



Using PPD to build Competitive Industries

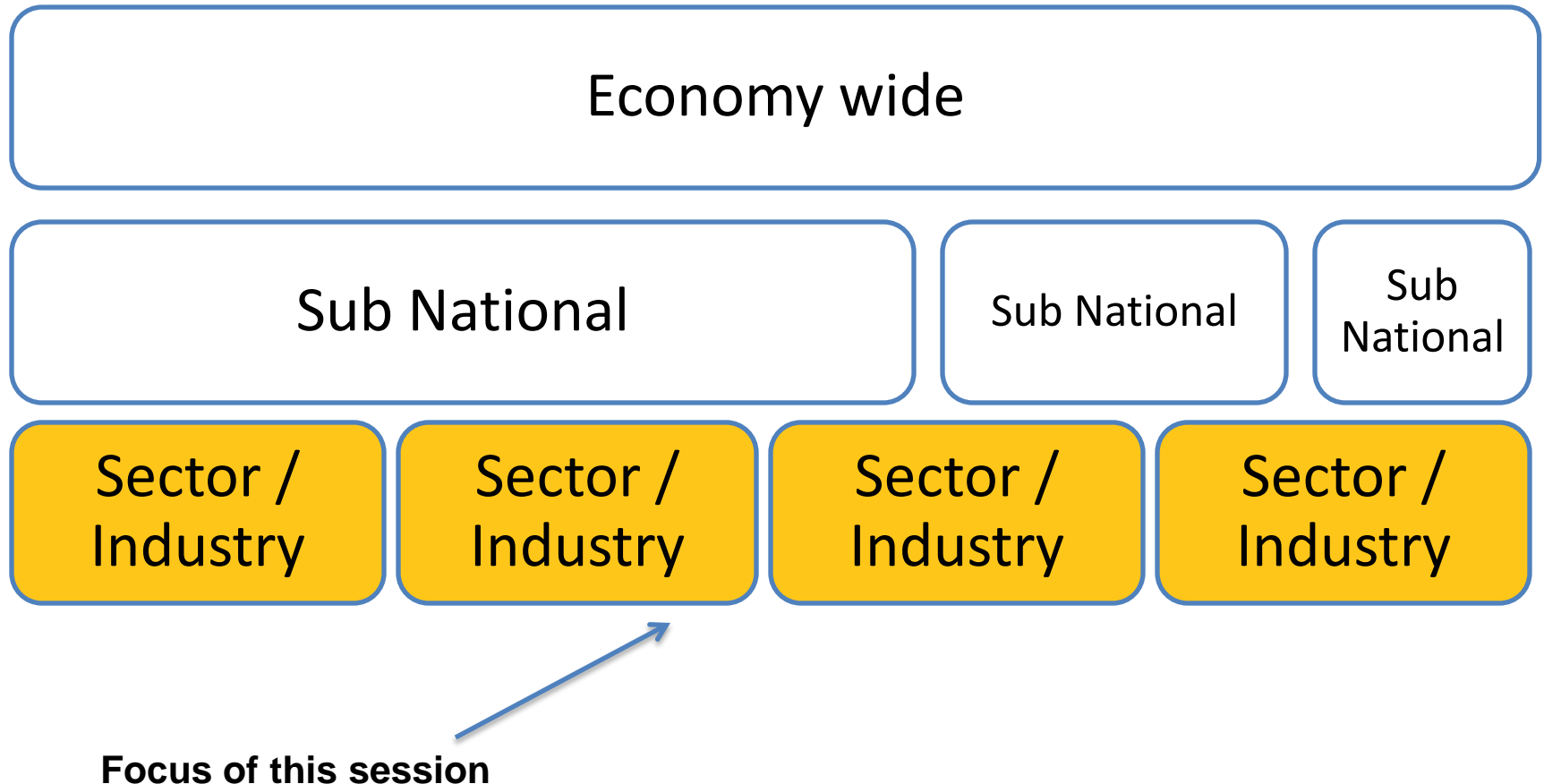
How dialogue drives investment and employment
at the sector level

Suhail Kassim

6th PPD Global Workshop
Vienna, Austria
June 14, 2011



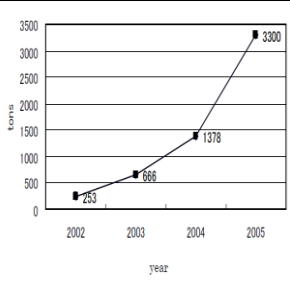
PPD takes place at different levels of the economy



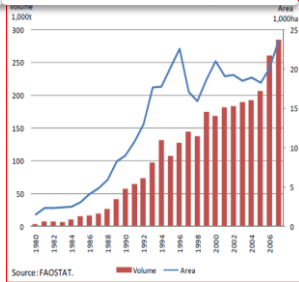
Successful industrial development has often been accompanied by strong dialogue which led to collaborative actions

