

Special Section: Role of Trade Organisations in Economic Growth and Development: Understanding the Dynamics in Pakistan

Public-private dialogue (PPD) is important for economic growth and development, where the role of Trade Organisations (TOs) is important given their collective representation of private sector. In addition to evidence-based policy advocacy, an essential element of business reform initiative, TOs also provide market complementing services to their members, the revenues from which help TOs to become financially sustainable. The TOs in Pakistan have been established with aforementioned reasons, and are accordingly engaged by the public sector. After shedding light on international best practices of TOs, this Special Section takes a look at the state of TOs in Pakistan, from the perspective of PPD and the services they offer to their members. Based in part on a survey, the key finding is that although TOs are engaged in PPD through limited arrangements, their contribution vis-à-vis evidence-based advocacy is limited and their range of services for members is not comprehensive. Lastly, it offers broad policy suggestions and raises some points for deliberations on how TOs can enhance their contribution to Pakistan's economic growth and development.

S1.1 Introduction

Economic growth and transformation requires interactive strategic cooperation between the public and private sectors; wherein collective action by chambers of commerce and business associations (Trade Organizations)¹ plays a constructive role. Research on emerging economies, such as East Asia of 1980s onward, as well as developed economies shows that public-private dialogue (PPD) has helped shape effective economic and sectoral policies,

improved productivity, developed consensus on future pathways, and gained competitive advantages in products, markets, and innovation strategies. Increasingly, leading global central banks also engage with Trade Organizations (TOs) on various aspects of monetary policy.²

Collaboration with the private sector is necessary for governments because the private sector has better access to market signals: profitability; business cycles; business processes; global competition;

¹ Under Pakistan's Trade Organization Act 2013, chambers and associations are referred to as Trade Organizations (TOs), whereas in academic literature these are often referred to as Business Membership Organizations. This Special Section refers to global and local chambers and associations as TOs.

² E. Fernandez-Arias, C. Sabel, E. H. Stein and A. Trejos (2016). *Two to Tango: Public-Private Collaboration for Productive Development Policies*. Washington, DC: Inter-American Development Bank; R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3; D. Rodrik (2004). *Industrial Policy for 21st Century*, Special Publication for UNIDO. Cambridge, MA: Harvard University; Devlin R. (2014). *Towards Good Governance of Public Private Alliance Councils Supporting Industrial Policies in Latin America*, Inter-American Development Bank technical Note No. IDB-TN-615; and Cornick J. (2013). *The Organization of Public-Private Cooperation for Productive Development Policies*. IDB Working Paper Series, IDB-WP-437. Respective websites of central banks of Canada, Australia, New Zealand, and the US.

avenues of opportunities and challenges; etc. The public sector on the other hand, cannot be expected to have adequate knowledge to assess the need for reform, and design appropriate policy intervention, because a lot of the knowledge is held by individual firms.³

For the purpose of design, implementation, feedback, and redesign of economic, industrial and business policies, the public sector needs to recurrently engage the private sector whose members reveal their information about market signals and their preferences, which the public sector validates and integrates into the policy cycle. Effective and regular PPD, therefore, helps reduce policy uncertainty. However, regular exchange of information can only take place if formal mechanisms exist where the public and private sector engage with each other.⁴

By collaborating with the private sector, the public sector risks being captured by special interests that may use the opportunity for rent-seeking.⁵ However, these risks exist

covertly even without a formal PPD mechanism. Engagements with the private sector through a formal institutional framework, on the other hand, reduces those risks.

The right institutional setting for PPD involves well represented, well organized and well-functioning TOs with which the public sector collaborates, instead of overtly or covertly collaborating with few individual businesses. Other key aspects of the institutional setting for PPD are its transparency with due public disclosure, and a mechanism to ensure that policy advocacy by TOs is evidence-based, as is the policymaking by the public sector. These aspects help academic institutions, competing TOs, and other stakeholders to apply checks and balances.^{6,7}

In light of this, the role of TOs becomes paramount, provided they appropriately represent the interests of their respective constituencies; have sufficient participation to avoid free rider problem; and are

³ E. Fernandez-Arias, C. Sabel, E. H. Stein and A. Trejos (2016). *Two to Tango: Public-Private Collaboration for Productive Development Policies*. Washington, DC: Inter-American Development Bank Washington, DC: Inter-American Development Bank; D. Rodrik (2004). *Industrial Policy for 21st Century*, Special Publication for UNIDO. Cambridge, MA.: Harvard University.

⁴ R. Hausmann, and D. Rodrik (2006). *Doomed to Choose: Industrial Policy as Predicament*. Paper prepared for Blue Sky seminar organized by the Center for International Development at Harvard University. Cambridge, MA: Harvard University. K. Sen and D. W. Te Velde (2009). "State Business Relations and Economic Growth in Sub-Saharan Africa." *The Journal of Development Studies*, 45:8, 1267-1283.

⁵ A. Sinha (2005). "Understanding the Rise and Transformation of Business Collective Action in India" *Business and Politics*: Vol. 7: Iss. 2, Article 2.

⁶ R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3.

⁷ The essence of economic and business policy is not always the outcome, but rather the process because it helps the policy gain legitimacy. In other words, the best policy in wrong institutional setting is likely to do considerably less good in the long run, than the second-best policy in the right institutional setting. D. Rodrik (2004). *Industrial Policy for 21st Century*, Special Publication for UNIDO. Cambridge, MA.: Harvard University.

financially sustainable to effectively contribute to PPD.⁸ Organizational capabilities of TOs, therefore, is a prerequisite to effective cooperation between its members, the PPD process, and successful policymaking.⁹

In addition to PPD and other facets of public private collaboration, such as organizing trade fairs or hiring trade lobbyists, TOs also offer various services to their members. These include exploring new markets; labour training; encouraging innovation; providing arbitration/mediation; ensuring standardization – and other collective activities that help increase exports, efficiency and productivity, or improve the business environment. Unlike the PPD activities, from which the TOs do not earn revenues, these services help them to be financially sustainable.¹⁰

In Pakistan too, TOs are engaged by the

public sector through a variety of mechanisms. For example, the Ministry of Commerce consulted some TOs for the purpose of drafting Strategic Trade Policy Framework 2018-2023; the ministry had also sought policy suggestions from textile TOs to improve the sector's competitiveness in early waves of Covid-19. In addition, TOs are consulted by Federal Board of Revenue on taxation affairs. The Planning Commission also recommends implementing access to finance programmes for SMEs in collaboration with the TOs.¹¹

Similarly, the leadership of TOs are ex-officio members of the boards of several government bodies, such as Punjab Board of Investment and Trade, and Board of Approval for special economic zones, whereas international donors also engage TOs as part of their technical sectoral policy assistance to federal and provincial

⁸ R. Hausmann, and D. Rodrik (2006). *Doomed to Choose: Industrial Policy as Predicament*. Paper prepared for Blue Sky seminar organized by the Center for International Development at Harvard University. Cambridge, MA: Harvard University.

⁹ E. Fernandez-Arias, C. Sabel, E. H. Stein and A. Trejos (2016). *Two to Tango: Public-Private Collaboration for Productive Development Policies*. Washington, DC: Inter-American Development Bank; R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others" *Business and Politics*, Vol. 2, No. 3; K. Sen (2015). "State-Business Relations", Topic Guide. Birmingham, UK: GSDRC, University of Birmingham

¹⁰ OECD (2018). "How can Private Sector Organisations Contribute to Economic Resilience in Fragile and Conflict-Affected Contexts in The Middle East and North Africa?". Background note for the MENA-OECD Economic Resilience Task Force. Paris: OECD; R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3; M. Boleat (1996). "Trade Association Strategy & Management", Association of British Insurers.

¹¹ USAID (2018). "Pakistan Quarterly Trade Bulletin", Fourth Quarter Review FY18 & STPF Issue Volume 1, Issue 2. Washington D.C.: USAID. A. Khaver, et al (2021). "Using stakeholder dialogues for strengthening evidence use to inform government decision-making during COVID-19", SEDI Learning Brief 4. Strengthening Evidence Use for Development Impact, Oxford. London: UKaid. S.A.H. Shah (2018). "Framework for SME Sector Development in Pakistan", Planning Commission of Pakistan. MoC. Strategic Trade Policy Framework 2015-18. Islamabad: MoC. FBR press release, dated April 9, 2012 (www.fbr.gov.pk/pr/chairman-fbr-holds-meetings-with-oicci-fpcci/700/2012 accessed on May 19, 2022)

governments.¹² The SBP Banking Services Corporation in partnership with various TOs has started working under a new mechanism in which, in addition to awareness sessions, it facilitates businesses and their employees to apply for bank loans under various concessional credit schemes.¹³

In light of these realities, and the fact that the government wants to improve PPD,¹⁴ the objective of this Special Section is to assess the state of TOs in Pakistan; whether or not they have the capacity to effectively engage in PPD and other facets of public-private collaboration; and the nature of services they offer to their members.

