Using PPD to build Competitive Industries

How dialogue drives investment and employment at the sector level

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PPD takes place at different levels of the economy

- Economy wide
- Sub National
  - Sector / Industry
  - Sector / Industry
  - Sector / Industry
  - Sector / Industry

Focus of this session
Successful industrial development has often been accompanied by strong dialogue which led to collaborative actions.
Countries and sectors studied

- Ethiopia Cut Flowers
- Peru Asparagus
- Chile Salmon
- South Africa Wine
- Morocco Auto Parts
- Andhra Pradesh ICT
- Uganda Fishing
- Kenya Cut Flowers
- Kenya Tea
- Sri Lanka Tea
- Nigeria Computers
- China Footwear
- China Textile
- China HH Appliance
- S. Africa HH Appliance
- Costa Rica Ecotourism
- Tanzania Ecotourism
- Malaysia Electronics
Case Study: China: Household Appliances

Annual Output of Refrigerators

- **Mid 80s:**
  - Government facilitates restructuring of producers into larger groups
  - Import restriction decision based on dialogue
  - Setting national standards with private sector input

- **Since 1998:**
  - Pooling of patents
  - Incentives for internationalization
  - Focus on domestic capital and FDI
  - Sector stimulus programs

- **2001-2015:**
  - Township Electrification Program designed with private sector inputs greatly helps sector growth

Source: Stanford University research for World Bank
First statement

Industry-level collaborative actions have focused on five factors
## Five Factors

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**Financial & Private Sector Development**
## Foundations of Competitiveness

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- **COMPETITIVENESS**
  - Quality
  - Price
  - Timeliness
Second statement

Industry level dialogue has resulted in three categories of actions
## Three Categories of Actions

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
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<tr>
<td><strong>Public</strong></td>
<td>e.g. Industry-specific policy and regulatory reforms, specialized tax regime, incentives regime, industrial land programs, institutional streamlining and coordination, etc.</td>
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<tr>
<td><strong>Public-Private</strong></td>
<td>e.g. PPPs, SEZ and clusters, joint investment, investment promotion, skills partnership with academia, last mile utility provision, innovation partnerships, etc.</td>
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<tr>
<td><strong>Private</strong></td>
<td>e.g. Joint procurement platforms, joint standard setting, private sector certification, joint investment and trade promotion projects, joint training, venture capital, etc.</td>
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Combining factors and actions leads us to …
## Industry-level Collaborative Action Matrix

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## Illustration: China Household Appliances (HA)

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<td><strong>Public</strong></td>
<td><strong>Prior to 1992:</strong> Government – (1) imposed strict regulations on foreign ownership in HA (2) controlled import licenses for HA machinery and electronic products (3) imposed high tariff protection for HA (4) offered tax holidays to HA firms</td>
<td><strong>Early 1980s:</strong> Local governments invested heavily in HA localized and specialized infrastructure given its official status as a “pillar industry”</td>
<td><strong>2003:</strong> The policy of “promoting the reform of state-owned enterprises and strategic cooperation with foreign and private capital” including for HA was adopted</td>
<td><strong>Early 1980s:</strong> Local governments invested massively in skills development for HA given its official status as a “pillar industry”. Government aided military enterprises were encouraged to shift to producing civilian durables</td>
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<td><strong>Public-Private</strong></td>
<td><strong>Early 1980s:</strong> Government and firms collaborated to import assembly lines for HA and build refrigerators factories (2) offered tax holidays to HA enterprises</td>
<td><strong>1985:</strong> Ministry of Light Industry worked with leading firms to adopt the “fixed production base system” under which production permits were granted only to approved HA factories</td>
<td><strong>2009:</strong> HA firms engaged with Government to obtain energy-saving subsidies</td>
<td><strong>Mid 1990s:</strong> Strong HA enterprises collaborated closely with Government while internationalizing</td>
</tr>
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<td><strong>Private</strong></td>
<td><strong>1999:</strong> Declaration of HA as an export-oriented industry dramatically increased private sector collaborations for investment and export in HA</td>
<td><strong>1980s and 1990s:</strong> Private sector worked together to develop common domestic infrastructure to support large-scale overseas expansions in HA sectors</td>
<td><strong>1990s:</strong> Leading HA firms raised funds from private sector for large-scale overseas expansions</td>
<td><strong>1980s:</strong> Sector capacity was built through several domestic and international joint-venture enterprises</td>
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How does one get to a good Industry-level Collaborative Action Matrix?
From case studies, a common process is seen

Four-Step Implementation Framework

- Identify Sector Opportunities
- Sector Analysis
- Competitiveness Partnership Setup and Action Plans
- Implementation and Support Program
1- It starts with strong analytics

