for a PPD Unit have been dismissed. The Unit was envisaged to be the coordinating hub and Secretariat to the PPD Council under the existing Public-Private Partnerships (PPP) Cell. However, P&D have now designated the Investment Climate Reform Unit (ICRU) to serve as Secretariat and coordinating hub for BE reforms.

3.2.2 PPP Cell

The PPP Cell is now focussed on specific transactions with no direct responsibility for PPD or the ICRU. The PPP Cell is part of a broader PPP Framework comprised of the PPP Steering Committee, PPP Cell, Risk Management Unit and PPP Nodes.⁶

3.2.3 Program Steering Committee (PSC)

The PSC, headed by the P&D Board Chairman, “supervises and supports” the ICRU - its function is to advise on JCP issues. The PSC has no mandate for PPD. PSC membership closely mirrors that of the PPD Council, but includes private sector representatives.

⁵ Other D&As with a potential role to play in PPD are outlined in Appendix 1

⁶ Information received in during OFM mission from the Head of the PPP Cell and PPD Unit, Agha Waqar Javed. He is also a PPD Council member.



3.3 Best Practice PPD Structures

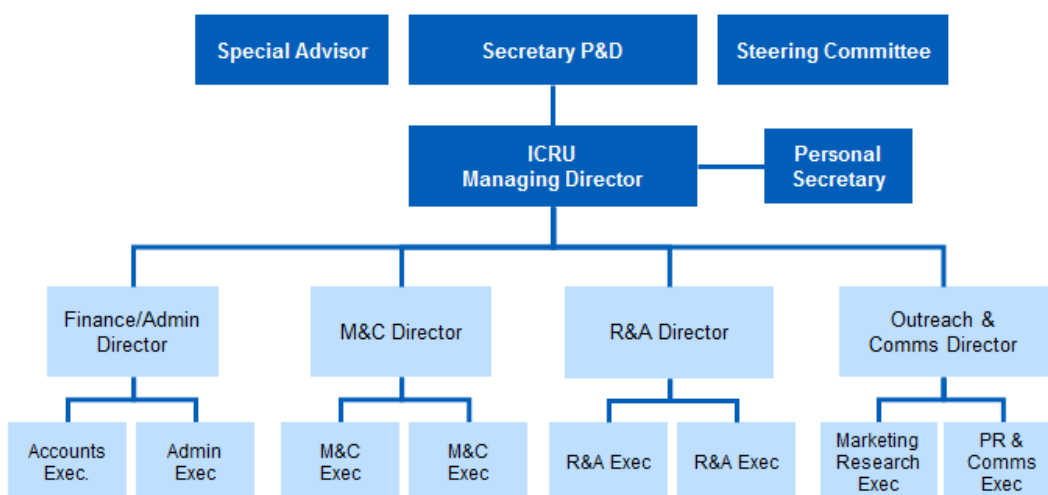
Often called the hub or the “engine of PPD”, global experience shows that a dedicated Unit or Secretariat charged with mobilising, coordinating and facilitating constructive dialogue is among the critical success factors for any PPD process.⁷ Figure 2 below is an organogram based on global good practice, including where the Punjab entities which are now in the fledgling stage of development – PPD Council and ICRU – fit into that structure.⁸

Figure 2: Best Practice PPD Organisational Structure⁹



With an MD now in place to lead the ICRU and recruitment of staff underway, momentum is building to establish the ICRU as the operational heart of PPD in Punjab. The ICRU’s suitability to serve in that role is assessed below.

Figure 3: Current ICRU Organogram¹⁰



⁷ “Role of the Coordinating Unit in a Public-Private Dialogue”, WBG 2016.

⁸ 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*.

⁹ See Section 8 on the PPD Council for details on recommended membership.

¹⁰ Copied from PC-1 for ICRU

3.4 Private Sector Players in PPD – Present Roles and Perspectives

Along with GoPJ, the private sector represents “the other P” in PPD. Businesses large and small mainly rely on business membership organisations (BMOs) to represent their interests to the GoPJ. The most influential are the Chambers of Commerce and Industry (CCIs) and trade groups representing tens of thousands of businesses in key sectors. For example, some 27 BMOs are members of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) in the province, with the Lahore Chamber alone having 18,000 member companies.

See Appendix 2 for brief profiles of the primary private sector groups.

- Chambers of Commerce & Industry (CCI)
- Chambers of Small Industries
- Sector & Trade Associations
- Womens Chambers
- Informal Sector
- Emerging Private Sector Advocates

4. Key Findings

The key conditions for launching a credible PPD programme are in place.

Consultations with stakeholders confirmed that PPD has political backing from the highest echelons of government and business leaders expect the GoPJ to follow through on their promises. Both sides are convinced that solid, sustainable growth cannot come without institutionalised, systemic dialogue to jointly devise the business environment and investment climate (BE) 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 (see Section 4 below for findings on the ICRU's suitability as institutional home for PPD). Supplementing the ICRU and PPD Council with Sector Working Groups (SWGs) is vital for involving hands-on managers in addressing concrete issues that affect Punjab's highest priority sectors. It also reflects global best practice.

Third, **the OFM is feasible and can be housed and managed by a properly capacitated ICRU**. BMOs across Punjab representing businesses large and small are eager for the OFM to come online and it is a vital tool for including the voices of marginalised groups, especially informal businesses, in designing BE reforms that deliver meaningful results.

Crucially, **substantial funding needed to operationalise the PPD programme in Punjab is already allocated**.¹¹ 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.

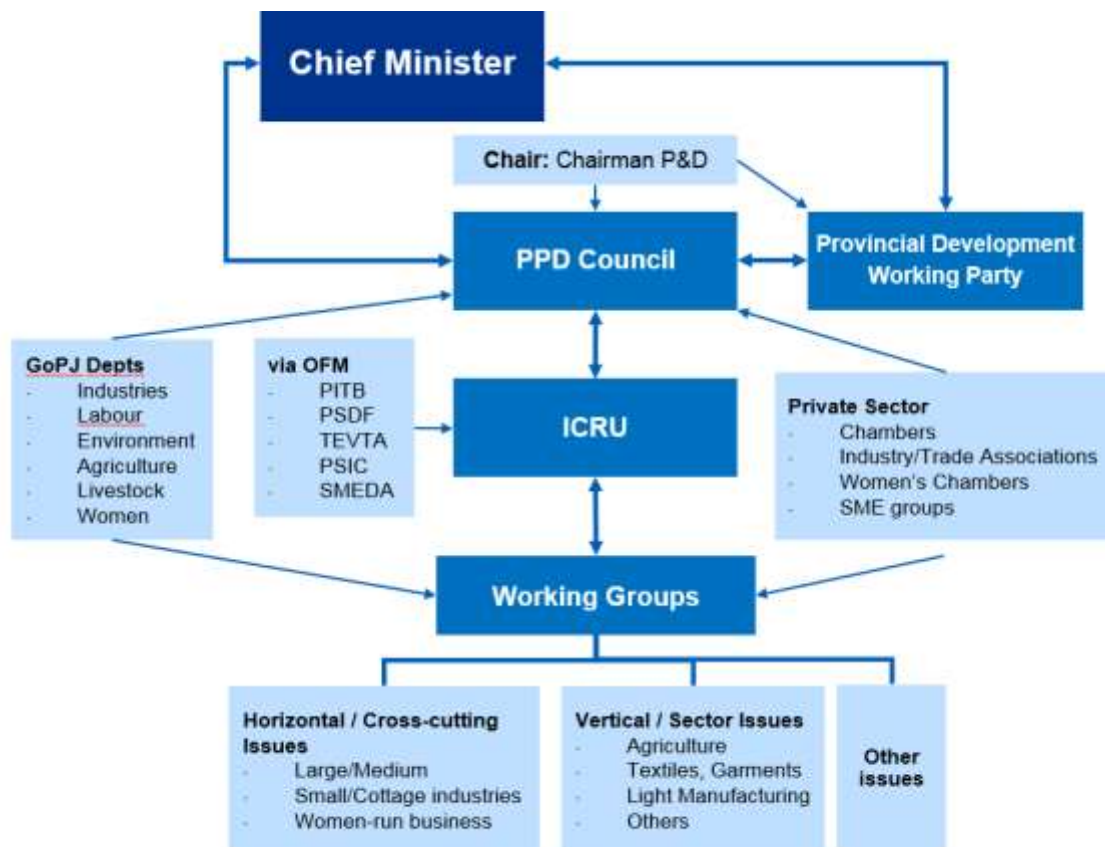
In short, the time is ripe for capitalising on the groundwork done to date to build a vibrant, sustainable platform for PPD in Punjab.