A 2010 study showed that TOs in Pakistan had weak organizational capacity with the staff lacking necessary analytical skills; dormant committees initially formed to analyze and advocate policy reforms; and

lack of consensus among leadership of TOs.¹⁵ Recent diagnostic studies to this effect do not exist; nor do case studies of the contribution of leading TOs in Pakistan under the archetypical roles of TOs.^{16,17}

In the absence of these studies, therefore, this Special Section is based on semi-structured interviews with representatives of TOs across major cities, and key manufacturing and service sectors, with particular focus on textile (*Annexure I*). The discussions were facilitated by a survey designed to gather insights on the organizational affairs of TOs; the services they offer; and the mechanism of PPD (*Annexure II*). Accordingly, the responses from these stakeholder discussions form a key part of the findings.

The Special Section proceeds as follows. Section S1.2 sheds light on key characteristics of TOs and showcases a variety of examples

¹² USAID (2013). "Pakistan Non-Agricultural Value Chain Assessment", Asia and the Middle East Economic Growth Best Practices Project. Washington D.C.: USAID; USAID (2018). "Pakistan Regional Economic Integration Activity (PREIA)", Monthly Progress Report, April 2018. Washington D.C.: USAID; World Bank (2017). "Boosting Pakistan's Export Competitiveness: Private Sector Perspectives", Proceedings from Round Table Meetings held in Islamabad, Peshawar, Karachi and Lahore September - November 2017. Washington D.C. World Bank

¹³ State Bank and Multan Chamber organize a two-day SME Mela in Multan (SBP press release dated January 26, 2022 available at www.sbp.org.pk/press/2022/Pr-26-Jan-2022.pdf accessed on May 19, 2022)

¹⁴ K. Ahmed, V. Ahmed, M. Arshad, S.A. Javed, A. Jillani, A. Khan, A.A. Khaver, U. Nadeem, A. Pellini, Q. Shah, L. Shaxon, A.Q. Suleri, and A. Zaidi (2021). "The Role Of Evidence In Policymaking In Pakistan: A Political Economy Analysis Report", Strengthening Evidence Use for Development Impact. London: UKaid.

¹⁵ A. Salman (2010). *Trade Bodies in Pakistan: Trends, Challenges and Opportunities*. A Diagnostic Study by Centre for International Private Enterprise (CIPE). Karachi: CIPE Pakistan

¹⁶ For instance, Lahore chamber provides mediation services, Karachi chamber organizes a business-to-business event in the form of MyKarachi, and Sialkot chamber with the help of its members has successfully led formation of a dry port and an airport. However, impact assessment of these activities in the form of published research does not exist, nor do case studies of such endeavors.

¹⁷ Diagnostic studies and case studies of impact evaluation are important given the peculiar nature of the contribution of TOs, which manifests itself over long periods of time often waxing and waning during quiet periods between major breakthroughs. These breakthroughs may be legislative, achieved through policy advocacy or new markets explored or innovation patented courtesy research funded by TOs.

of how TOs contribute towards economic growth and development. Section S1.3 discusses the brief history and structure of TOs in Pakistan. It also discusses the state of local TOs, where the key finding is that TOs in Pakistan have weak organizational capacity to engage in PPD. Nor, with some exceptions, do they pool in resources or offer services that help improve exports, investments, productivity, and business environment. This finding is also evident in textile sector, discussed in Section S1.4. Lastly, Section S1.5 offers suggestions to improve the dynamic and raises policy questions for deliberations aimed at strengthening the TOs in Pakistan.

S1.2 Characteristics and Examples of Economic Footprint of TOs

TOs can be defined as non-profit and democratically guided organizations formed and financed by entrepreneurs and companies to promote and support business interests of its members. While TOs are diverse in goals, objectives and functions, they can be classified in two broad categories: business associations, and chambers of commerce.

Business associations typically represent businesses of homogenous industries and firm size and may take different forms based on underlying objectives of associations. For instance, trade/industry associations represent interests of trade or industrial sector and actively participate in policy advocacy, quality upgrading, product

standardization, etc. Similarly, SME associations assist SMEs in obtaining services, such as access to finance, consulting, training and/or group marketing instruments.¹⁸

The chambers of commerce are more comprehensive in nature and comprise businesses from diverse sectoral backgrounds. The underlying objective of chambers is much broader such as promoting conducive business environment by research and advocacy on cross-sectoral challenges, investor matchmaking, foreign trade, arbitration and consultancy (**Table S1.1**).

Both categories of TOs play a critical role in economic growth and development of both developing and advanced economies. They do so by taking a host of measures that can be grouped in two broad sets of activities: (a) market supporting, and (b) market complementing services.¹⁹

Through market-supporting services, TOs ensure the provision of public goods, strong property rights, effective public administration, and infrastructure to all firms. This is achieved by means of evidence-based policy advocacy via PPD, participating in reforms process, and other means of collaboration with public authorities.

With market complementing services, TOs try to reduce market imperfections by encouraging coordination among member

¹⁸ D. McCormick, Winnie Mitullah and M. Kinyanjui (2003). *How to Collaborate: Associations and Other Community Based Organisations among Kenyan Micro and Small-Scale Enterprises*. Occasional Paper 70, Institute for Development Studies. Nairobi: Institute for Development Studies, University of Nairobi

¹⁹ R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3.

Typology, Characteristics and Services Offered by Different TOs

Table S1.1

TOs			
<ul style="list-style-type: none"> • Nonprofit organizations • Democratically guided by the decisions of their members • Operations are financed by a mix of membership fees, service charges, voluntary grants, and public subsidies. 			
Business Associations	Common characteristics	Services offered	Types
	<ul style="list-style-type: none"> • concentrating on specific industries, firm size • homogeneous membership structures, or functions • corresponding interests and similar problems and needs 	<ul style="list-style-type: none"> • arbitration • industry standard setting • evidence-based policy advocacy • quality upgrading, training and consulting • trade promotions, trade fairs • matchmaking • facilitating market research 	<ul style="list-style-type: none"> • trade or industry associations • small-scale enterprises' associations • women's organizations • employers' associations • bi-national associations
Chambers of Commerce	Common characteristics	Services offered	Types
	<ul style="list-style-type: none"> • representing the business interests of a certain geographic region. • heterogeneous membership structures, or functions • may perform functions delegated by the government 	<ul style="list-style-type: none"> • delegated government functions • arbitration courts • basic information services • policy research & surveys • matchmaking • local economic development 	<ul style="list-style-type: none"> • regional chambers • international chambers • multilateral chambers • city chambers • national chambers
Source: World Bank (2005). "Building the Capacity of Business Membership Organizations, Guiding Principles for Project Managers", Second Edition			

firms to help bring economic reforms; streamlining interdependent production and investment decisions in a value chain; lowering cost of information; setting industry standards; and promoting quality upgradation.

TOs also act as a service firm to lower the transaction costs of infrastructure and various services obtained by member companies. This is particularly useful when individual member firms are not large enough to set up their own infrastructure or buy services on their own. **Box S1.1** briefly

defines these functions and discusses how TOs in different countries have assisted the process of economic progress by conducting these activities.

Two conditions enhance activities of TOs: (a) state discipline, and (b) increased deregulation and competition in markets or any shock, such as the end of protectionism. The former depends on legislation and bureaucratic capacity, while the latter prompts TOs to upgrade their market supporting and market complementing services. For instance, after liberalization,

Mexican footwear producer associations collaborated with suppliers to standardize measurements, the lack of which had been hurting the industry's prospects. Likewise, to compete with the London market, splintered brokers in New Zealand formed Wool Brokers Association to standardize auction procedures and address issues of insurance, warehousing, on-boarding etc. Similarly, prior to economic liberalization in 1980s, TOs

in Nigeria were inactive. But after liberalization, Manufacturers Association of Nigeria and Kano's chamber of commerce became active, which set-up research offices to assess the state of economy and advocate for policy reforms, such as research on anti-dumping; strengthened their organizational capacity; and raised additional funds to document their own efforts.²⁰

Box S1.1: Examples of Market Supporting and Market Complementing Services by TOs

Establishing a causal link between economic growth and development, and market supporting and complementing services of TOs is a significant challenge because the presence of TOs services at the time of economic reform or spurts of growth and development is not sufficient evidence of causality.^a However, the following examples showcase some ways and means of how TOs contribute towards economic growth and development.