Countries and sectors studied

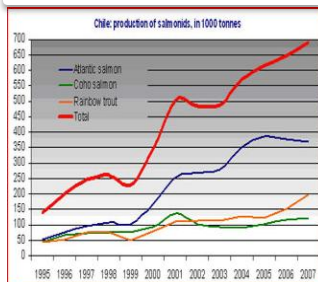
Ethiopia Cut Flowers



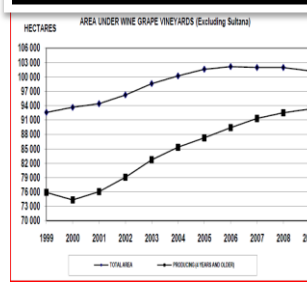
Peru Asparagus



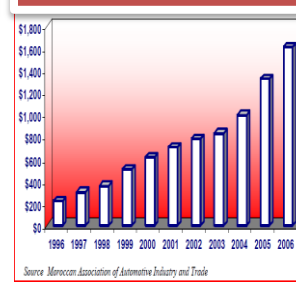
Chile Salmon



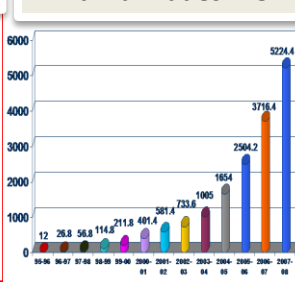
South Africa Wine



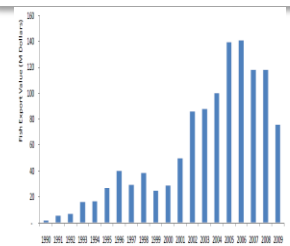
Morocco Auto Parts



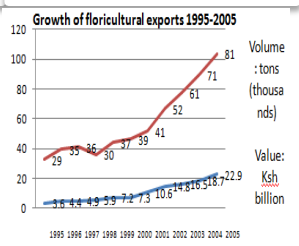
Andhra Pradesh ICT



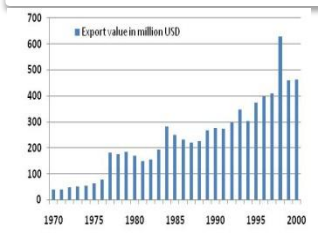
Uganda Fishing



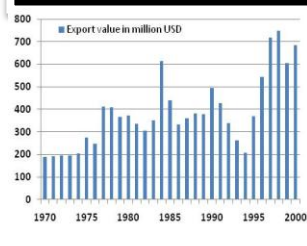
Kenya Cut Flowers



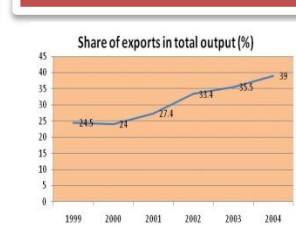
Kenya Tea



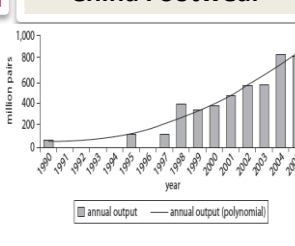
Sri Lanka Tea



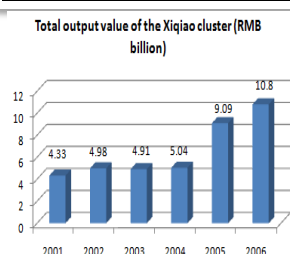
Nigeria Computers



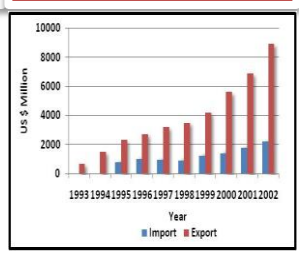
China Footwear



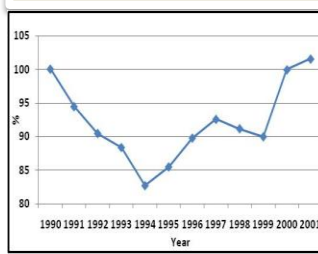
China Textile



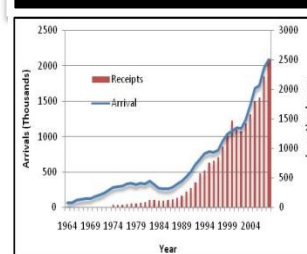
China HH Appliance



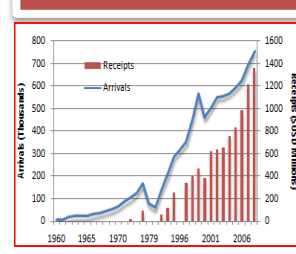
S. Africa HH Appliance



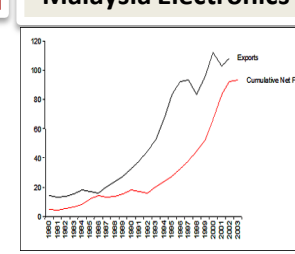
Costa Rica Ecotourism



Tanzania Ecotourism

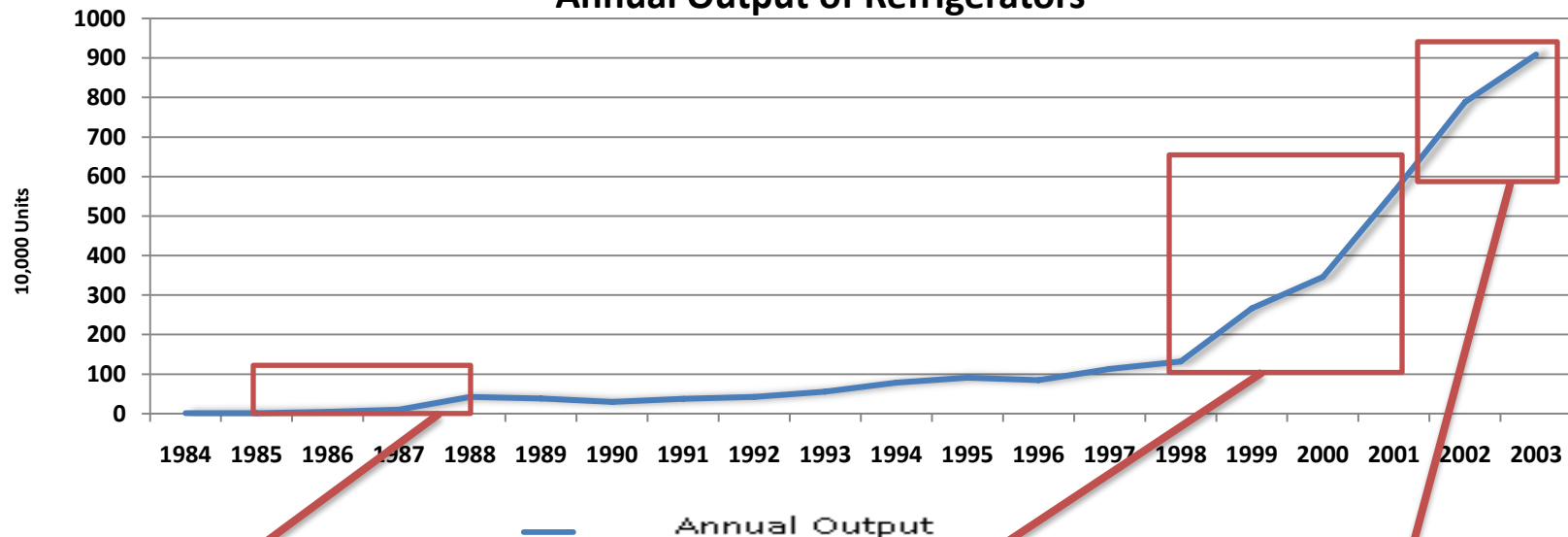


Malaysia Electronics



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

1	2	3	4	5	6
Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to new technologies and R&D	External factors

Foundations of Competitiveness

1	2	3	4	5
Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to new technologies and R&D



COMPETITIVENESS

- Quality
- Price
- Timeliness

Second statement

Industry level dialogue has resulted in three categories of actions

Three Categories of Actions

1	Public	e.g. Industry-specific policy and regulatory reforms, specialized tax regime, incentives regime, industrial land programs, institutional streamlining and coordination, etc.
2	Public-Private	e.g. PPPs, SEZ and clusters, joint investment, investment promotion, skills partnership with academia, last mile utility provision, innovation partnerships, etc.
3	Private	e.g. Joint procurement platforms, joint standard setting, private sector certification, joint investment and trade promotion projects, joint training, venture capital, etc.

Combining factors and actions leads us to ...

Industry-level Collaborative Action Matrix

		1	2	3	4	5
		Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to technologies and R&D
1	Public					
2	Public-Private					
3	Private					

Illustration: China Household Appliances (HA)

		1	2	3	4	5
		Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to technologies and R&D
1	Public	<p>Prior to 1992: Government –</p> <ul style="list-style-type: none"> (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 	<p>Early 1980s: Local governments invested heavily in HA localized and specialized infrastructure given its official status as a “pillar industry”</p>	<p>2003: The policy of “promoting the reform of state-owned enterprises and strategic cooperation with foreign and private capital” including for HA was adopted</p> <p>2008-2009: Economic stimulus plan for HA</p>	<p>Early 1980s: 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</p>	<p>Mid 1990s: Government set quality benchmarks and standards for HA</p>
2	Public-Private	<p>Early 1980s: Government and firms collaborated to import assembly lines for HA and build refrigerators factories</p> <p>(2) offered tax holidays to HA enterprises</p>	<p>1985: 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</p>	<p>2009: HA firms engaged with Government to obtain energy-saving subsidies</p>	<p>Mid 1990s: Strong HA enterprises collaborated closely with Government while internationalizing</p>	<p>1999: Domestic HA firms worked with Government to reduce royalty payments on IPR</p>
3	Private	<p>1999: Declaration of HA as an export-oriented industry dramatically increased private sector collaborations for investment and export in HA</p>	<p>1980s and 1990s: Private sector worked together to develop common domestic infrastructure to support large-scale overseas expansions in HA sectors</p>	<p>1990s: Leading HA firms raised funds from private sector for large-scale overseas expansions</p>	<p>1980s: Sector capacity was built through several domestic and international joint-venture enterprises</p>	<p>1990s: Numerous international strategic and R&D alliances in the private sector built HA tech capabilities</p>