¹¹ As explained in the OFM Report, additional funds and TA will be needed to develop and operationalise the OFM.

5. Recommendations – PPD Structure, Players and Resources

We offer the following overall recommendations as to how the PPD process in Punjab should be structured, resourced and operated. We also outline where the OFM best fits into the proposed PPD framework.

Figure 4: Proposed PPD Structure and Relationships of Players¹²



¹² PDWP has only an indirect role in PPD. It is responsible for approving all development projects and for providing strategic and technical guidance on matters of development and economic management in the province. It is headed by the Chairman P&D and comprises technical members for PSD, Health, Education, IT, Productive Sectors, Infrastructure, PPPs, Coordination, Economic Management, M&E.

5.1 Recommendation 1: Keep PPD at the ICRU

The ICRU is the appropriate institutional home for PPD in Punjab and should remain there.¹³

ICRU's primary functions should be to serve as:

- Coordinating hub for development and implementation of BE reforms in Punjab;
- Secretariat to the PPD Council and Sector Working Groups.

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 it should remain there. Keeping its home at P&D also ideally positions the ICRU for reporting to the Chief Minister.

“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 planned conversion of the ICRU to an ICRA should wait until the ICRU is fully operational in order to build upon existing momentum, political backing, current funding and to allow the PPD process to start without further delay. (See Appendix 3 for detailed analysis of the ICRA.)

5.2 Recommendation 2: Establish Sector Working Groups Under the ICRU

Sector Working Groups (SMGs)¹⁴ should be established under the ICRU with balanced membership from the GoPJ, BMOs and representatives of marginalised players, such as businesswomen and SMEs. Their initial focus should be on the first three sectors prioritised in the *Punjab Growth Strategy 2018* – Industry & Trade, Infrastructure and Agriculture/Livestock. Tax issues will be a top area of discussion. PRA should be involved in all relevant SWGs.

5.3 Recommendation 3: Reconstituted PPD Council Should Remain Apex Body for PPD

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. It should be reconstituted to better balance public/private participation and voice. It should also be vested with a clear, documented mandate backed by the force of law. (See Appendix 4, Figure 6 for indicative membership).

The **Programme Steering Committee** (PSC) should have no direct role in PPD, instead remaining dedicated to *Jobs and Competitiveness Programme* issues. This may require amending the PC-1.

¹³ See Appendix 9 for list of ICRU's key responsibilities.

¹⁴ See Appendix 10 for list of SWG's primary responsibilities.

5.4 Recommendation 4: Integrate OFM into ICRU Operations

We support the OFM Report's recommendation that the OFM function should be housed at the ICRU, jointly developed and operated in close partnership with BMOs, starting from design through to deciding on scaling up the OFM and beyond.¹⁵ This ensures that it is integrated into the overall PPD architecture and processes, while capitalising on P&D's convening authority.

5.5 Recommendation 5: Re-allocate Some of the Budget Under PC-1

The five-year Budget allocation for PPD provided for in PC-1 is reasonable, but some reallocation and/or additional funding is advisable to optimise effectiveness and allow the ICRU to grow in response to results of BE reforms and subsequent demand for PPD.

5.6 Recommendation 6: Capitalise on Momentum, Operationalise PPD before the 2018 Election.

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 before the 2018 election. Ongoing championing by top leaders of the public and private sector is a critical success factor.

5.7 Recommendation 7: Build Capacity for GoPJ and BMOs to Participate Fully and Deliver BE Reforms

The GoPJ and BMOs have little experience with structured, systematic PPD. It is crucially important that the reforms agreed as part of the PPD process take careful account of the GoPJ's capacity to design and implement them. Capacity-building is needed for GoPJ and BMO players to fulfil their requirements in the PPD process. Donors should make technical assistance support available to do this where needed, e.g. in facilitating dialogue, evidence-based policymaking, member engagement, policy advocacy, strategic communication and engagement and reform tracking systems/M&E.

5.8 Recommendation 8: Bring Businesswomen and Other Marginalised Groups into the PPD Conversation

The structures and functions of the PPD system should prioritise, actively promote and facilitate the participation of marginalised groups. Businesswomen, SMEs and the informal sector are play a major role in many sectors of the Punjab economy and thus have a vital role in delivering on the Punjab Growth Strategy. Yet a variety of factors conspire to marginalise them when it comes to PPD and BE reforms.

- Women's chambers and SMEs should have a permanent seat on the PPD Council and the option to participate in all SWGs of their choice. At least one-third of all members of the PPD Council and SWGs should be women.

¹⁵ For more information, see the OFM report

- ICRU should help **bridge the geographic gap** to include groups outside Lahore via video conferencing and training on how to use the OFM.
- Giving **informal businesses** a voice in the formal debate – initially via the OFM – and delivering tangible reforms that improve their bottom line might encourage gradual moves toward formality.

6. Action Plan: Implementing the Recommendations

This section builds on the recommendations outlined in Section 4, providing further detail on the actions needed to implement each these recommendations. We recommend that all PPD is conducted through the ICRU and the PPD Council. Operationalising the ICRU, including SWGs, and the PPD Council are the highest priorities, i.e. recommendations 1-3 above.

A functional ICRU is needed before the SWGs or PPD Council can begin working. Until the PPD Council is operational, the SWGs cannot begin working, e.g. feeding proposed reforms to the Council for decision-making. Because the ICRU, SWGs, PPD Council and OFM exist only on paper, implementation requires P&D to initiate and carry out a number of actions simultaneously. Additional detail is provided in Appendices where noted.

6.1 Implementing Recommendation 1: Keep PPD at the ICRU

6.1.1 Secure the ICRU's PPD Mandate

The ICRU has been approved via the PC-1, but it is unclear whether that document is sufficient to secure its institutional sustainability and its authority across the GoPJ. Some modifications to the PC-1 or supplemental documentation may be needed to secure the ICRU's mandate. Success requires that ICRU and PPD Council decisions are binding on all parties and timelines for action are stipulated. Once the *administrative* mandate is in place, the ICRU's role must be communicated across the GoPJ and the business community to secure its *operational* mandate.¹⁶

Box 1: 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 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
- Ensure 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 Clarify ICRU's role, responsibilities¹⁷, structure and functions

The current ICRU role, functions and structure as detailed in PC-1 lack clarity and the nomenclature used for the key staff positions are not suitable for the broader mandate of the

¹⁶ 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.¹⁶ 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. The three main alternatives are analysed in Appendix 11.

¹⁷ See Appendix 10 for list of the ICRU's Key Responsibilities

ICRU, i.e. to bring about key regulatory reforms in Punjab that ease the business environment and enhance the investment climate.