Effective State-Business Relations: This is an important role in supporting the process of economic development across different facets of public policy, from trade and industrial development to taxation and public expenditures. Sen and Velde (2009) documented positive impact of effective state-business relationships on economic growth in 19 sub-Saharan African countries more specifically due to: improved institutional relations by creating umbrella business associations and formalized PPD.^b

In case of an individual country, Kuwait Chamber of Commerce and Industry helped bridge differences between public and private sector. Accompanied by Kuwaiti central bank, the chamber actively participated in preparing and implementing the post Kuwait-Iraq war debt resolution plan for commercial banks. After the bailout package, the chamber opened a debate on non-performing loans and pressurized authorities to initiate financial reforms. The country finally adopted legislation in 1995, which tackled the debt crisis, initiated financial reforms and the privatization process.^c

Implementing Industrial Policies: The industrialization experience in South Korea during 1960-1970s is a prominent example of how governments engage TOs as policy implementing agents in achieving goals (such as export targets), in which the Korea Chamber of Commerce & Industry (KCCI) played a key role. Currently, KCCI performs an intermediary function between the government and businesses by channelling evidence-based advocacy, such as carrying out economic diagnosis, conducting surveys on the condition and opinion of businesses, and participating in major government forums to represent the business sector. The chamber also prepares roadmaps for reform and gives recommendations to the government and the National Assembly. In 2008, a deregulatory taskforce was jointly established by the

²⁰ R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3. S. Ville (2007). "Rent seeking or market strengthening? Industry Associations in New Zealand Wool Broking", University of Wollongong. A. Olukoshi (1996). "Economic crisis, structural adjustment and the coping strategies of manufacturers in Kano, Nigeria," United Nations Research Institute for Social Research. DP77. J Lucas (1994). "The State, Civil Society and Regional Elites: A Study of Three Associations in Kano, Nigeria". *African Affairs* Vol. 93, No. 370 (January 1994), pp. 21-38

KCCI and the Presidential Council on National Competitiveness, with the task of conducting fieldwork to identify business concerns and drafting solutions in consultation with relevant government authorities.^d

Arbitration: Traditionally TOs offer dispute resolution services to settle business disputes outside the traditional courts through negotiation, mediation, and arbitration. Arbitration offers cheaper and less time-consuming dispute resolution where parties may appoint arbitrators with specialized expertise and technical knowledge. Many chambers across different countries provide arbitration services for domestic as well as international parties. These include Federation of Indian Chambers of Commerce and Industry (FICCI), Bangladesh Chamber of Commerce, the Chamber of Commerce and Industry of Romania, the Oslo Chamber of Commerce, Chamber of Commerce of Milan, and many others.^e

In Austria, Austrian Federal Economic Chamber established Vienna International Arbitral Centre in 1975 as an attached department. The institute is now among the leading tribunal institutions in Europe and top seven global venues for international arbitration. It also partners research with Austrian and foreign law schools.^f

Providing Intellectual Property Rights (IPRs): Due to growing importance of IPRs, TOs, especially chambers of commerce, are increasingly engaged in the provision of IPR support services to their members. In many countries such as Germany, Argentina, Austria, Finland, France, Ireland, India, Russia, and UAE, TOs provide IPR services to their members. For instance, the FICCI has established an IPR Division to resolve business concerns related to IPRs. In addition, FICCI also set up an Intellectual Property Facilitation Centre to support micro, small and medium enterprises in IPR tools and technologies.^g

Promoting Evidence-Based Policy Making: In Romania, the five leading ICT business associations formed an alliance, the Tech 21 Coalition, which developed a business agenda with reform priorities and solutions, organized public hearings on specific legislative reform proposals and offered advice to Romanian public authorities on the design of public policies to make the industry more competitive. The Romanian ICT Ministry and the ICT Commission in the Parliament started an open dialogue with Tech 21 Coalition, which resulted in several key reforms. This included introduction of zero salary tax for software developers aimed at curbing the brain drain from Romanian ICT industry; amendment of leasing legislation to encourage software acquisitions across industries; the establishment of technology parks and adoption of an e-signature law for businesses. As a result, the Romanian ICT sector became one of the most competitive in Eastern Europe's ICT industry.^h

Supporting R&D and innovation: For an effective PPD, TOs conduct research on various economic and business affairs with outputs ranging from business and economic outlook surveys, economic updates, in-depth sector specific research and reports. TOs also offer industry-specific and market research services to their members. In addition, TOs facilitate innovation and technology adoption. For instance, the Knowledge Innovation Market, developed by Barcelona Chamber of Commerce, promotes innovation through technology evaluation of companies, transferring technology, conducting commercial feasibility of technology development and implementation, and technology prototyping. The institute also collaborates with universities, research centers, technology parks, public administrations, and disseminates emerging scientific technologies.ⁱ

Similarly, in initial development stages of Malaysia's automotive industry, Malaysian Automotive Component Parts Manufacturers Association pressurized industry to adopt mandatory deletion programme that encouraged local assembly of automobile parts and restricted imports. Later, the association shifted its focus from localization to technology promotion.^j

Standardization and codes of practice: Some TOs draft industry standards and codes for compulsory adoption by the industry in collaboration with government. Others set up organizations to test and certify standards. For instance, the Pharmaceutical Manufacturers Association of Canada through the creation of the Pharmaceutical Advertising Advisory Board and the use of its own Code of Marketing Practice has assumed responsibility for the regulation of the advertising of ethical drugs.^k

Similarly, since in export markets of basic food products, like rice and coffee, the failure of one supplier to meet minimum standards can undermine the reputation of all the country's producers, there have been examples of TOs coming together to ensure standardization of local produce. For example, in 1950s, Thailand's Board of Trade, apex association of agricultural export merchants, organized its rice-exporting members to develop and adhere to product standards, following which Thai government granted export licenses only to those members belonging to the associations and complying with these standards. In Columbia, National Federation of Coffee Growers of Colombia, a growers' association, devised various labelling protocols to distinguish different types of coffees, and ensured proper labelling through sanctions.^l

Labour training & upskilling of workers: TOs also collaborate with technical and traditional institutes and industry to develop and upgrade human resource skills according to dynamic industrial needs. For instance, Thai Embedded Systems Association in Thailand, which links corporate and individual developers and with public and private users of embedded computing technology, trains university students in developing software systems for automotive components.^m Similarly, the Malaysian Rubber Products Manufacturers' Association collaborates with local universities to offer technical and vocational training courses to labour on various aspects of rubber production, such as compounding, extrusion, injection moulding.ⁿ

References:

^a B. Herzberg and L. Sisombat (2016). *State of Play – Public-Private Dialogue. Public-Private Dialogue (PPD)*. Practical Note Series. Washington DC: World Bank

^b K. Sen (2015). *State-Business Relations: Topic Guide*. GSDRC International Development Department, University of Birmingham: U.K.; K. Sen and D. W. T. Velde (2009). "State Business Relations and Economic Growth in Sub-Saharan Africa", *Journal of Development Studies*, Vol. 45(8) pp. 1267-1283.

^c P. W. Moore (2001). "What Makes Successful Business Lobbies? Business Associations and the Rentier State in Jordan and Kuwait", *Comparative Politics*, Vol. 33(2) pp. 127-147

^d Source: International Chamber of Commerce Case Studies, available at www.iccwbo.org/chamber-services/chamber-resources/chamber-case-studies-library/#1486743201254-492800dd-d6c1 accessed on May 19, 2022;

Korean Chamber of Commerce and Industry, available at www.english.korcham.net/nChamEng/Service/About/appl/03.asp accessed on 19 May, 2022. ; Korean Development Institute (2016). *Strategies for Effective Implementation of Second Growth and Transformation Plan (GTP 2)*. Senior Policy Dialogue and Final Reporting Workshop. Seoul: Korean Development Institute

^e Source: www.international-arbitration-attorney.com/arbitral-institutions-and-arbitration-courts/ accessed on May 19, 2022

^f Source: Vienna International Arbitral Centre, available at www.viac.eu accessed on May 19, 2022.

^g ICC and WIPO (2011). *Handbook for Chamber of Commerce and Business for Setting up Intellectual Property Services*. Paris: ICC and Geneva: WIPO

^h K. Frauscher and C. Bulat (2009). *The power of business advocacy and ICT reforms*. The Business and Development Discussion Papers. Paper No. 10. Washington DC: World Bank

ⁱ Source: Knowledge Innovation Market Barcelona, available at www.kimglobal.com/en/kimbcn/, accessed on May 19, 2022

^j ILO (2016). *Analysis of the Economic Development Role of Sectorial Business Associations: In the Rubber, Electronics and Electrical and Automotive Sectors in Malaysia, Thailand and Viet Nam*. Working Paper Series 16. Geneva: ILO

^k W. Coleman and W. Grant (1984). "A Comparison of Organizational Development in Britain and Canada", *Journal of Public Policy*, Vol. 4(3) pp. 209-235.

^l R. Doner and B. R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others", *Business and Politics*, Vol. 2(3) pp. 261-288

^m P. Intarakumnerd, P. Chairatana and P. Chaiyanajit (2015). "Global Production Networks and Host-Site Industrial Upgrading: The case of the semiconductor in Thailand", *Asia Pacific Business Review*, Vol. 22(2) pp. 289-306.