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

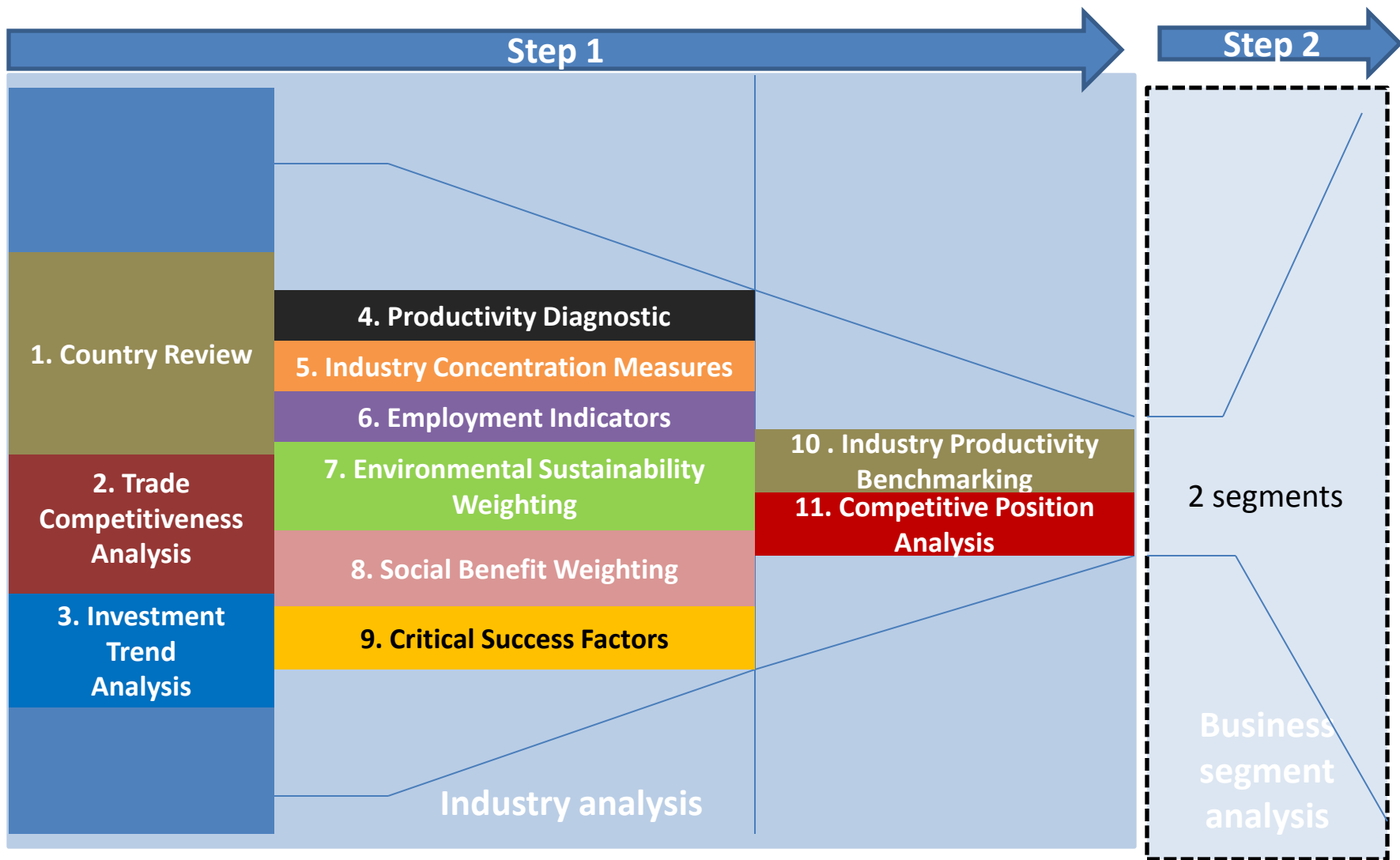
Four-Step Implementation Framework

Identify Sector Opportunities

Sector Analysis

Competitiveness
Partnership Setup
and Action Plans

Implementation and
Support Program



a. List of potential industries

Does the sector have above-average growth potential?

b. Narrowing to sectors

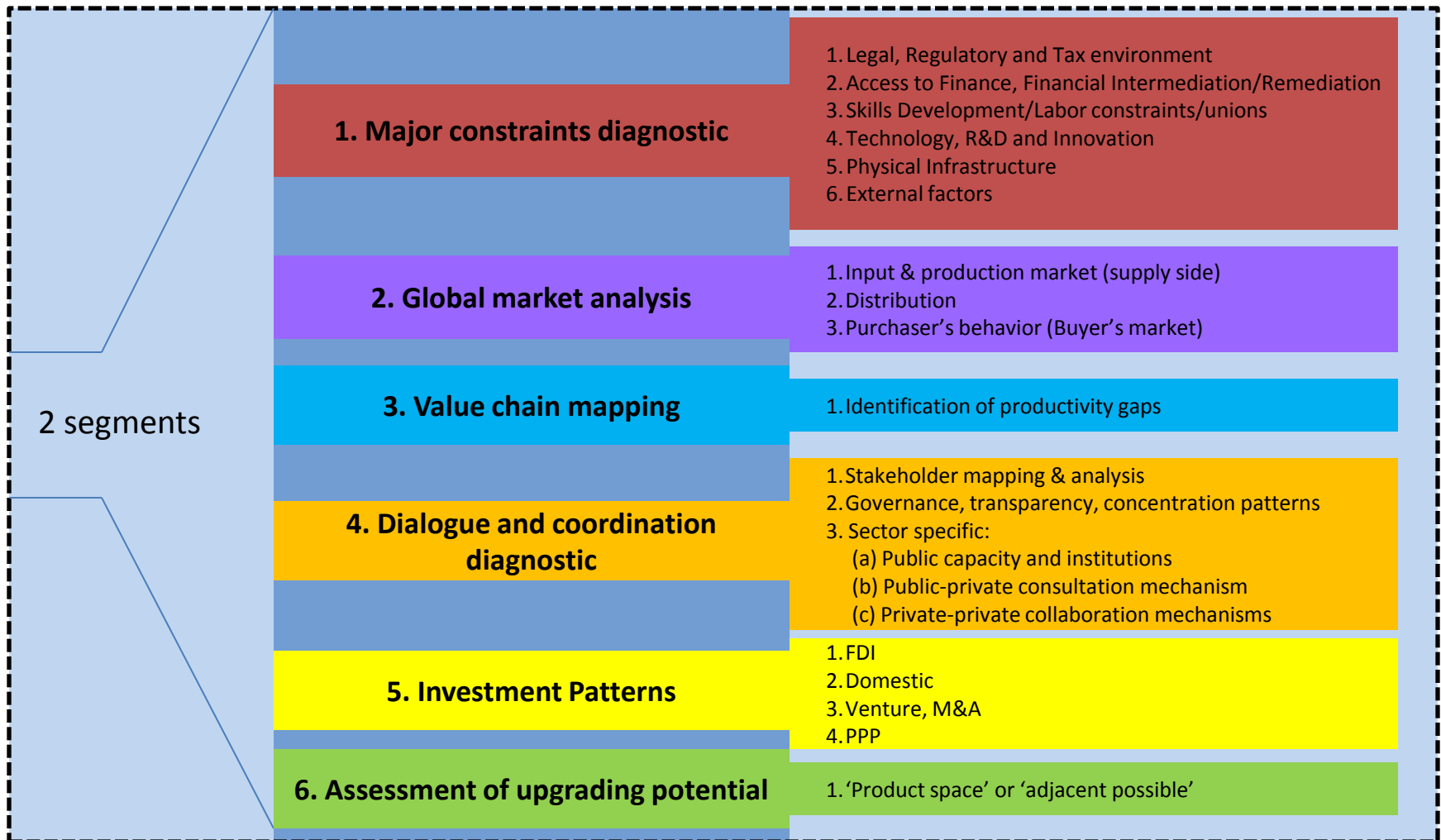
Are the critical competitiveness conditions met?

c. Narrowing to sub-sectors

On what basis are these products competing?