6.1.3 Disband PPD Unit and remove any references to it

PC-1 refers to a “PPD Unit” subordinated to the Public-Private Partnership Unit (PPP Unit) at P&D. References to the PPD Unit should be redacted from PC-1. Alternatively, the PPD Unit could be structured as a department within an overall ICRU.¹⁸

6.1.4 Eliminate Special Advisor position

The incoming MD is a seasoned banker with broad business experience, eliminating the need for the Special Advisor position called for in the PC-1.

6.1.5 Staffing: start small and grow organically

There are two principal staffing approaches to launching PPD in Punjab. (See Appendix 5 for analysis of the advantages/disadvantages of the two staffing approaches.)

We recommend that the ICRU takes the second approach, i.e. it starts small and grows organically. That gives the MD the latitude she needs to build the team as she sees fit. This will also allow the ICRU to focus on PPD and key BER-IC reform issues and deliver some tangible quick wins rather than bogging down in recruiting or developing the OFM. As noted at Section 6.7 the OFM should be developed and integrated into PPD structures and operations once ICRU establishes traction and trust in PPD. A gradual, organic approach will build more credibility with the private sector which can stimulate broader and deeper participation in the PPD process.

6.1.6 Start PPD incrementally, focus on three key sectors

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 reforms to three key sectors, i.e. (1) Industry and Trade, (2) Infrastructure and (3) Agriculture/Livestock. These are lynchpins of the Punjab economy, providing jobs for local people 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.

6.1.7 Integrate, but do not subsume existing PPD

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 of the new, integrated PPD process from D&As early on. In doing so, it should not usurp functioning dialogue platforms that are in place across the GoPJ. It is equally important that existing dialogue platforms and D&A engagements with individual businesses or BMOs do not lead to reform decisions that are not consistent with the work of the ICRU and PPD Council.

¹⁸ Reference to the UK Regulatory Delivery Report may inform that decision.

6.1.8 Map ongoing PPD by D&As

It is important that the ICRU is the hub or *one-stop shop* for all BE reform issues, rather than maintaining the current practice of ad-hoc engagements by individual D&As. Mapping or compiling an inventory of all PPD taking place at the D&A level and integrating those initiatives into the PPD framework will be useful, e.g. by including participants in SWGs. Mapping can help ensure that:

1. D&As are credited for their PPD initiatives
2. ICRU builds on the progress to establish good relationships with key D&As
3. ICRU can better coordinate future BER-IC reforms across the GoPJ

6.1.9 Put in place work and reporting processes to ensure effective coordination

ICRU's "offer" when engaging D&As about PPD is to raise awareness of their initiatives, incorporate their knowledge and provide implementation support to D&As, many of which lack the capacity to craft and implement policy and regulatory reforms. Accountable work and reporting processes are needed to ensure effective coordination.

6.1.10 Establish working partnerships with other D&As, BMOs, Civil Society groups

The ICRU is reliant on D&As and BMOs for successful PPD. As a new player, the MD and key staff will need to initiate contact to establish working partnerships with D&As and BMOs as well as research institutes and the media. (See Appendix 6 for roles and approaches for key D&As, BMOs, etc. partners.)

6.1.11 Include an Emergency Response Mechanism (ERM) in ICRU processes

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.

ICRU processes should include an ERM 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 ERM. Among the criteria might be revenue and employment impact and whether the GoPJ is mandated to decide the issue without involving the PPD Council. The Council 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.

Box 2: Recommended ERM process

- 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.

6.2 Implementing Recommendation 2: Establish Sector Working Groups under the ICRU

SWGs are vital for leading on engagement, focusing on sector-specific issues and for 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.¹⁹ Each group should include consistent participation of women and SME members from relevant sector associations. SWG meetings should require a representative proportion of women as part of the quorum needed for decisions. SWGs 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.

¹⁹ “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.

Box 3: the Punjab Growth Strategy

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 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.
- **Improving agricultural and livestock productivity** – this sector still employs the largest number of people in Punjab and is the focus of increased attention at the moment. Its lagging performance is seen as the reason the government missed its growth target in the last fiscal year. The strategy recommends investment to increase crop yields, move to higher value added crops and improve livestock breeds.

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.²⁰ 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.”

6.2.1 Size and 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.²¹ 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 D&As 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.

²⁰ No sectoral working groups are included in the Concept Note for ICRA.

²¹ “Over inclusivity” can be cumbersome and lead members with weaker motivation to drop out, thus causing the group to lose momentum.

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.

Private sector members of all working groups should 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, SWGs 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.²²

In Punjab, each SWG could 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.

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.

6.2.2 Importance of including players outside Lahore ²³

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 should, where possible, be held via video conferencing.

6.2.3 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.

²² “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.

²³ See Appendix 2 for additional details on marginalised groups – business women, SMEs, informal sector.

6.3 Implementing Recommendation 3: Reconstituted PPD Council Should Remain the Apex Body for PPD

The primary role of the PPD Council is not to serve as a management board that instructs the ICRU on PPD and BE priorities, but rather to set policy and ensure implementation by taking decisions on whether to implement BER-IC reform proposals resulting from the sector working groups and ICRU.

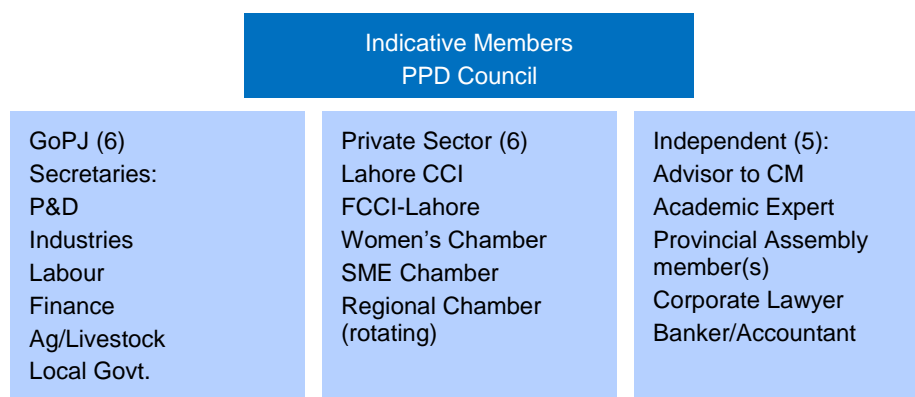
The actions below need not happen sequentially. Many can be implemented concurrently.

6.3.1 PPD Council Membership

Council membership should be reconstituted to better balance public-private participation and voice, thereby reflecting global good practice. This will require P&D to amend the PC-1.

The diagram below outlines the suggested PPD Council Membership. See Appendix 3 for detailed suggestions on PPD Council membership.

Figure 6: Suggested PPD Council Membership



6.3.2 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.²⁴ 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’

²⁴ 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.”

- Introduce new dynamics, thinking, idea.

6.3.3 Re-constitute the PPD Council after ICRU is operational

In the absence of a functional ICRU and SWG to feed reform proposals to the PPD Council for decisions, there is no reason for the PPD Council to meet. The PPD Council should be re-constituted and members/alternates appointed once the ICRU is operational and SWGs are in place. The PPD Council will need to be re-launched internally and externally once it is re-formed. A communications strategy to support this will also be necessary.

6.3.4 Secure the PPD Council mandate with force of law

PC-I is the only document prescribing the role of the PPD Council. 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 empower the Council not only to coordinate and convene, but to take decisions and direct implementation of BE reforms. The document formally instituting the Council should include rules of procedure, operation, governance, clarity of roles and relations among PPD players inside and outside government, reporting requirements as well as accountability.