Four-Step Implementation Framework

- Identify Sector Opportunities
- Sector Analysis
- Competitiveness Partnership Setup and Action Plans
- Implementation and Support Program
Business segment analysis

Industry analysis

Step 1

1. Country Review
   - 4. Productivity Diagnostic
   - 5. Industry Concentration Measures
   - 6. Employment Indicators
   - 7. Environmental Sustainability Weighting
   - 8. Social Benefit Weighting
   - 9. Critical Success Factors

Step 2

2. Trade Competitiveness Analysis
3. Investment Trend Analysis
   - 10. Industry Productivity Benchmarking
   - 11. Competitive Position Analysis

Narrowing to 2 business segments

b. Narrowing to sectors
   - Are the critical competitiveness conditions met?

c. Narrowing to sub-sectors
   - On what basis are these products competing?

a. List of potential industries
   - Does the sector have above-average growth potential?

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Financial & Private Sector Development
Step 2

1. **Major constraints diagnostic**
   - 1. Legal, Regulatory and Tax environment
   - 2. Access to Finance, Financial Intermediation/Remediation
   - 3. Skills Development/Labor constraints/unions
   - 4. Technology, R&D and Innovation
   - 5. Physical Infrastructure
   - 6. External factors

2. **Global market analysis**
   - 1. Input & production market (supply side)
   - 2. Distribution
   - 3. Purchaser’s behavior (Buyer’s market)

3. **Value chain mapping**
   - 1. Identification of productivity gaps

4. **Dialogue and coordination diagnostic**
   - 1. Stakeholder mapping & analysis
   - 2. Governance, transparency, concentration patterns
   - 3. Sector specific:
     - (a) Public capacity and institutions
     - (b) Public-private consultation mechanism
     - (c) Private-private collaboration mechanisms

5. **Investment Patterns**
   - 1. FDI
   - 2. Domestic
   - 3. Venture, M&A
   - 4. PPP

6. **Assessment of upgrading potential**
   - 1. ‘Product space’ or ‘adjacent possible’

**Business segment analysis**

Financial & Private Sector Development
2- It articulates around a sector PPD – “Competitiveness Partnership Initiative” (CPI)

Four-Step Implementation Framework

- Identify Sector Opportunities
- Sector Analysis
- Competitiveness Partnership Setup and Action Plans
- Implementation and Support Program

- Competitiveness partnerships
- Sector level task force
- Joint working groups
What is different between a sector competitiveness partnership and a nation-wide PPD?

Example: Malaysia PEMUDAH

*PPD platform to alleviate regulatory barriers to business in and across key sectors*
Anchors can be multiple and moving

The evolution of an organizational structure for the salmon industry …

Source: Michiko Iizuka, SPRE, University of Sussex, 2004
Anchors can be multiple and moving

... leading to a competitive exporting sector structure:

Source: Michiko Iizuka, SPRE, University of Sussex, 2004
Several PPD structuring options to support CPI actions are possible.

Structured Working Groups → Tourism CPI


Ad-hoc Action Groups → Finance

AG

AG

AG

AG

AG

Existing Mechanism

- WG Group 1
- WG Group 2
- Tourism WG

Tourism CPI

Secretariat ➔

Structured Working Groups ➔

Beach ➔ AG

Convention ➔ AG

Safari ➔ AG

Ad-hoc Action Groups ➔

Linking to national PPD

Financial & Private Sector Development

Example: Malaysia PEMUDAH

- Special Task Force to Facilitate Business (PEMUDAH)
- Working Group on Policy Issues (WGPI)
- Task Forces directly under PEMUDAH

- Working Group on Efficiency Issues (WGEI)
- Focus Group on Registering Property
- Focus Group on Paying Taxes
- Focus Group on Employing Workers
- Focus Group on Trading Across Borders
- Focus Group on Enforcing Contracts
- Focus Group on Closing a Business
- Focus Group on Construction Permits
- Task Force on Hotel Sub-Sector
- Focus Group on Public Relations
- Task Force on Abandoned Housing Projects
- Task Force on Foreign Workers
- Focus Group on Business Process Re-Engineering in Business Licensing
- Focus Group on Government Procurement
- Task Force on Immigration Matters
- Task Force on MM2H
- Task Force on Implementation of e-Payment Facilities
- Task Force on Taxi Services in Malaysia
- Task Force on DBKL
- Task Force on MyCoID
- Focus Group on Halal Matters
- Focus Group on Private Sector Efficiency and Accountability Towards Consumerism
- Focus Group on Services Liberalisation