Narrowing to 2 business segments

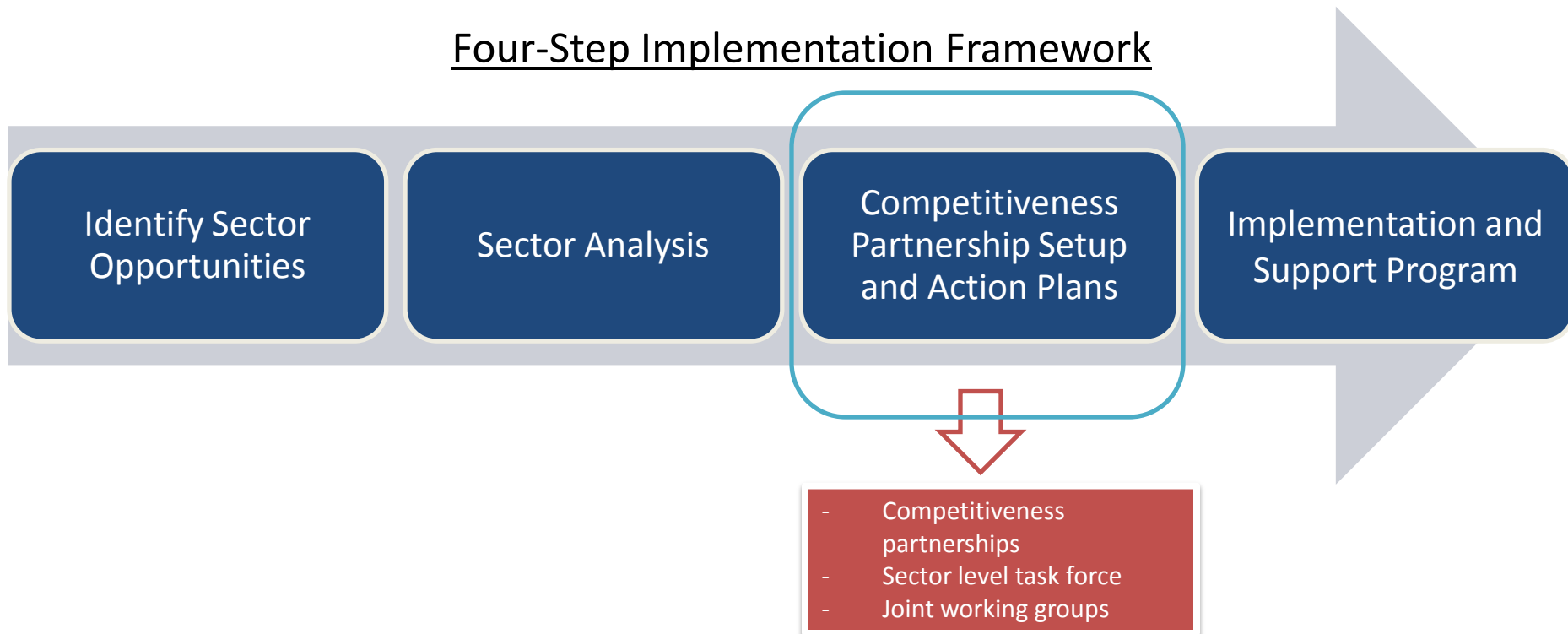
Step 2



Business segment analysis

2- It articulates around a sector PPD – “Competitiveness Partnership Initiative” (CPI)

Four-Step Implementation Framework



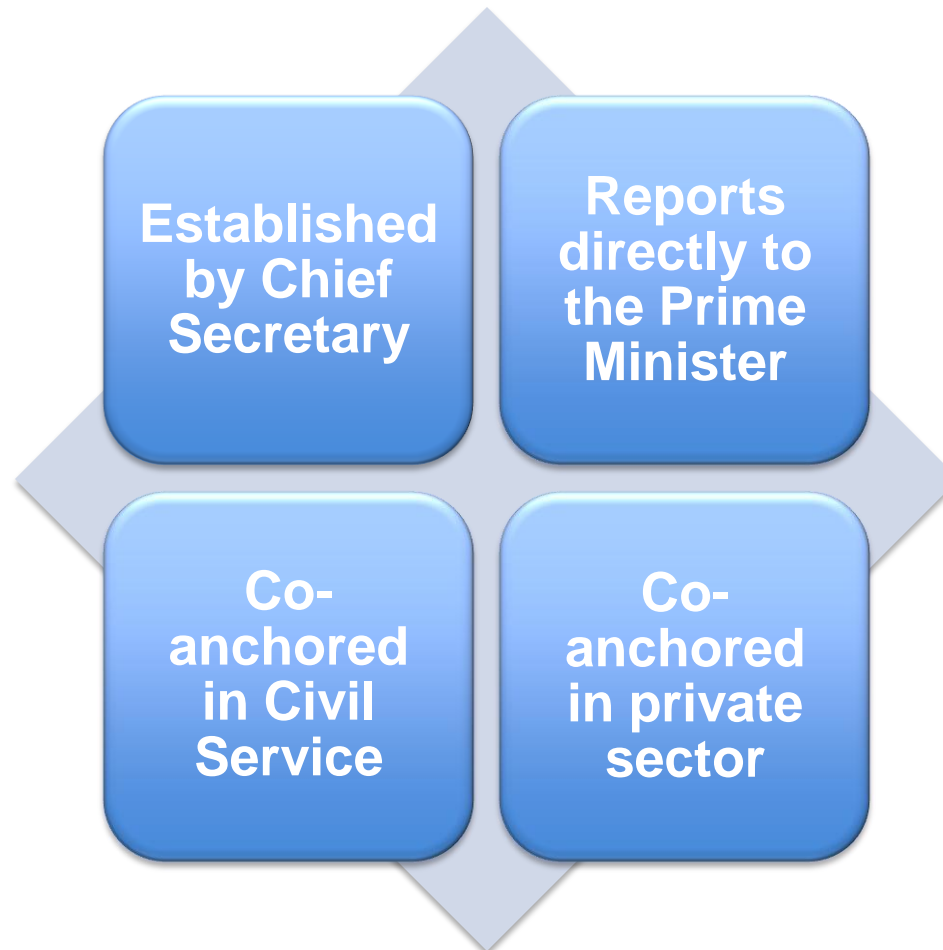
What is different between a sector competitiveness partnership and a nation-wide PPD?

Anchorage – Structure – Participation – Issues – Impact Targets

Anchorage – Structure – Participation – Issues – Impact Targets

Example: Malaysia PEMUDAH

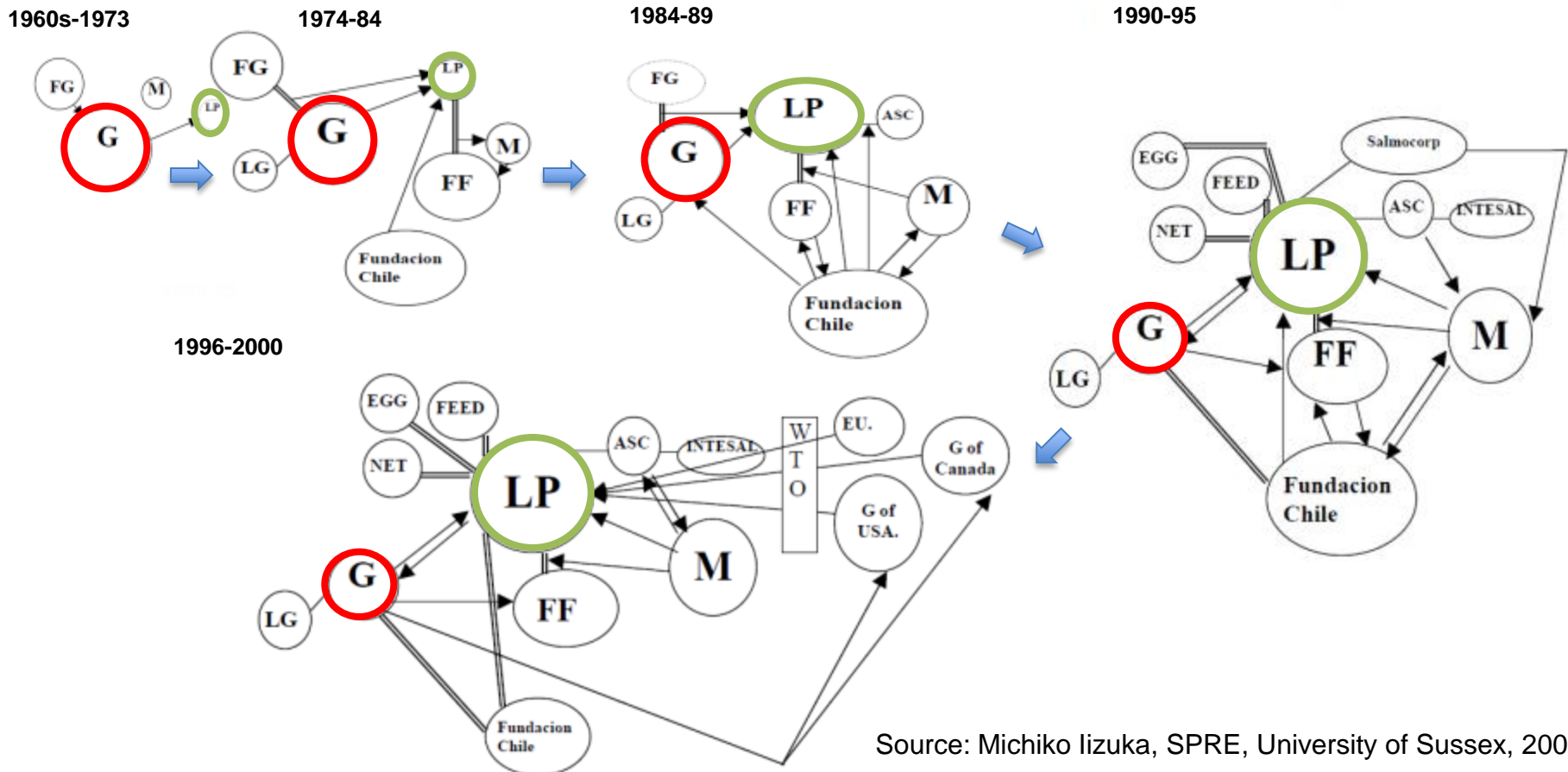
A PPD platform to alleviate regulatory barriers to business in and across key sectors