ⁿ ILO (2016). *Analysis of the Economic Development Role of Sectorial Business Associations: In the Rubber, Electronics and Electrical and Automotive Sectors in Malaysia, Thailand and Viet Nam*. Working Paper Series 16. Geneva: ILO

S1.3 Trade Organizations in Pakistan

As discussed in Section S1.1, TOs in Pakistan have been engaged in PPD. Some TOs also further the cause of business community and contribute to achieving a desirable economic outcome for the country. An example of this are the efforts of the Surgical Instruments Manufacturers Association in response to restrictions on Pakistani-made surgical imports by the US Food and Drug Authority in 1994. The association, with aid from the government, hired a US-based quality assurance firm for the technical training of local manufacturers. As a result, by January 1997, 75 local firms became certified by FDA, allowing them to export to the US.²¹

There are other instances of local TOs' positive contribution to the private sector's interest by employing advocacy tools and facilitating business-to-business (B2B) events. However, in certain areas, such as research and development, evidence-based policy advocacy, alternative dispute resolution (ADR) mechanisms, and resource pooling for the common benefit of members, TOs lag behind international best practices. The underlying reason for this is the lack of professional staff and, in some cases, the

limitation of funds. To understand the prevalence of these issues, it is necessary to understand the organizational structure of local TOs.

Regulatory and Organizational Structure

The history of trade organizations operating in Pakistan dates back to pre-independence. Overseas Investors Chamber of Commerce & Industry, formerly known as Karachi Chamber of Commerce, was formed in 1860. Also, the Lahore Chamber of Commerce & Industry was established in 1923 under the name of the Northern Indian Chamber of Commerce.²² However, the first legislation to monitor and regulate TOs in Pakistan was the Trade Organization Ordinance (TOO) 1961.

However, since TOO 1961 did not demarcate the regulator's role, and there was a vacuum in the licensing process and evaluation mechanism, the government formed a committee in 2006 to overhaul TOs legal landscape. The committee revealed that the TOs did not act like think-tanks to guide policy on trade and industry. Due to a lack of professional management, their capacity

²¹ K. Nadvi (1999). "Collective Efficiency and Collective Failure: The Response of the Sialkot Surgical Instrument Cluster to Global Quality Pressures", *World Development*, Vol. 27, No. 9, pp. 1605-1626.

²² OICCI, www.oicci.org/about-the-oicci/, accessed on May 19, 2022; LCCI, www.lcci.com.pk/mediation/, accessed on May 19, 2022

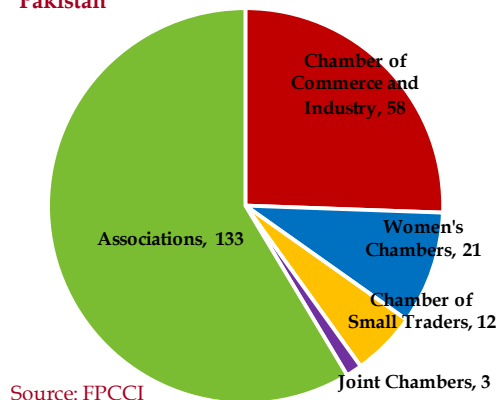
to present well researched views on policy matters was also limited. It emphasized that for TOs to work efficiently, it is imperative to have defined roles, responsibilities, and an operational framework. The committee also recommended that a new law be formed, which provides for an independent regulatory body and licensing fees to discourage fake trade bodies.²³ These recommendations were implemented in the shape of the Trade Organization Ordinance, 2007, later enacted as the Trade Organization Act (TOA) 2013, the current regulation in place.

The 2013 Act provides for the regulator in the Director General Trade Organization (DGTO) and an apex body in the Federation of Pakistan Chamber of Commerce and Industry (FPCCI), whose members include all the trade bodies registered with DGTO. It is important to note that all bodies within the ninety days of getting the license from the DGTO have to incorporate as non-profit company with the SECP.²⁴

The law along with a mechanism to form associations and chambers, also allows for establishing separate chambers for women and small traders on the basis of voluntary membership. As of January 2022, 227 trade organizations are members of FPCCI, including 21 women chambers and 12

chambers for small traders (**Figure S1.1**).²⁵ All trade organizations are based on the democratic principle, with the general body of all members electing the key office-bearers.²⁶ For the FPCCI, there are fourteen office bearers, including a president, a senior vice president, and twelve vice presidents, with representation from TOs across the spectrum. It is worth noting that none of FPCCI's office bearers come from the companies listed on Pakistan Stock Exchange (PSX) even though those companies are members of different TOs. This is also true for Karachi, Islamabad, Lahore, Faisalabad, and Sialkot chambers.²⁷ This points towards low level of active participation in TOs by relatively larger companies.

Number of Trade Organizations in Pakistan Figure S1.1



²³ Recommendations of Committee on Revision of Trade Organizations Ordinance, 1961 formed under MoC vide notification No.12 (1) 2006. T.O dated April 27, 2006.

²⁴ Rule 6 (e) of Trade Organizations Rules, 2013.

²⁵ FPCCI, www.fpcci.org.pk/, accessed on January 23, 2022

²⁶ General body elects executive committee, which in turn elects president, senior vice president, and vice president, in case of associations office bearers are titled as chairman, senior vice chairman, and vice-chairman. (Source: Rule 21 of Trade Organizations Rules, 2013)

²⁷ The office bearers' details were obtained from the relevant chambers' website to cross-check it on the Pakistan Stock Exchange website. (All the websites were accessed on January 25, 2022.)

Apart from FPCCI and its member bodies, there has been a recent trend of another form of business coalition in Pakistan in the shape of Pakistan Business Council (PBC), Pakistan Agriculture Coalition (PAC) and Pakistan Textile Council (PTC). These bodies are formed by leading companies, many of which are listed at the PSX and are also members of different TOs. The members of these coalitions do not represent the wider business community, but their contribution to the economy is dominant. For instance, combined turnover of PAC's sponsors is around US\$ 10 billion and PTC's members account for US\$ 4.5 billion of textile's exports.²⁸

These coalitions are not registered with the DGTO and legally do not qualify as a chamber or association under the TOA 2013. However, despite their legal status, they perform functions similar to traditional TOs with a role in the public-private dialogue. For instance, the PAC frequently engages government officials and the PBC advocates economic reforms such as tariff liberalisation under its Make in Pakistan initiative.²⁹ The government also grants these bodies seats on important boards. For example, the PBC is represented on the Board of Approval for Special Economic Zones.³⁰

The Current State of TOs in Pakistan

The primary reason of existence of TOs is to create a collective platform to steer policy by advocating the agenda of the private sector. However, the ambit of activities they perform has widened. Now, in an effort to ensure financial sustainability and retain their membership, these bodies perform the function of research and development, take active steps in facilitating technological adoption, and contribute to improving the overall business environment by providing ADR mechanisms and protecting intellectual property rights (IPR).³¹

As mentioned in Section S1.1, in the absence of updated diagnostic studies and case studies on the role of TOs in Pakistan, this section is based on semi-structured interviews of representatives of leading TOs from a cross-section of regions and sectors. The interviews were facilitated by a survey questionnaire (**Annexure-II**), designed on the basis of academic literature. The TOs for this section were chosen to reflect prominent regional chambers and a few associations from vital and emerging sectors (**Table A, Annexure I**).³² The survey results and other key findings from literature review are as follows.

²⁸ Similarly, PBC joining fee and annual fee is Rs 3 million and Rs 2 million respectively to ensure serious business participation. Source: PAC, www.pac.com.pk/about-us/, accessed on May 19, 2022; PTC, www.ptc.org.pk/about-ptc/mission-and-vision/, accessed on May 19, 2022; PBC, www.pbc.org.pk/about-pbc/, accessed on May 19, 2022; www.pbc.org.pk/wp-content/uploads/PBC-Profile.pdf, accessed on May 19, 2022

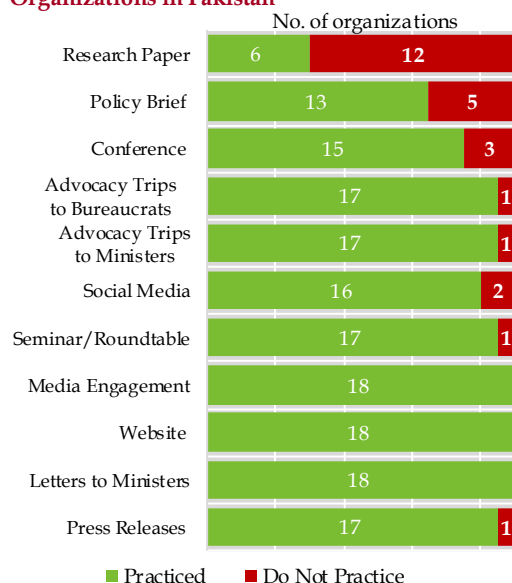
²⁹ Pakistan Business Council, www.pbc.org.pk/wp-content/uploads/PBC-Profile.pdf; PAC, www.pac.com.pk/news/, accessed on May 19, 2022

³⁰ Special Economic Zones Act, 2012, as amended up to December 31, 2015

³¹ International Chamber of Commerce, history of the chamber movement, www.iccwbo.org/chamber-services/world-chambers-federation/history-chamber-movement/, accessed on January 27, 2022.