6.3.5 Amend P&D Rules of Business: Administrative mechanism to empower the PPD Council

Mandating the PPD Council in law can take time. As a first step, we recommend P&D amend its *Rules of Business*. The head of the PPD Council, the Chairman P&D Board works under the *Rules of Business* (ROB) of P&D. Three ROBs offer the opportunity to establish the PPD Council under P&D, headed by the Chairman to have a more authoritative role in compelling sector departments to bring about agreed regulatory and policy changes. Modifying the ROB is a good first step to vesting the PPD Council with the authority it needs. It would need Cabinet approval, but does not legally constitute the PPD Council. If modifying ROB is not enough, P&D might move to adopt a law at a later stage.

The ROBs relevant to mandating the PPD Council are 1, 8 and 14. Whereas ROBs 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 provides P&D with significant authority and a forum for exercising it.

As a first step, ROB 8 should be amended to add the PPD Council as follows:

- **ROB 8.** Secretariat for the *PPD Council and Provincial Development Working Party* (PDWP) and clearing house for development schemes within the competence of CDWP and ECNEC.

That way, once the Council has taken final decisions on BE reforms, the Chairman P&D is authorised to instruct D&As to account for implementing them. This also empowers the

Chairman P&D to report on PPD progress Chief Minister as is done for the development portfolio and initiatives.

6.3.6 Clarify PSC role

It will be important for P&D to formally distinguish the PPD Council's role from that of the PSC. The PSC's role is limited to JCP issues only. It should have no PPD mandate. Clarification might be included in documents establishing the Council's statutory authority, but the PC-1 should probably be amended to clarify that issue as well.

6.3.7 PPD Council Meetings

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. Monthly meetings would be too frequent, but quarterly meetings would allow too much lag time and put the process at risk of losing momentum, credibility.

6.3.8 Ensure pipeline of reform proposals needed to justify PPD Council meetings

The ICRU-SWGs with high-level support from the Council where needed, should see to it that the pipeline of reform proposals flows consistently enough to justify bi-monthly Council meetings according to a fixed schedule. We suggest a modicum of managed flexibility tempered with firm and public accountability. For example, 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 should also require full reporting to PPD players and public stakeholders explaining the justification for the postponement.

6.3.9 Agendas and facilitators for results, M&E

Meetings should have agendas and designated facilitators: either senior Council 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.

6.4 Implementing Recommendation 4: Integrate OFM into ICRU Operations

Integrating the OFM into ICRU operations helps ensure its sustainability as the ICRU has been approved by the GoPJ and significant funding has been allocated for its operations. We support the OFM Report's recommendation that the ICRU manage the OFM function and that it is jointly developed and operated in close partnership with BMOs, starting from design through to deciding on scaling up the OFM and beyond.

ICRU management of the development process with oversight by the PPD Council ensures that the OFM is integrated into the overall PPD architecture and processes, while capitalising on P&D's convening authority.



6.4.1 Develop OFM once ICRU, SWGs and PPD Council are functioning well

However, developing the OFM is expected to take about six months. Work to develop and integrate the OFM into ICRU operations should wait until the ICRU, PPD Council and SWGs are functioning well. (See “Implementing Recommendation 6” below for analysis of the pros and cons to phased development of the OFM.)

6.4.2 Placement of OFM in ICRU operations

As a tool for PPD, OFM might seem to be most relevant to the PPD Directorship, according to the current ICRU staffing plan. However, because OFM is relevant to other departments as well, it should be jointly headed by the Directors for (1) Outreach & Communication and (2) Research and Analysis, reporting directly to the MD/CEO.

6.5 Implementing Recommendation 5: Re-allocate Some of the Budget under PC-1

The PC-1 for ICRU provides a detailed budget of 385 million PKR breaking down all main costs to conduct its various functions and operations over five years.²⁵ This budget accommodates market-competitive salaries for 13 staff positions, i.e. the MD, four Directors and eight Executives. We believe that fewer staff positions are needed to operationalise PPD initially than are budgeted for in the PC-1. (See Appendix 5 for analysis of staffing options.)

6.5.1 Re-allocation of salaries

Effective PPD calls for reallocation of at least two of the Executives’ salaries to employ PPD Coordinators. We recommend that one is placed under the Director Policy and another under the Director Communication and Outreach.²⁶ The additional or surplus positions budgeted for under PC-1 should remain unfilled, allowing the ICRU to grow organically as recommended above.

6.5.2 Spread funds for consultancy

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 should utilise existing research and evidence capacities of PERI, BMOs, think tanks/universities and development partners. Any additional research may have to be commissioned. Training/capacity-building will be needed for both the GoPJ and BMOs.

²⁵ See Appendix 7 for more information.

²⁶ “PPD Coordinator” titles could be modified to “Executive Coordinator” to facilitate reallocating the salaries under PC-1.

6.5.3 Increase amount for outreach, engagement and communication

The ICRU 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. Around 12-15 PKR 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 budget 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.

6.6 Implementing Recommendation 6: Capitalise on Momentum, Operationalise PPD before the 2018 Election

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 also kept PPD on the minds of key players. There is clear 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 anticipation of a functional PPD system, including the OFM has grown among BMOs and other private sector players.

6.6.1 Deliver quick wins

Operationalising the PPD system in Punjab and delivering quick wins, i.e. tangible results/reforms is vital to developing the mutual trust and traction needed for PPD's sustainability. As noted in the OFM Report, it is important that ICRU-SWGs select BE reform issues with broad GoPJ-private sector support that are modest in scope and which the GoPJ is mandated to decide.

6.6.2 Championing

Sound structures and processes are important, but active championing by key GoPJ and private sector leaders and professional managers to encourage dialogue and implementation of reforms is absolutely crucial.

6.6.3 Take advantage of the Chief Minister's commitment to PPD

The CM has championed dialogue with the private sector and reportedly stands behind establishing a solid PPD framework. 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, SWGs 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.

6.6.4 Analysis of the Two Phasing Options for Implementation of the PPD System & OFM

There are two options for timing the roll-out of the PPD system. They differ on when to develop and introduce the OFM. Option 1 would have P&D develop all PPD structures and the OFM for simultaneous roll-out. Option 2 would have P&D ensure that the ICRU, SWGs and PPD Council are functional/operational before it develops the OFM to complement 'live' feedback mechanisms.

We recommend Option 2, i.e. bringing the OFM on-line after the PPD systems are functioning.

- **Option 1:** Develop all PPD structures and the OFM for simultaneous roll-out
- **Option 2:** Ensure the ICRU, Sectoral Working Groups and PPD Council are functional/operational, then develop the OFM to complement 'live' feedback mechanisms.

Option 1

Developing and rolling out all PPD structures and the OFM simultaneously would satisfy the private sector's desire for early 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 is expected to take about six months to develop. During that time, work could get underway to operationalise the ICRU, Sectoral Working Groups and PPD Council. A fully-operational and outfitted PPD process could therefore be launched from the very outset.

Option 1 has three main advantages: (1) it delivers on private sector anticipation/expectations; (2) it ensures inclusive access from Day 1; (3) it facilitates inputs from all corners of the province. The downsides to simultaneous roll out of the PPD systems and OFM are that it would:

- Require larger investments of time and funding upfront
- Risk 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
- Increase private sector expectations of results which are unlikely to be unmet
- Risk delaying roll out due to time and effort needed to test/pilot the OFM before it can be launched and operational across the province.

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 should 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 months, but that may be ambitious. Before development of the OFM can start, the ICRU, or perhaps initially P&D, should 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.

Option 2 has three main advantages:

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

The disadvantages of this approach are that:

- Delaying OFM risks disappointing the private sector, diminishing trust (low risk);
- This would also mean that the PPD would rely initially on face-to-face engagement which is time-consuming, expensive, less inclusive and a greater risk for ‘elite capture.’