Anchorage – Structure – Participation – Issues – Impact Targets

Anchors can be multiple and moving

The evolution of an organizational structure for the salmon industry ...



Source: Michiko Iizuka, SPRE, University of Sussex, 2004

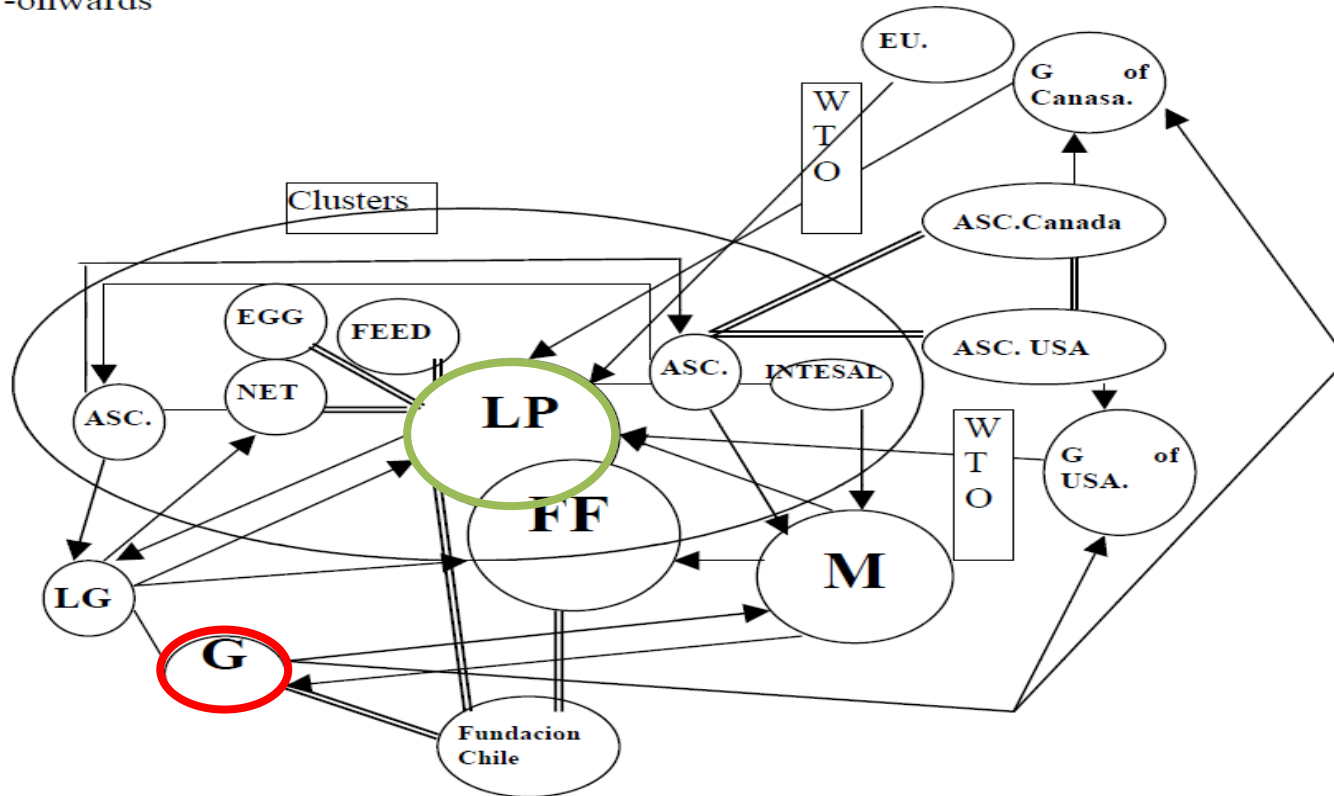
Note: LP: Local Producers, FF: Foreign Firms, FG: cooperation from Foreign Government, M: Market, G: government, LG: Local Government, ASC: Industrial Association.,
 Direction of influence are expressed in the following arrows:
Strong → Weak → Mutual collaboration

Anchorage – Structure – Participation – Issues – Impact Targets

Anchors can be multiple and moving

... leading to a competitive exporting sector structure:

2001-onwards

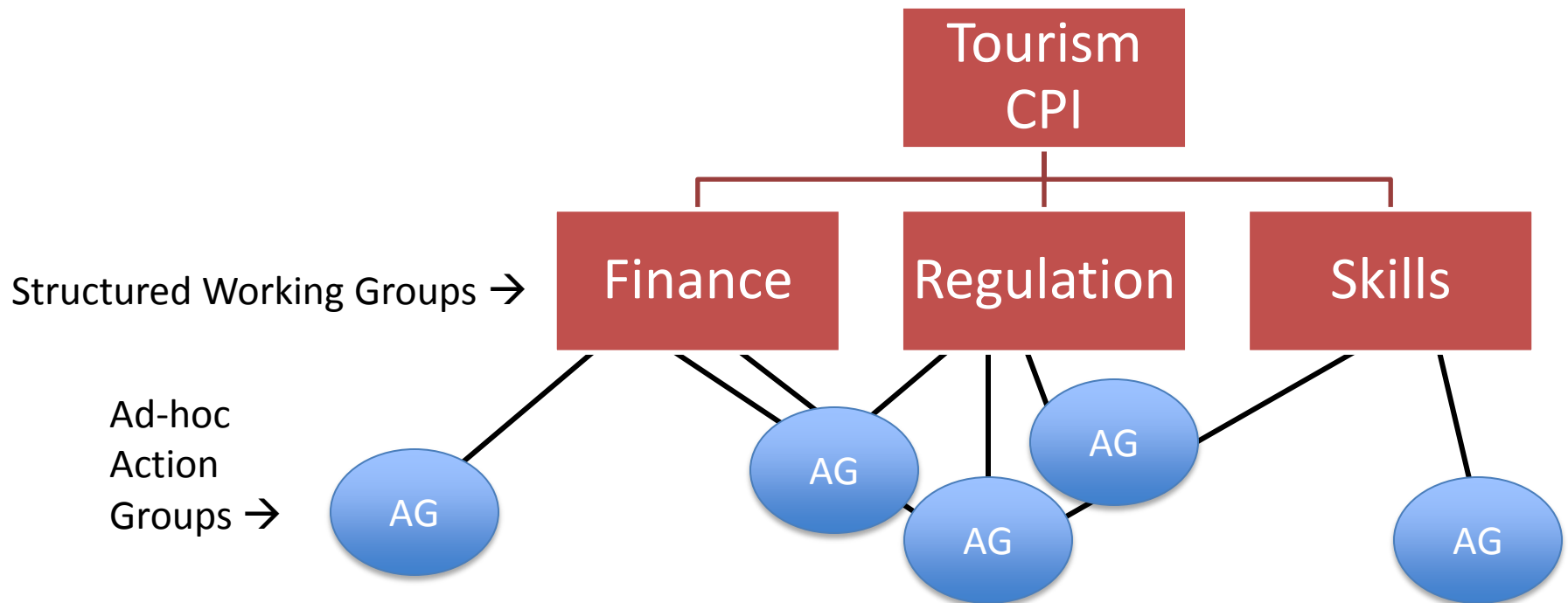


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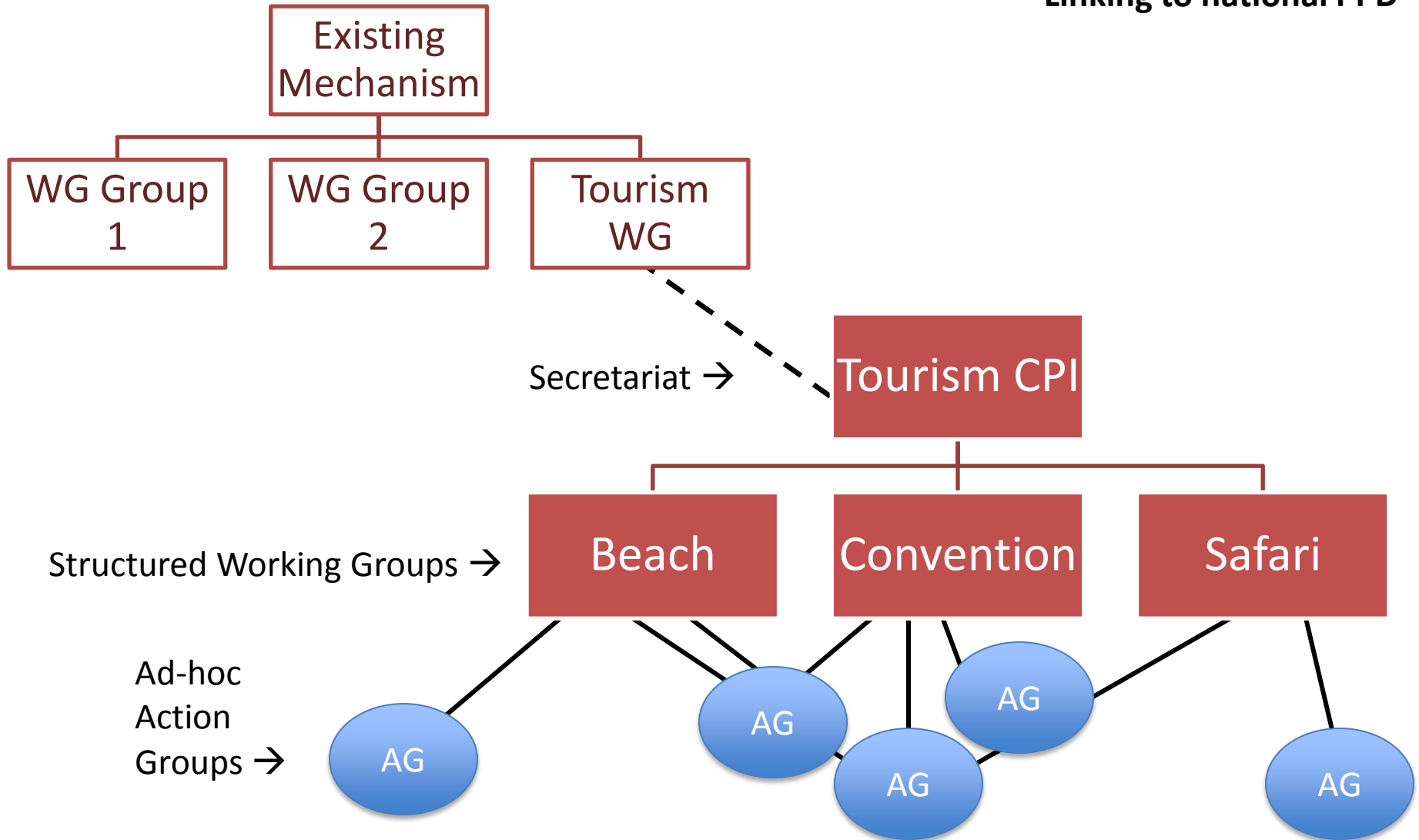
Anchorage – **Structure** – Participation – Issues – Impact Targets

Several PPD structuring options to support CPI actions are possible



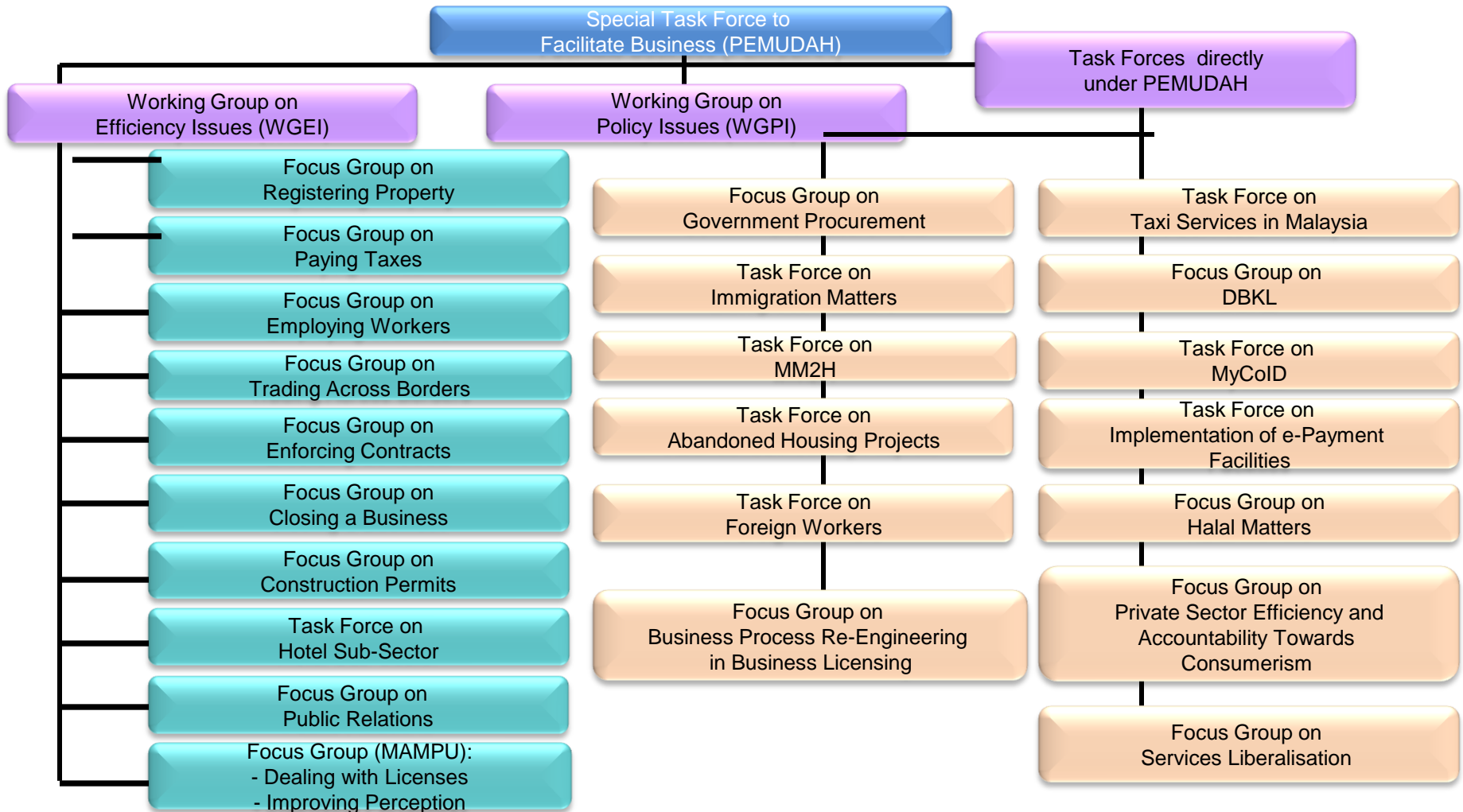
Anchorage – **Structure** – Participation – Issues – Impact Targets