³² In addition to the TOs listed in Annexure I, the section draws on discussions with Mr. Riaz Ahmed Director General Trade Organisation, Ministry of Commerce; and Mr. Moin Fudda, former country director, Center for International Private Enterprise (CIPE), Pakistan.

Advocacy Tools Practiced by Trade Organizations in Pakistan **Figure S1.2**



■ Practiced ■ Do Not Practice
 *Total 18 organizations were surveyed
 Source: Survey conducted as per Annexure II

Advocacy with lack of research-based tools and gazetted forums

To gauge the performance of the advocacy function, participants were asked to identify the tools they use. All 18 participants engaged with media, and scribed letters to ministers to influence a policy outcome (Figure S1.2). However, the tools associated with evidence-based advocacy were less widely employed. For instance, only 33 percent published research papers to back their advocacy with evidence.

In the case of sector-specific associations, advocacy can be more effective if trade bodies across the value chain make a concerted effort for an outcome. Out of 9 associations, only 2 had a formal mechanism to connect with their counterparts across the value chain.³³ However, the majority claimed to take joint action if their interest over a policy issue aligned.

Public-Private Dialogue

As identified in Section S1.1, the two essential aspects of PPD are advocacy to ensure effective communication, and research to ensure informed dialogue. Whilst TOs in Pakistan pursue various means of advocacy and lobbying, the absence of an effective institutional framework and the nature of instruments used for advocacy point towards a weak environment of evidence-based policymaking.

There was also a lack of formal gazetted joint advisory boards to facilitate PPD between TOs and the government. TOs are also not given adequate representation at high-level advisory councils. For instance, of the 15 private sector members of CPEC Business Council only two are from TOs, and the rest are by-name appointees. Similarly, of the 13 private sector members of Economic Advisory Council (EAC) there are no ex-officio appointees from TOs; instead there

³³ This question was not asked from chamber of commerce, as by nature they can have members from multiple sectors and industries across the value chains.

are by-name appointees from the business community.^{34, 35}

With exception of government-led Sugar Advisory Board and Pakistan Software Export Board where Pakistan Sugar Mills Association (PSMA) and Pakistan Software Houses Association (PASHA) contribute to sectoral policy as board members, respectively, instances of joint advisory boards as structured mechanism for PPD and sectoral policymaking are not common.³⁶ Although the government engages and often seeks responses from different associations and chambers, the boards with the mandate to regularly meet and officially weigh on the sectoral policies can systematize these efforts.

Another feature that is largely missing from the TOs ecosystem is the delegation of public function from the government. As associations are close to players in their respective sectors, they are well poised to perform certain public functions. Due to this unique position, states worldwide sometimes delegate a public function to them. For instance, the Columbian government empowered a coffee association to collect

export tax and spend it on infrastructure development.³⁷ Also, when the restriction was levied by the US on Taiwanese footwear, the government delegated the Taiwan Footwear Manufacturers Association to manage the export quota.³⁸ However, no surveyed participant has been put in charge of such functions in Pakistan.

Weak research amid low demand for evidence-based policymaking

Research and surveys, especially to ascertain market dynamics, have become one of the key features for business associations around the world.³⁹ For instance, under US African Growth and Opportunity Act (AGOA), some sub-Saharan African countries were granted better market access to the US. Initially, Kenyan apparel was also included under AGOA, but it was to be excluded before the program's conclusion. However, due to evidence-based policy position presented by the African Cotton and Textile Industry Federation, the apparel products remained on the list. Resultantly, over the next 13 years, the economy of Kenya benefitted by

³⁴ Source: Finance Ministry, Notification No.F.I(27)/DEA (SS)/EAW2022 dated April 27, 2022; Board of Investment <https://invest.gov.pk/about-us/cpec-business-council>, accessed on May 19, 2022

³⁵ In the previous EAC constituted in April 2021, there were no ex-officio appointees from TOs among its 13 private members. (Finance Ministry, Notification F.No.13 (5)IERU/EAC/2018 dated April 3, 2021.)

³⁶ Source: World Bank (2017). "Boosting Pakistan's Export Competitiveness: Private Sector Perspectives", Proceedings from Round Table Meetings held in Islamabad, Peshawar, Karachi and Lahore September - November 2017. Washington D.C.: World Bank.

³⁷ R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others", *Business and Politics*, Vol. 2, No. 3.

³⁸ L. Cheng (1996). "Embedded Competitiveness: Taiwan's Shifting Role in International Footwear Sourcing Networks." Ph.D. Thesis, Department of Sociology Duke University. Durham: Duke University

³⁹ R. Strohmeier, M. Pilgrim, F. Luetticken, R. Meier, H.G. Waesch, and I. Arias (2005). *Building the Capacity of Business Membership Organizations: Guiding Principles for Project Managers*. A Handbook by Small and Medium Enterprise Department, World Bank. Washington D.C.: World Bank.

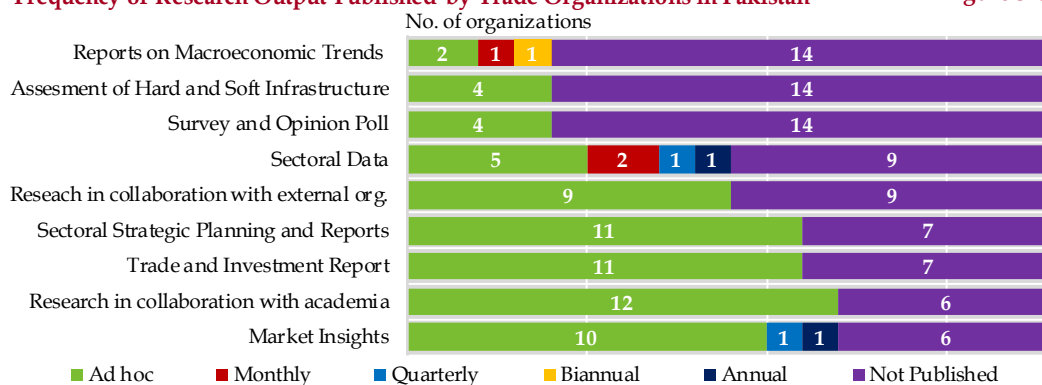
US\$ 1.9 billion.⁴⁰

Similar to their international counterparts, TOs in Pakistan are also adopting the research and evidence function, as 13 out of 18 TOs surveyed have a separate research and development department. However, most respondents acknowledged that their research department needed professionals to function properly. The same was reflected in the research output, which, with some exceptions, is limited in scope and nature. TOs submit the budget recommendations before the announcement of the federal and provincial budgets and some also publish annual sectoral reports and quarterly journals, but the rest of the research is published mostly on ad hoc basis (Figure S1.3).

Since TOs are closely associated with businesses, they can also support the state agencies by acting as evidence producers in the form of published data. Although some TOs, for instance PAMA and APCMA, regularly publish sectoral data, majority only report it when requested by government agencies.

In addition to weak in-house research functions, TOs in Pakistan also do not create a demand for research from universities, even though business leaders in Pakistan acknowledge the lack of market research.⁴¹ Being privy to their needs, businesses are better placed to drive the industry-academia linkage from the demand side. The role of TOs is vital in this context given their ability to pool resources for the common good of its members and because it is easier for

Frequency of Research Output Published by Trade Organizations in Pakistan Figure S1.3



Note: Total 18 organizations were surveyed
Source: Survey conducted as per Annexure II

⁴⁰ International Trade Centre (2021). *Reforming Public Policy — Step By Step. An Introduction to Dialogue and Advocacy for Women's Business Associations*. Guide is prepared under the Shetrades In The African Continental Free Trade Area project. Geneva: International Trade Centre.