6.7 Implementing Recommendation 7: Build Capacity for GoPJ and BMOs to Participate Fully and Deliver BE Reforms

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.

6.7.1 Capacity of GoPJ to design, implement reforms

Only recently did the 18th Amendment vest provincial governments with the authority to make policy on a

“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



host of BER issues.²⁷ 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.²⁸

Consultation and dialogue *should* be followed by timely, tangible, well-crafted reforms that are understood by civil servants and implemented professionally across the province. Capacity in the most business-dense districts of Punjab should be built up as a priority.

A detailed assessment of GoPJ policy-making and regulatory capacity was beyond the scope of this assignment.²⁹

6.7.2 Capacity of BMOs to contribute to effective PPD

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.³⁰ Focus was a particular weakness evident in consultations with multiple BMOs in Lahore, Faisalabad and Multan. 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 should not see PPD as merely a platform for complaining, cataloguing BER issues and expecting the GoPJ to revert with a solution. The private sector should 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, GoPJ’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 must be made to gain the attention needed. Otherwise, smaller BMOs fail to convince government and no action is taken.

²⁷ See Appendix 8 for a list of the policy areas over which the GoPJ has authority to rule and those remaining with Islamabad.

²⁸ As an example of D&A capacity needs, 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.

²⁹ This may be covered in more detail in the UK Regulatory Delivery report.

³⁰The ICRU will have a research function, but it should only be *supplemental*, compiling, curating, synthesising and packaging the evidence prepared by BMOs, research institutes and feedback via the OFM to advocate for BER.

6.8 Implementing Recommendation 8: Bring Businesswomen and Other Marginalised Groups into the PPD Conversation

6.8.1 Embed participation of BMOs representing SMEs and women-owned businesses into PPD structures and processes

BMOs are the main vehicle for engaging women and SMEs. These groups should have a permanent seat on the PPD Council as well as the option to participate in SWGs of their choice.³¹ Non-Lahore based representatives should have the option to participate via video conference.

6.8.2 Support SME and womens' groups to identify, advocate for BE issues

In addition to technical assistance that may be funded by donors, ICRU analysts, researchers can provide hands-on help to SME/Womens' representatives to identify, analyse and prioritise BE issues and prepare the evidence needed to support their positions.

6.8.3 Hire a specialist

ICRU needs to have at least one analyst on staff who is specialised in SME and women's issues (as well as the informal sector). That person would be responsible for liaising with SWGs, BMOs and D&As on issues affecting marginalised groups.

6.8.4 Set up a women's access point, ombudsman

Experience shows that targeted initiatives may be needed to facilitate businesswomen's access and thereby strengthen their voice in PPD. If the above measures do not suffice, ICRU might set up a dedicated access point or ombudsman for women to register their concerns.³²

6.8.5 Support SME, womens' BMOs and informal sector players to design/utilise the OFM

The OFM is a primary tool for bringing all marginalised groups into the PPD conversation. They likely will need tailored support (as well as equipment) to fully utilise the OFM. (See Section 5.10 for additional details about BMO capacity building).

6.8.6 Help informal players access the OFM

Punjab's informal sector is vast. It is marginalised in PPD largely by choice as joining in PPD processes could expose their informality and erase their competitive advantage. The OFM should be designed to be readily accessible to informal players. An anonymous feature in the OFM opens a 'safer' channel to engage the informal sector on pressing issues of concern, such as access to credit. ICRU partnerships could help in establishing access points at offices serving SMEs and women as well as training in using the OFM. Special outreach and awareness-raising is needed to persuade informal players to access the OFM.

³¹ Some working groups/issues may not be relevant to SMEs so universal participation in working groups should not be mandatory.

³² WCCI has reportedly tried this with some success.

6.8.7 Bridge the geographic gap

ICRU should work with SMEDA and PSIC to gather information on marginalised businesses in distant areas and how to engage them. Video conferencing should be in place as a priority to enable ICRU to engage non-Lahore based players from the outset, before SWGs begin working. SWGs should include SMEDA, PSIC and women's BMOs in their deliberations to ensure marginalised SMEs have a voice in BE reforms. Deputy Commissioners can be key local champions for PPD, as well as ICRU 'focal points' for private sector feedback and communicating about BER-IC in their districts. This will help engage distant districts directly, especially those with weak BMO representation.

6.8.8 Team with SMEDA

In addition to engagement via the PPD Council and SWGs, ICRU can work with SMEDA to do the following:

- Use existing SMEDA data to identify and prioritise BE issues, thereby informing the work of SMGs. A qualified analyst is needed at ICRU to review and analyse SMEDA data.
- Act as Communications partner: use Business Development Centre (BDC) units to create awareness, sensitise chambers, SMEs about the PPD framework, players, scope and OFM; disseminate PPD results, progress reports. ICRU must supply BDCs with training, information materials, etc.
- BDCs may be given access to OFM to facilitate input from chambers, especially those that may lack capacity or resources, and help train chambers on OFM use. BDC staff will need to be trained by the ICRU.
- Provide guidance and practical support to get Punjab's voice/BE reforms onto the federal agenda. Other mechanisms (mentioned above) can further augment this. ICRU must prepare evidence basis & advocacy materials.

7. Next Steps

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

- UK Regulatory Delivery Report
 - Review the 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 this report’s findings and recommendations³³
- 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 UK Regulatory Delivery 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 reforms.
- Develop overall work plan, including recruitment schedule to fill ICRU vacancies

³³ 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.

- 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
 - Results of *Investment Climate Survey* – (Gallup)
 - BERF report (December 2016)
 - Other donor-funded studies.

Appendix 1 Other GoPJ Players in PPD: Present Roles, Relationships and Perspectives

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, including coordination with the Tehsil Municipal Authorities (TMAs). As with D&As, the role of DCs in PPD is not structured or coordinated with P&D. Local businesses often engage DCs directly as the executive officer for the GoPJ who is nearer to businesses outside Lahore.

Punjab Skills Development Fund (PSDF)

Funded by DFID with matching funds from the GoPJ, PSDF operates as a Section 42 company to support skills training in Punjab. They engage strongly with the private sector and enjoy a good reputation. However, the dialogue mechanism to inform policy is a weak link. To strengthen that, PSDF might be included in working groups formed to address relevant labour/skills competitiveness issues. The CEO of PSDF previously served as interim Managing Director of the ICRU.

Punjab Small Industries Corporation (PSIC)

Working under the Minister for Industries, PSIC's primary mandate is to develop and oversee the operation of small industrial zones/parks across the province with a focus on marginalised small and cottage industries. PSIC's current role in PPD is informal. Representatives work in the districts and field staff engage regularly with businesses operating from industrial zones, but input from businesses on BE issues is not fed consistently to policymakers and regulators.

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, especially FDI, in the province.

PBIT'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 and has some convening authority – an important complement to any PPD platform. However, it lacks the decision-making authority that is crucial to BER-IC. 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.

Punjab Information Technology Board (PITB)

PITB is an autonomous body established in 1999 that has come under P&D's jurisdiction since 2011. It has no direct role in PPD at present, but is well resourced with a high profile in the GoPJ. PITB 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 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.

Punjab Revenue Authority (PRA)

Tax is among the most pressing issues for businesses in Punjab. Following decentralisation, 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 PRA role engaging the private sector in dialogue on provincial tax policies and some businesses report being taxed by both the federal and the provincial government.

Punjab Economic Research Institute (PERI)³⁴

PERI is the policy and research arm of P&D. It conducts research on socio-economic issues as requested/instructed, compiles data, publishes research results and advises government on various economic policies. As such, it might support the PPD process with the evidence basis for decision-making.

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.