Linking to national PPD

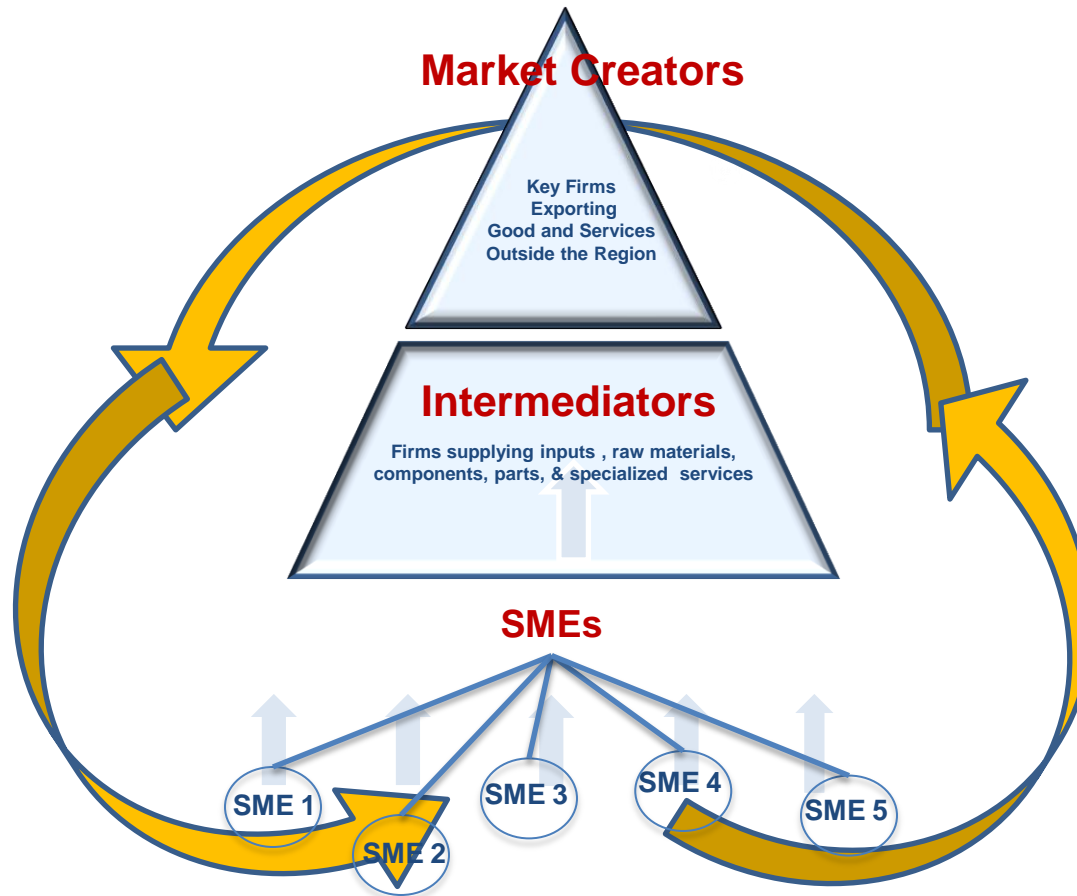


Anchorage – Structure – Participation – Issues – Impact Targets

Example: Malaysia PEMUDAH

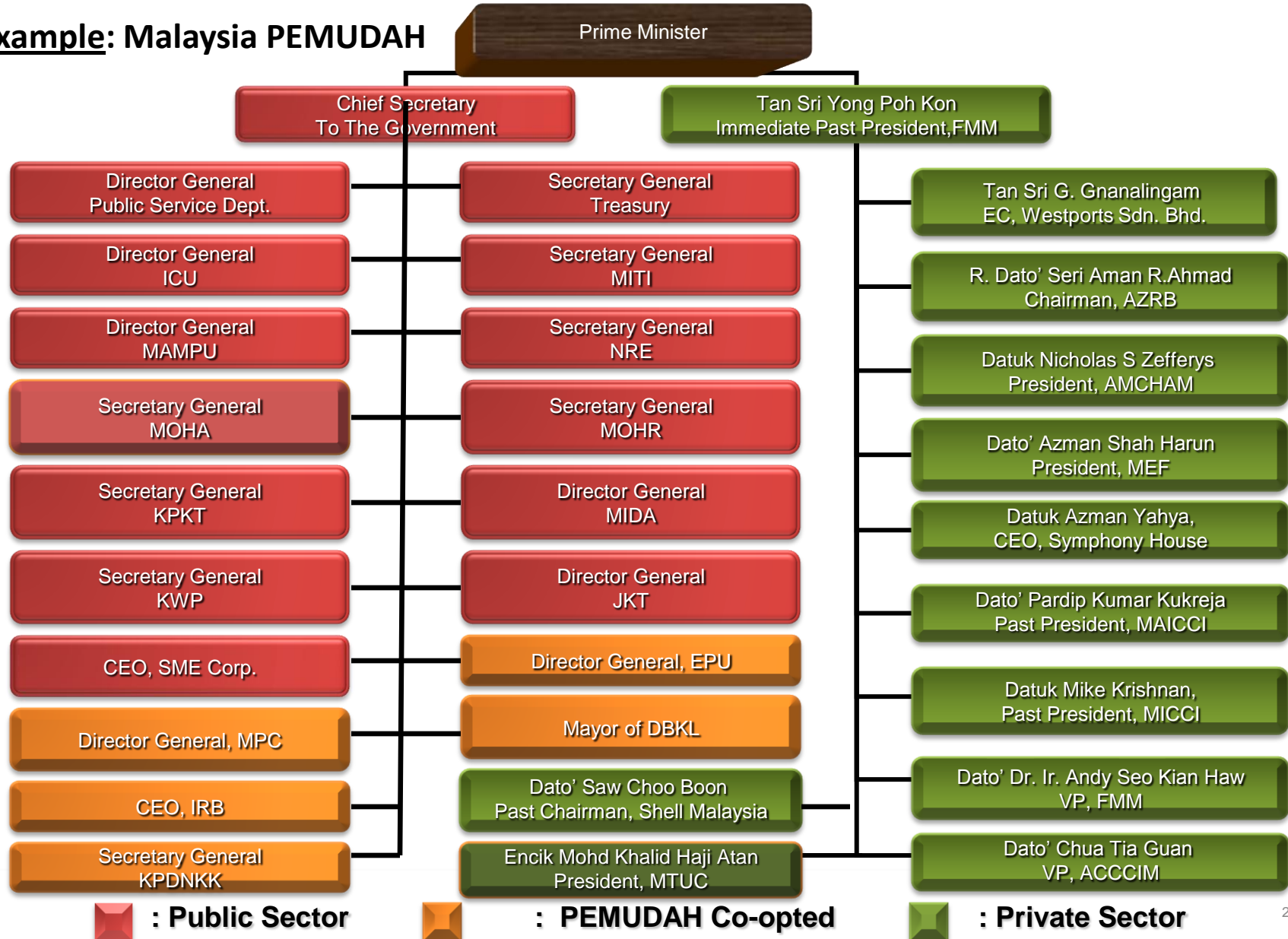


ECOLOGY OF FIRMS



Anchorage – Structure – Participation – Issues – Impact Targets

Example: Malaysia PEMUDAH



Anchorage – Structure – **Participation** – Issues – Impact Targets

Example: Malaysia PEMUDAH



1000 movers and shakers from 200+ MNCs & SMEs & Government Ministries

Anchorage – Structure – Participation – **Issues** – Impact Targets

		1	2	3	4	5
		Regulatory and tax environment	Infrastructure	Access to finance	Skilled and trained labor	Access to technologies and R&D
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2	Public-Private					
3	Private					