⁴¹ N. Haque, M. Mahmood, S. Abbas, and C.S. Jones (2020). "The University Research System in Pakistan." *A Knowledge Platform Project In Collaboration with the British Council In Pakistan*. Karachi: British Council

academia to solicit funding for research from TOs as representative bodies rather than from individual businesses.⁴²

Even though some TOs in Pakistan have signed MoUs with universities, they generally do not translate into a regular publication feature or materialize into tangible results. Instead, most TOs in Pakistan are focused on networking and lobbying without providing evidence, thus creating little research demand. TOs in Pakistan are also not active producers of market surveys and benchmarking data.⁴³

While these factors limit the TOs' ability to contribute towards public-private dialogue through a systematic gathering of evidence and analysis and policy proposals thereof, policymakers in Pakistan also have little demand for evidence-based policymaking amid a lack of government funding for economic and business policy research. Accordingly, businesses and policymakers' weak demand for research makes the public-private dialogue process less effective and more susceptible to rent-seeking by interest groups.⁴⁴

This is a matter of concern since one of the many reasons developing countries' reform experiences show mixed results is that they

do not pursue evidence-based policymaking, which is necessary for producing unique governance solutions to localize international best practices. To this end, active participation by TOs in evidence-based public-private dialogue is an essential factor.⁴⁵

Market Complementing Services

In addition to the function of advocacy and research, chambers and associations offer a host of services to their members. Whereas, advocacy and research are expenditure items on TOs' financial statements, the services they offer are revenue sources. Accordingly, TOs in Pakistan offer different services to their members. Some organize international trips for members, while almost all offer visa facilitation by issuing referral letters against service fees. TOs have also set up helpdesks to answer members' queries and accommodate new members, while some provide certificates of origin (COOs) (**Figure S1.4**).⁴⁶

TOs in the country are also active in B2B events. Every chamber and association interviewed organized either a conference, seminar, exhibition, or standard matchmaking service to connect suppliers and buyers. Some regular and noticeable

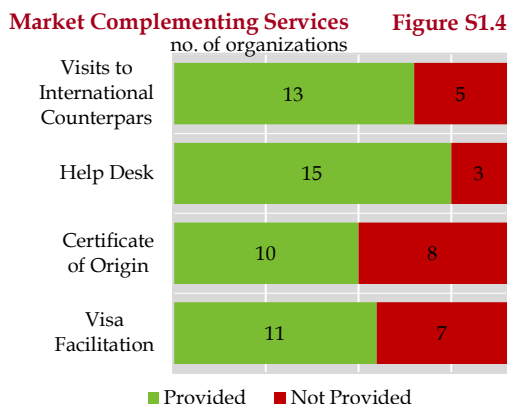
⁴² B. Pourdeyhi (2021). "University research funding: Why does industry funding continue to be a small portion of university research, and how can we change the paradigm?", *Industry and Higher Education*.

⁴³ N. Haque, M. Mahmood, S. Abbas, and C.S. Jones (2020). "The University Research System in Pakistan." *A Knowledge Platform Project In Collaboration with the British Council In Pakistan*. Karachi: British Council

⁴⁴ N. Haque and D. Orden (2020). "Developing Research and a Research Culture: Results from a Pilot Project in Pakistan", *The Pakistan Development Review*. 59:3 pp. 553-570

⁴⁵ Andrews, M. 2013. *The Limits of Institutional Reform in Development*. Cambridge: Cambridge University Press; Yaamina Salman (2021). "Public management reforms in Pakistan", *Public Management Review*, 23:12

⁴⁶ Certificate of origin is a trade document verifying the origin of exported goods.

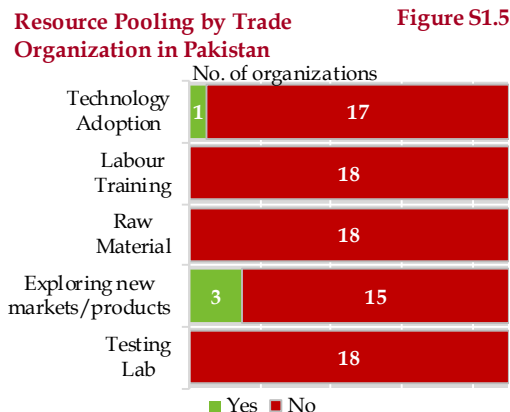


Note: Total 18 organizations were surveyed

Source: Survey conducted as per Annexure II

events include KCCI's My Karachi exhibition, which attracts local and international businesses, and RCCI's All Pakistan Chambers Presidents' Conference, which gathers leaders of all chambers and focuses on different themes every year.^{47,48} The conference also calls for participation from the government and acts as a PPD forum to evaluate economic policies for the betterment of the business community.⁴⁹

However, when it comes to the more sophisticated market complementing services such as setting industry standards, establishing testing labs, exploring new export markets, improving productivity, or offering arbitration and mediation services to improve the business environment, TOs in



Note: Total 18 organizations were surveyed

Source: Survey conducted as per Annexure II

Pakistan seem to fall behind. On the one end, TOs lack professionally staffed departments for these services. At the other end, TOs' members do not pool in resources, i.e., funds in addition to membership fees, to offer such services to their members. (Figure S1.5, S1.6).

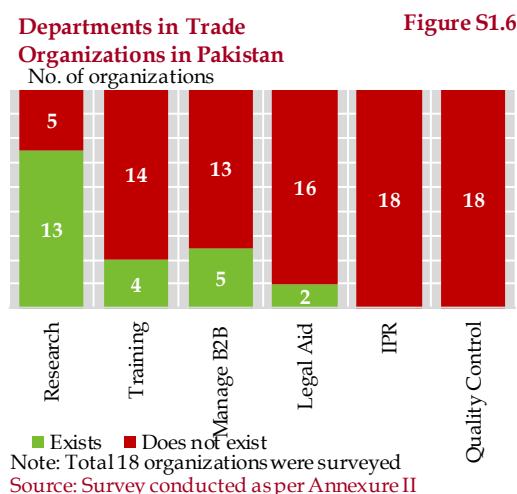
One of the noticeable exceptions to this trend is the Sialkot Chamber of Commerce and Industry (SCCI). In 1997 and onwards, the SCCI contributed both financially and administratively to monitor and eliminate child labour from Sialkot's football industry in collaboration with international agencies.⁵⁰ In 1999, the SCCI in collaboration with other private and public sector stakeholders led the Sialkot City Package Programme to improve

⁴⁷ RCCI, www.rcci.org.pk/apcpc/, accessed on May 19, 2022

⁴⁸ KCCI, www.kcci.com.pk/my-karachi/, accessed on May 19, 2022

⁴⁹ B. Herzberg and L. Sisombat (2016). "State of Play – Public-Private Dialogue. Public-Private Dialogue (PPD)", *Practical Note Series*. Washington D.C.: World Bank.

⁵⁰ SCCI collaborated with International Labour Organisation under Atlanta Agreement to eliminate child labour. (Source: S. Becker and Z.U. Ahmed (1999). *Elimination of Child Labour in the Soccer Ball Industry in Sialkot, Pakistan*. Evaluation Report PAK/97/MO1/USA. Geneva: ILO; P.L. Thomsen and K. Nadvi (2010). "Global Value Chains, Local Collective Action and Corporate Social Responsibility: A Review of Empirical Evidence." *Business Strategy and the Environment*. Vol. 19, issue 1.



the city's infrastructure.⁵¹ Similarly, it played a lead role in building Pakistan's first private airport in Sialkot and the setting up of Airsial airline.⁵² Other exceptions include LCCI's mediation centre formed in collaboration with the International Finance Corporation (IFC).⁵³ Apart from this, there have been instances of members pooling resources to acquire land or building for their TO's secretariat but rarely for technology adoption, testing labs, or joint research to explore new markets.

Besides these, services like arbitration and legal aid are provided by some other TOs.

However, these are through sub-committees whose members work voluntarily rather than through professionally staffed departments or separate centres established and owned by TOs for these purposes. This is unlike international best practices as shown in **Table S1.2**, which compares Pakistan's apex body, FPCCI, with its peers in the region.

The absence of these services has a two-pronged impact. At the one end, the absence of professionally managed services against adequate fees leaves the TOs with little finances and dependent on funding by the government, such as through the Export Development Fund or by bilateral donor agencies.⁵⁴ At the other end, it prevents the TOs from fulfilling their roles towards improving the business environment and economic growth as per the objectives of the Trade Organization Act, 2013.⁵⁵

Organizational Constraints

Business associations must have professionally trained staff to strengthen their organization and successfully execute their functions.⁵⁶ In the case of TOs in Pakistan, the administrative head is the general secretary, a paid employee. In addition, a research department and, in some

⁵¹ SCCI, www.scci.com.pk/sialkot-city-package/, accessed on May 19, 2022.

⁵² SCCI (2021). Annual Report 2020-21. Sialkot: SCCI; and Sialkot International Airport, available at www.sial.com.pk/about, accessed on May 19, 2022)

⁵³ LCCI, www.lcci.com.pk/mediation/index.php, accessed on May 19, 2022

⁵⁴ UKaid (2021). "The Role of Evidence in Policymaking in Pakistan. A Political Economy Analysis Of: Planning and Reform for Economic Development; Child Labour; and Education Pathways into Employment". London: UKaid.

⁵⁵ Trade Organisation Act 2013, available at www.na.gov.pk/uploads/documents/1562222010_669.pdf accessed on May 19, 2022.

⁵⁶ R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others", *Business and Politics*, Vol. 2, No. 3.