Focus Group (MAMPU):
- Dealing with Licenses
- Improving Perception
ECOLOGY OF FIRMS

Market Creators
Key Firms
Exporting Good and Services Outside the Region

Intermediators
Firms supplying inputs, raw materials, components, parts, & specialized services

SMEs

Example: Malaysia PEMUDAH

Example: Malaysia PEMUDAH

1000 movers and shakers from 200+ MNCs & SMEs & Government Ministries
### Anchorage – Structure – Participation – Issues – Impact Targets

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### Issues Matrix
*(during Step 3)*

### Actions Matrix
*(by end of Step 3)*
- Timeframe
- Cost benefit analysis
- Feasibility
- Accountability
- Transparency
Example: Malaysia PEMUDAH

**Gross National Income (GNI)**
- Target US$ 15,000 per capita
- USD 523 billion GNI
- 6% GDP growth per annum

**Transformational Actions**
- 12 NKEAS
- 131 EPPs
- 60 BOs
- Transformational approach
- Private sector led
- 6 SRI (competitiveness)

**Investment**
- USD 444 billion investment
- 92% private investment
- 8% public investment
- 73% DDI
- 27 FDI

**People / Jobs**
- 31.6 million population
- 3.3 million additional jobs

**Ultimate Target:** To reach Vision 2020 – Developed Country Status

Legend:  
NKEA → National Key Economic Area ; EPP → Entry Point Project ; BO → Business Opportunity ;  
SRI → Key Result Areas; DDI → Domestic Direct Investment ; FDI → Foreign Direct Investment
3- It is focused on implementation

**Four-Step Implementation Framework**

- Identify Sector Opportunities
- Sector Analysis
- Competitiveness Partnership Setup and Action Plans
- Implementation and Support Program

Leveraging advisory, lending and financial resources for a given sector:
- Industrial policy reforms
- Specialized infrastructure
- Access to specialized finance
- Skills partnerships
- Technology R&D and innovation
Malaysia’s Economic Transformation Plan: From Step 1 to Step 4 in 5 months

Step 1: Agree Strategic Focus Areas
- 1 day laboratory (LAB)
- LABS X12
- Open Days

Step 2: Establish in detail what needs to be done
- Economic Transformation Program Roadmap

Step 3: Seek feedback from the public
- Monthly & Annual Communication

Step 4: Tell the public the plan
- Keep the public informed of progress

5 months
Malaysia: Achieving impact through quick wins

On Efficiency

- 3 days to start a business from 11 days previously
- 1 day to register a property from 41 days previously
- Establishment of New Commercial Courts to expedite disposal of cases
- Introduced the Malaysia Corporate Identity Number (MyCoID) at 5 Government Agencies
- Established a One-Stop-Centre (OSC) at local authorities in Peninsular Malaysia to expedite approval of construction permits
- Increased the number of e-Payment facilities to 279 Services with 117 Agencies
- Reduced time taken for approval of Halal certification from 60 days to 30 days
- Developed Business Licensing Electronic Support System (BLESS) which is in the 2nd phase roll-out that includes renewal
- Reduced time taken for post Employment Pass Application Approval

On Policy

- Contributed to the outcome of the review of the Foreign Investment Committee (FIC) Guidelines
- Reduced the number of Abandoned Housing Projects from 148 to 136
- Removed age limit for expatriates especially for those qualified and has valuable working experience
- Issuance of ID Card to participants of Malaysia My Second Home (MM2H) Programme
- Automatic Approval for expatriates with salaries of more than RM8,000
- Introduced continuous monitoring and enforcement by Road Transport Department (JPJ) which has reduced touting activities in KLIA
- Expatriates are allowed to apply for Permanent Residence (PR) status after living in Malaysia for 5 years
- Spouse of a Malaysian citizen can work or be involved in any form of business in Malaysia under Long Term Social Visit Pass (LTSP)
Malaysia: Most recent results

72 new projects launched
RM106.41 billion investment committed
298,865 new jobs created
Implementation Objective: Help create domestic industries that can compete abroad and generate demand at home to foster investment and employment.

How we can get there: Competitiveness Partnerships

Public / Public-Private / Private actions with technical and objective interventions

Creating and developing new opportunities

Inclusive growth by engaging SMEs

Government support

Objectives

Market Creators

Intermediators and SMEs

Foundation Factors

Regulations
Access to Finance
Skills
Infrastructure
Technology

Four-Step Implementation Framework

1. Identify Sector Opportunities
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Building competitive industries on a foundation of PPD
ROSE FARMING IN ETHIOPIA
AN INDIAN BPO
ASPARAGUS FARMING IN PERU
Thank You

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