Provincial Assembly (PA)³⁵

In addition to forming the provincial government, the Assembly is responsible for law-making, overseeing the GoPJ and financial accountability. That makes lawmakers key potential BE reform players in several ways. Firstly, some BE reforms may require amending legislation. PA members can also be strong advocates for BE reforms given that a majority of them are business people themselves and 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 constituencies or invitations to give testimony to committees. Some PA members such as Minister Finance, Minister Planning and Minister Industries may have more opportunity to engage with the private sector.

³⁴ <http://peri.punjab.gov.pk>

³⁵ <http://www.pap.gov.pk/index.php/home/en>



Appendix 2 Private Sector and CSO Players in PPD – Present Roles and Perspectives

Chambers of Commerce & Industry (CCI)

There are 18 Chambers of Commerce in Punjab, with the FCCI-Lahore including dozens of individual chambers.³⁶ In addition, there are many trade associations and sector-specific groups that represent the unique interests of their members. Some of these groups are also members of CCIs. We refer to CCIs, trade associations and sector groups collectively as business membership organisations (BMOs). Together, they cover the full depth and variety of businesses in the province. CCIs in commercial centres of Lahore, Rawalpindi, Sialkot, Faisalabad and Multan are the most influential.

Governance

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 BER-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 P&D 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.

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

Chambers of Small Industries

According to SMEDA, 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.³⁷ The first, functional SME chamber was set up in Faisalabad.³⁸ It has become relatively gender balanced, including women as office bearers.³⁹ Because the issues faced by SMEs differ in many cases from those of larger firms, SME voices need to have appropriate weight in the PPD system. Currently, they do not.

Highest priority issues for small firms are access, availability and cost of power, access to credit, corruption/governance issues, provincial and federal tax. Larger firms on the other hand

³⁶ www.fcci.com.pk/rte/File/national-chambers.pdf

³⁷ Some larger BMOs have/had SME committees.

³⁸ Assessing how representative these chambers are was outside the scope of this assignment.

³⁹ During our consultations, we were informed that 3 out of 7 positions are currently held by women.

are concerned about availability of electricity not its cost, tax policy and corruption, but accessing credit is not a major constraint for large businesses.

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 situation at any given moment. Sector associations on the other hand are key to providing insights to BE issues that are 'sector-specific' or 'vertical'. Most of the most pressing BER-IC reform issues are horizontal.

Most of the nearly 100 sector/trade associations in Pakistan have their head office or regional offices in Lahore.⁴⁰ Some belong to larger sectors such as textiles, garments, auto, cement and 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 reforms.

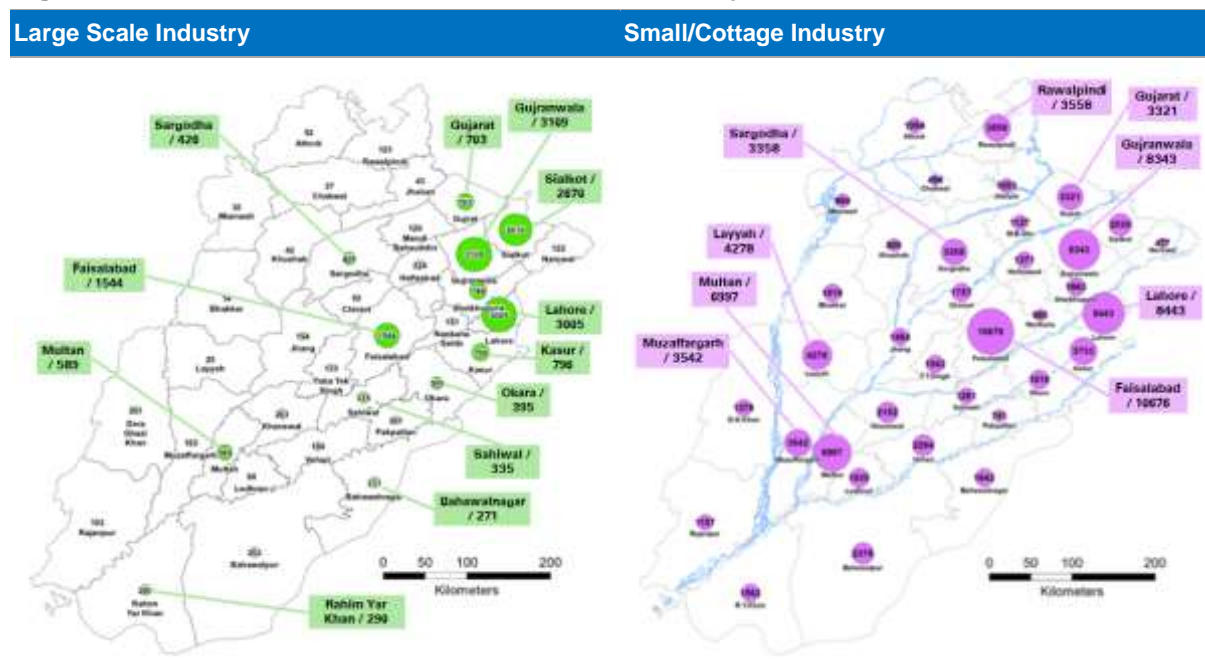
Moreover, not all associations have the same capacity to present evidence to support their cases to the public-sector. Associations, especially those that represent SME sectors such as agriculture, dairy, fans, cutlery and other small light engineering sectors lack the evidence-generating or communication/presentation skills to advocate effectively. Because of this, they often rely on CCIs to represent their interests in PPD. The largest CCIs have greater research, member engagement and policy advocacy/PPD capacity. (See Section 5.7 for details on BMO capacity to contribute to effective PPD)

Geographic disparities contribute to marginalisation of some groups

With an area of over 200,000 sq km, Punjab province is large, similar in area to the UK. Groups and individuals that have access to decision-makers in Lahore are unfairly advantaged in PPD compared to those outside Lahore. The province's 36 districts are commonly categorised as Northern, Central and Southern Punjab. Key decision-makers sit in Lahore, over 700km from the Southern District capital of Rahim Yar Khan, for example. BMOs and businesses based in the closer Central and Northern regions can more easily reach decision makers in Lahore. Figure 4 below shows industrial concentration of large, medium and small industries across the province.

⁴⁰ www.fcci.com.pk/rte/File/national-chambers.pdf

Figure 7: Distribution of Industrial Units across Punjab



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

Women in business⁴¹

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.⁴²

Despite their numbers, businesswomen have been marginalised in Punjab for a long time. They are only now beginning to be offered a seat at the PPD table in Punjab.

The GoPJ has worked on balancing gender ratios across social and economic life and in 2012 introduced a *Women's Empowerment Package* with mandatory quotas in many areas. Some women and/or womens' groups are represented in BMO leadership, but their influence on decision-making is reportedly not always commensurate with their formal roles. On a societal level, there is evidence of improvement in education and health, but women lack meaningful empowerment and independence in deciding economic issues (see Table 1 below). Women still feel disadvantaged in getting their voices heard. For example, the Women's South Chamber informed the BERF team that male members tend to undermine suggestions or issues raised by women members and that dealing with inspectors and fighting court cases on land issues or contract enforcement are more difficult for women entrepreneurs. Benchmarking done by the Punjab Commission for Status of Women demonstrates that

⁴¹ An in-depth look at women in business in Punjab was outside the scope of this assignment

⁴² Interview with SMEDA

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.⁴³

Table 1: 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.

⁴³ Information on where women are engaged in the private sector of Punjab is difficult to find, with significant gaps in information. The Punjab Commission on the Status of Women is currently carrying out research in this area http://pcsw.punjab.gov.pk/research_publications

Women’s Chambers⁴⁴

Two women’s business 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. The *Women’s Empowerment Package* made 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, actual influence remains questionable. That the head of the ICRU is a woman sends a strong signal of the importance of women’s participation in PPD.