Comparison of Key Services & Activities by Apex Chambers of Commerce in Different Countries

Table S1.2

	FPCCI (Est. 1950)	FICCI (Est. 1927)	FBCCI (Est. 1973)	FCCISL (Est. 1973)	VCCI (Est. 1963)	TOBB (Est. 1950)
Trade Helpdesks/ B2B Networking	Helpdesks established	Trade helpdesks in East Asia, East Africa, Caribbean etc. Has B2B web portal with searchable directories	Facilitate international delegations, fairs & exhibitions etc.	Facilitate international delegations, fairs & exhibitions etc.	B2B e-site: searchable directory of companies	
Research Department/ Output	Policy briefs, trade reports, sectoral reports; surveys and polls on ad-hoc basis	State of economy reports, policy briefs, surveys, sectoral policy research plans, collaboration with ministries, KPMG, Nielson	Handbooks, Study Reports, position papers, country profiles	Research papers, proposals, e-surveys	Sectoral research, monthly magazines, annual reports, surveys	Annual reports, production capacity reports, sectoral policies
Intellectual Property Rights (IPR)		IPR Division; cooperation agreement with World Intellectual Property Rights Organization			VCCI IP Co Ltd, incorporated as a separate IPR company.	
Arbitration Centre		Indian Council of Arbitration, cooperation agreement with 40 major arbitral centres	Bangladesh Council of Arbitration	Sri Lanka National Arbitration Centre	Vietnam International Arbitration Centre	TOBB Arbitration center
Training & Development		Engages industry leaders in skilling activity; collaborates with government in skill development	FBCCI Skill Lab-part of the FBCCI Impact 4.0 Initiative, to prepare for 4th Industrial Revolution under the 2041 Vision	Training programs range from seminars and workshops to advanced certificate and diploma courses	Vocational training in collaboration with international organizations	Works with Turkish Employment Agency on Vocational Education & Employment; Set-up Insurance Training Center with Turkish Insurance Association
Quality Certifications, Testing labs etc.		FICCI Research & Analysis Centre for industry-wide quality standard for food, nutraceutical, pharmaceutical etc.				Quality management applications & standards in collaboration with EU chambers of commerce
Technology Adoption		Various innovation programs e.g. India-Rwanda Innovation Growth Program, DST-Lockheed Martin-Tata Trusts India Innovation program	Tech centers that promote FinTech, Agriculture Tech, Education Tech etc.	SMED project for industrial engineering, enterprise & agribusiness development, tech transfer etc.		
Industry-Academia Linkage	MOUs with universities, e.g. collaboration with DHA Suffa University; arranged webinar for SMEs on supply chain, e-commerce etc.	Various initiatives e.g. National Knowledge Functional Hub initiative with the UK's Royal Academy of Engineering	FBCCI Institute & FBCCI University established. Agreements with Massachusetts Institute of Technology, University of Toronto, etc. to train local startups.	Boot camps for development of startups on topics i.e. design thinking, financing, compliance	Collaborates with academia; provides them sectoral statistics, arranges workshops related to the research area	Has 81 academic advisors who contribute to local data production; Collaboration with universities, researchers & companies

FPCCI: Federation of Pakistan's Chamber of Commerce, FICCI: Federation of India's Chamber of Commerce, FBCCI: Federation of Bangladesh Chamber of Commerce and Industry, FCCISL: Federation of Chambers of Commerce and Industry of Sri Lanka, VCCI: Vietnam Chamber of Commerce and Industry, TOBB: The Union of Chambers and Commodity Exchanges of Turkey

Source: Respective websites of these chambers of commerce; in case of FPCCI, findings as per website and semi-structured interview with officials

cases, separate training and B2B departments also exist (**Figure S1.6**).

However, anecdotal evidence suggests that these departments are inadequately staffed both in terms of the number of employees as well as their skill and experience. The same, as mentioned earlier, is reflected in TOs' limited scope and nature of research output and services offered. Other functions are performed by subcommittees headed by members working voluntarily instead of individual departments staffed with full-time paid professionals.

The main limitation flagged by the majority of the participants behind the lack of professional staff, quality of research and advanced services was the shortage of funds. With some income generated from the issuance of visa recommendations and COOs, TOs heavily rely on membership fees for their revenues. However, because membership retention and recruitment of new members is also a problem for some organizations, the funding source becomes unstable.

An effective strategy to improve overall revenues and retention of members may be to introduce the concept of tiered membership.⁵⁷ This system enables business

associations to attract businesses from different sectors by offering tailored packages where different fees are charged to different members depending on the scope and extent of services they wish to avail from the TOs. However, in Pakistan, TOs are limited by law to have only two classes of membership – corporate and associate – that are charged different membership fees without any difference in the services offered to them.⁵⁸

In addition, to increase member density, membership for businesses belonging from a specific sector and a particular region may be made compulsory to relevant associations and chambers. Such a model allows for increased membership and solves the problem of membership retention. However, since the TOs will be guaranteed to get members, motivation to create additional services to attract members is affected.⁵⁹

Another burden on TOs is the conduct of elections every year. This becomes a frequent expenditure for TOs in terms of finances and time spent on managing elections rather than focusing on the organization's core functions.⁶⁰ The annual election of office bearers also makes the task of long-term planning a major challenge in the absence of a well-staffed secretariat and strong organizational capacity.

⁵⁷ CIPE (2019). "Business Associations for the 21st Century. Guides and Tools", Washington D.C.: CIPE

⁵⁸ The main difference between the two categories is that the corporate members are either a sales-tax registered manufacturing or business company or corporate body or a multinational. In contrast, associate members do not qualify as either of those. (Rule 11, Sub rule 7 of Trade Organizations Rules 2013.)

⁵⁹ M. Heseltine (2012). "No Stone Unturned: Chamber Of Commerce International Comparisons", BIS/12/1214. London: Dept. for Business, Innovation and Skills.

⁶⁰ Discussions with TOs' office bearers and management reveal that each year the secretariat of the TOs spends on average 70 to 90 days on various aspects of election management, depending on the size of the TO's membership.

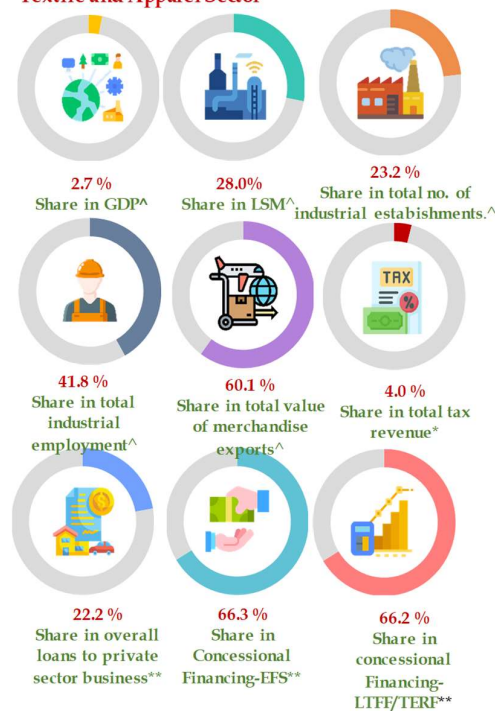
The annual election is a legal requirement stemming from the Trade Organization Act, 2013, which defines the tenure of the office-bearers to be one year.⁶¹ Such a short term means a frequent change in leadership, which is a hurdle in the smooth functioning of TOs. In recognition of this problem, a bill has been tabled in the parliament, but it has not been passed yet.⁶² However, the idea behind the one-year term is to rotate the leadership, and because these office bearers are industry players with their businesses to run, they prefer a shorter term.

The discussion in the preceding paragraphs reflects the cross-sectional view of TOs representing various regions and business clusters in Pakistan. However, a closer look at TOs from Pakistan's textile sector, one of the most important industries, strengthens the view that these challenges are deep-rooted across different regions and business clusters (represented by TOs) in the country.

S1.4 Case Study: Role of TOs in Textile Sector

By most key metrics, textile industry is one of the biggest contributors to Pakistan's economy; be it exports, industrial production or non-farm employment, the sector has a dominant footprint (**Figure S1.7**). In addition to underlying macroeconomic challenges, the textile sector is exposed to a host of challenges across its supply chain.

The State of Activity in Pakistan's Textile and Apparel Sector **Figure S1.7**



Sources: *FBR; **SBP; [^]PBS. Share in LSM; no. of industrial establishments; and industrial employment have been taken from CMI2015-16.

This includes protectionism, weak R&D, low-skilled labor, weak industry-academia linkages and inability to diversify into new export markets.⁶³ As discussed in preceding sections, PPD as well as coming togetherness of the textile sector through well organized

⁶¹ Article 11 (1) of the Trade Organization Act, 2013

⁶² Trade Organizations (Amendment) Act, 2021

⁶³ Tanveer, M. and Zafar, Sarah (2012). "The stagnant performance of textile industry in Pakistan", *European Journal of Scientific Research*; Kazmi, S.A.Z. and Takala, J. (2014). "An Overview of Pakistan's Textile Sector from Operational Competitive Perspective – A Suggestive Analysis", *World Journal of Engineering and Technology*; SMEDA (2005). "Textile Vision", available at www.tco.com.pk/documents/aecd9e4c.PDF, accessed on May 19, 2022.

and well-functioning TOs can help address these challenges.