Issues Matrix
(during Step 3)

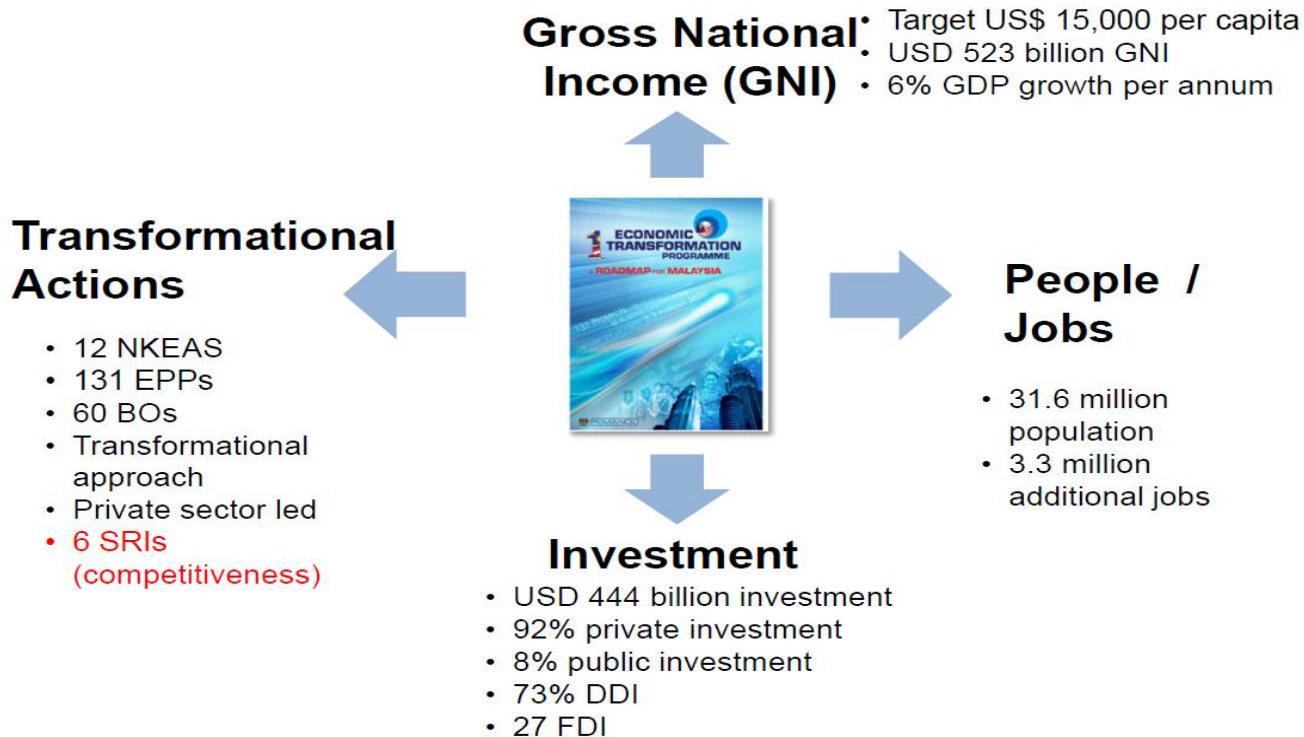
leading to

Actions Matrix
(by end of Step 3)

Timeframe
Cost benefit analysis
Feasibility
Accountability
Transparency

Anchorage – Structure – Participation – Issues – **Impact Targets**

Example: Malaysia PEMUDAH



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



Malaysia: Achieving impact through quick wins

On Efficiency



On Policy



Malaysia: Most recent results

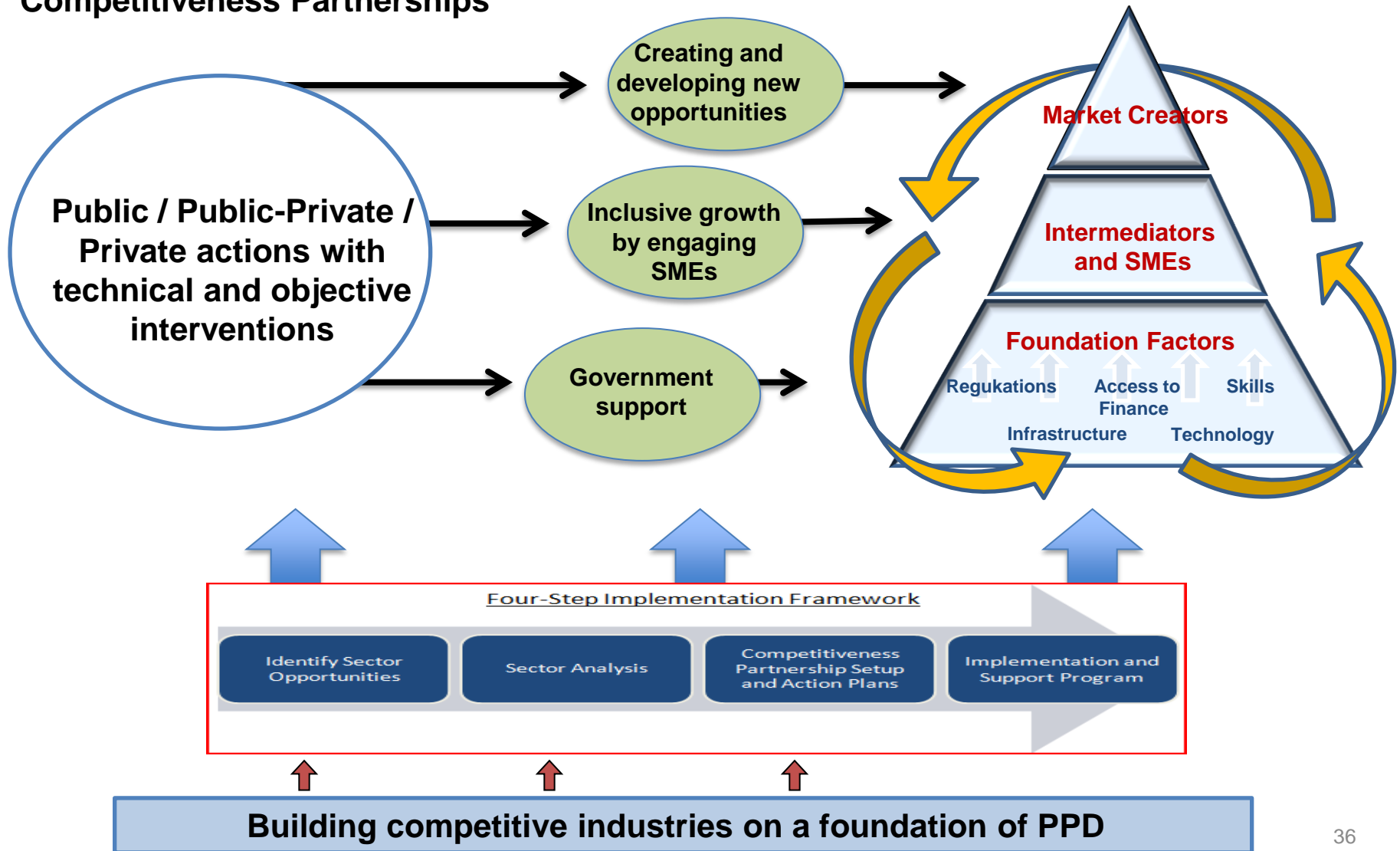


72 new projects launched
 RM106.41 billion investment committed
 298865 new jobs created

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

Objectives





ROSE FARMING IN ETHIOPIA



AN INDIAN BPO



ASPARAGUS FARMING IN PERU

Thank You

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