Box 4: 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.

Informal sector

Informal, small and cottage businesses in Punjab represent as much as 90% of the formal economy in some sectors.⁴⁵ 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. Consultations with private sector groups indicate that 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 who were consulted for this Report⁴⁶ said that they have never participated in policy discussions with the GoPJ. Unlike the formal sector, they do not see this as a major constraint. Typical BER issues such as registrations, licensing, tax and labour requirements are not relevant to businesses operating in the shadow economy. For that reason, informal players see no place for themselves in PPD. Indeed, they may have a disincentive to expose their informality by joining the dialogue.

Nonetheless, they share some of the same concerns about impediments to doing business such as consistent supply of water and electricity, roads and other public infrastructure. Even

⁴⁴ We refer in this section to Women’s Chambers in general and not the WCCI specifically.

⁴⁵ 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.

⁴⁶ Manufacturers of small leather goods, grain/food, livestock feed and small weavers along with SME chamber representatives.



if keen to engage, informal businesses lack collective representation and the capacity to contribute meaningfully to BER in Punjab.

The interest of informal businesses/SMEs in PPD might be piqued and they might eventually be nudged into the formal sector by engaging them 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 formal and informal businesses alike might be traded off against gradual moves toward formality. At minimum, the OFM offers them an *opportunity* to voice their concerns in the formal debate.

Emerging private sector advocates

Recently, initiatives like *Corporate Punjab*,⁴⁷ *Corporates 100* and the *Pakistan Business Council*⁴⁸ 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.

Civil Society players

Think Tanks & Research Centres (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 GoPJ, 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 (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 helping prepare the evidence basis for sound BE reforms.

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.

⁴⁷ *Corporate Punjab* is an online forum that has gathered CEOs of large corporations in the Punjab. It is a fairly new venture (less than 1 year old) and is gradually picking up interest.

⁴⁸ 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.

Appendix 3 Conversion of ICRU to an ICRA

GoPJ plans reportedly call for transforming the ICRU into an Investment Climate Reform Authority (ICRA). In Pakistan, authorities are generally set up to act as independent entities, outside the formal structures of government.

Conversion of the ICRU into an ICRA is expected to take place within six months.⁴⁹ Operationalising the ICRU can be realistically accomplished in approximately six months, but establishing an independent authority would likely take more time. Two key reasons for that are (1) establishing ICRA would reportedly require an act by the Provincial Assembly; (2) new funding for the Authority would have to be found or the JCP funds allocated for ICRU would have to be re-allocated to the ICRA Both are time-consuming propositions that are uncertain to succeed.

The WBG recently developed a Concept Note⁵⁰ on establishing the ICRA that envisages it as a “permanent fixture within the structure of the GoPJ”⁵¹ at which time the PPD Council would also be merged into the ICRA, replaced by a Board of Directors.⁵²

ICRA’s 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.⁵³
- Establish (and manage) mechanisms for Public-Private Engagement to obtain feedback from the private sector and update policies on a regular basis.
- 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.

⁴⁹ Presentation to the Chief Minister by acting MD of the ICRU

⁵⁰ Concept Note

⁵¹ That status would seem to contradict its status as “independent”

⁵² Presentation to the Chief Minister, acting MD of the ICRU

⁵³ It is unclear how ICRA, as an independent authority outside the GoPJ would do that given the prevailing practice of private sector approaching each relevant MDA individually for resolution of BER issues under its purview.

The World Bank Concept 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”.⁵⁴ (See Section 5.1 for recommendations on the ICRU; Section 5.3 for the composition of the PPD Council.)

Challenges

As with the PPD Council membership, the proposed composition of ICRA’s apex body, the Board of Directors, as presented to the Chief Minister,⁵⁵ calls for a disproportionate number of GoPJ representatives (19-20) vis-à-vis the private sector (6). Consultations with chambers and trade associations made clear that the Board’s membership needs to be balanced more evenly to earn the trust and participation of private sector players. Additionally, the proposed ICRA Board composition includes no SME or informal sector representatives and explicitly calls for only one member, from the Provincial Assembly rather than business, 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. The Vice Chair is to be “a leading and respected business person” nominated by the Chief Minister. That could open the Board to potential politicisation and capture.

“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.

Figure 6 depicts the planned organisational structure of ICRA. Notably, it includes many more departments and staff positions than the current ICRU organogram (See Figure 3, Section 3.1). This is perhaps due to an expanded scope of work beyond PPD though that was not clear from the mission.⁵⁶

PPD under ICRA

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, one for Outreach/Comms and one for PPD. They are in turn supported by three specialists and an unspecified number of Coordinators with undefined roles. We suggest that each coordinator could support 1-2 of

⁵⁴ Concept Note p3.

⁵⁵ Proposed to Chair the ICRA Board.

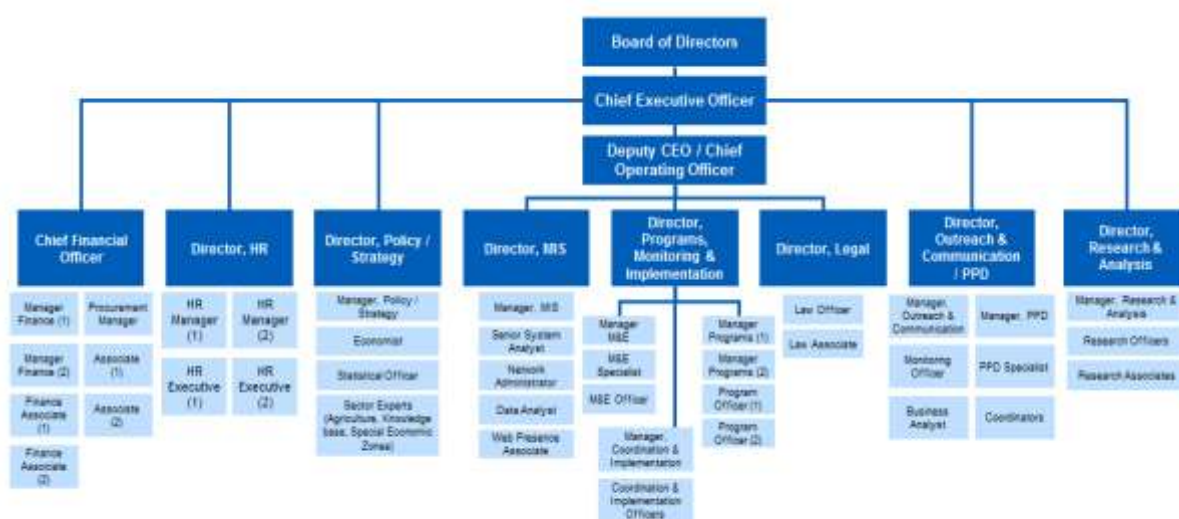
⁵⁶ As noted above, a team from the UK Department for Business, Energy and Industrial Strategy Regulatory Delivery will be advising the GoPJ on the overall ICRU-ICRA scope, structure and staffing and operations. The BERF mandate focuses on ICRU only as a hub for PPD.



the Sector Working Groups (SWGs) that we recommend here. They might similarly serve as focal points for key sector representatives.

Operation and maintenance of the OFM technology 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. (Section 5 below suggests the OFM should be managed by the ICRU).

Figure 8: Planned ICRA Structure⁵⁷

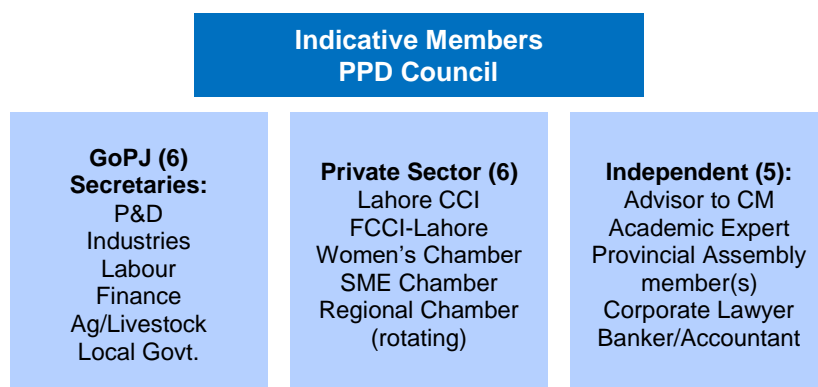


⁵⁷ Presentation to the Chief Minister, by the former acting MD of the ICRU.

Appendix 4 Suggestions for PPD Council Membership

Council membership should be reconstituted to better balance public-private participation and voice, thereby reflecting global good practice. The PPD Council will need to be re-launched internally and externally once it is re-formed.

Figure 9: Suggested PPD Council Membership



GoPJ members

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 a role as ‘Patron’ as well as a very prominent role in (re-)launching the PPD process and at key milestone events in its development.

Chief Secretary’s role should not rotate

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.

Private Sector Members

It is advisable to include members and 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 (see below).

Regional representation

Punjab includes three primary regions, Northern, Central and Southern. One seat should be designated for a representative from one of the three primary regions and filled on a rotational basis.



Member nomination, selection Options

Option 1: BMOs from the region nominate their member

- a) Consensus selection could be difficult, politicised;
- b) Disputes may arise over how to draw the lines/borders of each region;
- c) Use the on-line feedback mechanism (OFM) to open up/democratise and manage the nomination process.

Option 2: GoPJ designates the regional members

- a) Advantage: easier to ‘manage’ the process;
- b) Disadvantage: easy to politicise and exclude viable players.

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.

Box 5: 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 reform decisions.

Box 6: Case Studies: Gender inclusion in PPD

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)



Provincial Assembly Members

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

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.

Appendix 5 ICRU Staffing Approaches and Job Descriptions

Approach 1: Start big, ready to take on future demands

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.

Approach 2: Start small and grow organically

Start 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.

The pros and cons of each are presented below.

Approach 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

Approach 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

Approach 2 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’. 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. This would require careful design and selection of staff positions.

Key staff positions under Approach 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 should be in place from the very start. (See the full OFM Report for detailed recommendations.)

Whether PPD is led by ICRA 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.

Appendix 6 Partnering with D&As, BMOs, Research Institutes and Media

PPD cannot succeed without the active participation and working partnership of multiple D&As, BMOs, research institutes and the media. Below are some examples of key partners and how they can contribute to the success of PPD in Punjab.

The institutions below as well as other PPD players are profiled in Appendix 1 & 2.

Partnering with D&As

Punjab Small Industries Corporation (PSIC)

Going forward, PSIC can provide ICRU a useful node for engaging small/cottage and subsistence businesses, helping to identify and advocate for issues affecting small rural enterprises, especially those in the deprived southern areas. The OFM might also be made accessible at PSIC offices for SMEs and informal businesses to access.

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 reforms. PSIC also conducts the census of small and cottage industries. ICRU might include key questions in the next census or ask PSIC to do a representative survey that highlights priority issues of the most disadvantaged groups.

PBIT

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.

Punjab IT Board (PITB)

The ICRU and PITB are both under P&D. PITB are continually developing new initiatives, some of which could offer useful linkages with PPD. ICRU should liaise closely 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.

Punjab Revenue Authority (PRA)

PRA's work will be a top area of discussion around BER-IC regulatory reforms. ICRU should 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.

SMEDA – Small & Medium Enterprise Development Agency

SMEDA is to be included in the PPD process via participation in SWGs and a seat on the PPD Council. (See Implementing Recommendation 8 for additional details on building SMEDA's participation into PPD structures and processes)

Partnering with BMOs

Chambers of Commerce & Industry (CCIs)

Chambers play seminal roles at all levels of the PPD process, i.e. on all SWGs as well as the PPD Council (see detailed recommendations at Section 5.3), developing and using the OFM, promoting PPD and communicating the results. ICRU and PPD champions shall pro-actively establish good working relationships with CCIs and curate them continually to ensure that chambers participate in PPD as committed partners. Influential chambers in Lahore, Rawalpindi, Faisalabad and Sialkot already enjoy access to a host of policy makers. By systematising these engagements, P&D leadership, ICRU and D&As will make PPD more inclusive, accountable and effective.

Sector and trade associations

Key sector groups, e.g. textiles, garments, footwear, auto parts and small manufacturing should be integrated into the PPD process (See Section 5.2 for details on SWG membership, governance and 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 considerable time. At minimum, sector/trade associations should be included in all relevant SWGs. Because some key groups are located outside Lahore, ICRU should arrange video conferencing and training on using the OFM.

Emerging industry groups

ICRU should liaise regularly and track their work, but not formally integrate them into the PPD processes 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.

Partnering with CSOs

Think tanks and Research institutes

The ICRU needs think tanks and research institutes to plug GoPJ and BMO capacity gaps and provide independent expertise to support PPD. ICRU should 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 Appendix 4 above that independent experts from such organisations have seats on the PPD Council.

Media

Work with the media presents challenges throughout the world. Media are important partners for public accountability and trust, but over-reliance 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. From the outset, it is of paramount importance that ICRU communications are neutral, fact-based, concise/business-like, timely and do not exaggerate the core messages. Initially, ICRU should work closely with the P&D press office and larger BMOs to tap into their networks of contacts in the media whilst developing their own relationships.

Appendix 7 Budget for ICRU included in PC-1

Items	Expenditures					Total (5 Years)
	2016-17	2017-18	2018-19	2019-20	2020-21	
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/Motorcycle	2,075,000	0	0	0	0	2,075,000
POL (Vehicle/Motorcycle)	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/Transportation	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 8 Investment and Industrial Policymaking – Federal vs Provincial

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

Business Issues	Responsible Entity	Authority
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 9 ICRU: Recommended Key Responsibilities

- Lead office for PPD
- Acting as PPD convenor, facilitator of PPD in Punjab
 - 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 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

Appendix 10 Recommended Primary Responsibilities for SWGs⁵⁸

- Lead engagement and dialogue with the private sector on BE reform issues in Punjab
 - With ICRU support, develop 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”⁵⁹ on which the group/GoPJ should focus.
 - 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.⁶⁰
- Engage stakeholders to support ICRU work monitoring reform implementation
- Support implementation

⁵⁸ SWGs 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 SWG. Technical Teams can also be useful when reform issues touch on the mandate of multiple sector groups.

⁵⁹ 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.

⁶⁰ 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.

Appendix 11 Analysis of Options for Securing the ICRU, PPD Council Mandates

Legal authority

Some players in Punjab argue that the ICRU, PPD Council and the policy/regulatory consultation should be legally mandated in order for the process and the institutions to survive political changes. Legal mandate may also be necessary 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.⁶¹ 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.

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&D 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.

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

Below we present common approaches to establishing the PPD mandate.

Options for establishing the PPD mandate and building momentum⁶²

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,	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.

⁶¹ *Ibid*

⁶² PPD Handbook, 2006 World Bank Group

Mandate Option	Description	Strengths	Weaknesses
	formal invitation from prime minister.		
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.

Appendix 12 List of Persons Met

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 UI 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. Zeeshan⁶³	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

⁶³ Telecon



Name	Affiliation
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
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

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