The textile sector has a large number of associations that represent different sub-sectors within its value chain - from raw materials to various categories of finished products. There are a total of 19 textile and apparel associations in Pakistan that are listed with DGTO as against 6 in chemicals, 8 in metal and 14 in the engineering sector.⁶⁴ Some of the textile TOs date back to several decades; e.g. Karachi Cotton Association was established in 1933, whereas All Pakistan Textile Mills Association (APTMA) and Pakistan Silk & Rayon Mills Association (PSRMA), were setup in late 1950s.⁶⁵ A recent addition to TOs in textile sector is the formation of Pakistan Textile Council (PTC), which describes itself as a research and advocacy platform.⁶⁶ Albeit as mentioned in previous section it is not a formally registered TO with the DGTO. It is important to note that member companies at the board of PTC are also members of different conventional DGTO registered textile TOs, but only some of them play an active role as office bearers of registered textile TOs.⁶⁷

To assess the role of textile sector TOs in PPD, and the delivery of market complementing services, this section is based

on discussions with representatives of leading textile sector associations (*Table B-Annexure I*) and other public and private sector stakeholders.⁶⁸

Public-Private Dialogue

The state of PPD in textile sector TOs does not appear different from the state of PPD in TOs of the country. Textile sector TOs are strong on advocacy. However, the instruments used for the same do not point towards an environment of evidence-based policy advocacy, whereas institutional framework of PPD also appears to be weak.

Weak Evidence-based Advocacy

Most of the textile TOs use basic advocacy tools such as press releases, letters, media engagement and visits to bureaucrats to steer the government's macroeconomic, sector specific and related policies. Only a few associations employ more sophisticated and deliberation-oriented advocacy measures such as research papers, conferences, and policy briefs (**Figure S1.8**).

As per survey results, textile associations in Pakistan lack a robust research environment to fulfill the dynamic needs across its value chain. Only four out of 13 associations host a research department with dedicated staff to

⁶⁴ Source: DGTO, www.dgto.gov.pk, accessed on May 19, 2022.

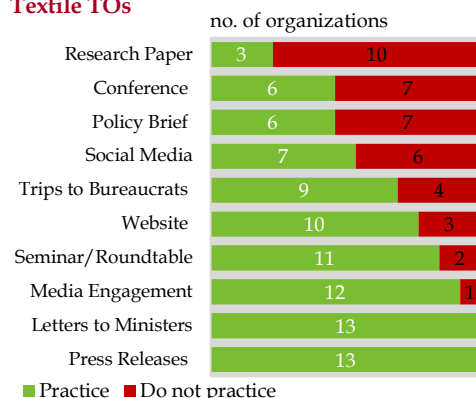
⁶⁵ Source: Websites of respective associations, accessed on January 25, 2022.

⁶⁶ Source: Pakistan Textile Council, www.ptc.org.pk, accessed on May 19, 2022.

⁶⁷ The office bearers' details of textile TOs were obtained from the relevant TOs website and cross-checked on Pakistan Textile Council website. Websites were accessed on January 25, 2022.

⁶⁸ There are 19 textile TOs registered with the DGTO (excluding those pertaining to canvas, tents and carpet manufacturing). Of these, 3 associations did not respond whereas 3 others representing small power looms, hand looms and yarn merchant business could not be contacted. As a result 13 out of 19 TOs were surveyed. Moreover, this section draws on discussions with office bearers from Textile Commissioner Office, Textile Division (Ministry of Commerce), the DGTO office and other private sectors associations, not listed with the DGTO, namely Pakistan Textile Council and Pakistan Apparel Forum.

Advocacy Tools Practiced by Textile TOs **Figure S1.8**



Note: Total 13 associations were surveyed

Source: Survey conducted as per Annexure II

contribute to any research output in terms of exploring market emerging trends, product diversification, innovation, or strategic policymaking. The research output of textile sector TOs is also limited in its scope – both in terms of the nature of the evidence gathered and in terms of collaboration with academia and other research institutions (Figure S1.9).

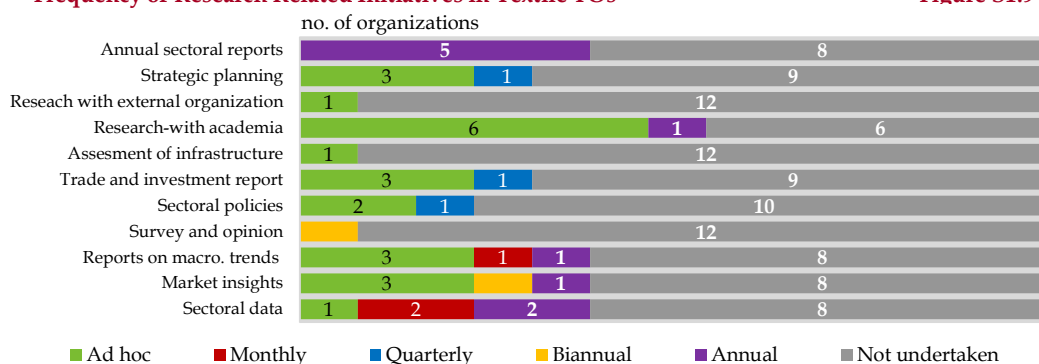
Institutional design

While leading textile sector TOs are engaged by the government at the time of policy design or implementation, there is an absence of a joint advisory board to steer sector specific policy. In 2002, the government had notified the composition of Federal Textile Board (FTB) with representation from public and private stakeholders.⁶⁹ The public sector was represented by relevant ministries and public sector organizations such as Textiles; Industries, Production & Special Initiatives; Commerce; Finance, the SBP etc. From the private sector, the government nominated individual persons and firms from textile clusters located in Faisalabad, Karachi, and Lahore. However, there was no representation from textile TOs.

The main objective of the FTB was continuous monitoring of the state of textile industry across value chain from cotton farming to high value added exports as well as the debottlenecking of growth prospects of

Frequency of Research Related Initiatives in Textile TOs

Figure S1.9



Note: Total 13 associations were surveyed

Source: Survey conducted as given in Annexure II

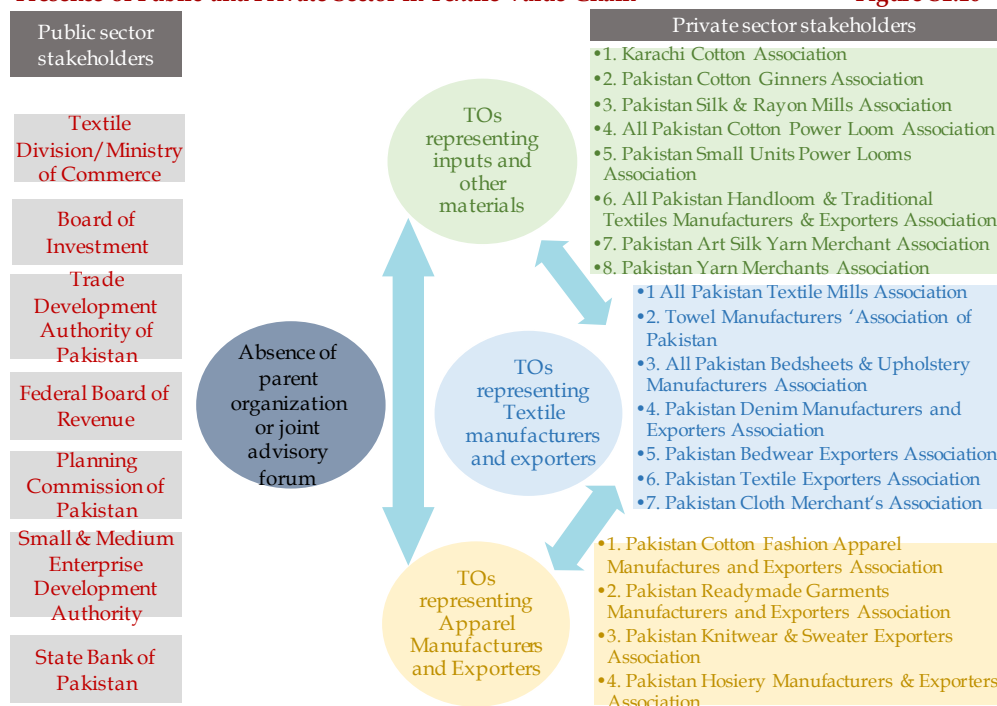
⁶⁹ Source: Year Book (2005-06), Ministry Of Textile Industry, Government of Pakistan.

the sector. Along with strategic level industry-centric functions,⁷⁰ the board was also responsible for bridging the gap between industry stakeholders and government bodies on operational basis by meeting at least once a month. In addition, the FTB was to restructure the role and activities of textile TOs so they could actively participate in fixing the information gap.

However, the textile board remained largely inoperative after merging of Ministry of Textile Industry with Ministry of Commerce. It was inactive at the time of formulation of Textile Policy 2009-14, and while the 2014-19 Textile Policy mentioned the restructuring and re-notification of the FTB, it has stayed inactive since then.⁷¹ Although, under the Textiles and Apparel Policy 2020-25, the

Presence of Public and Private Sector in Textile Value Chain

Figure S1.10



Note: The associations are categorized on the basis of the nature of member firms. The first category captures activity of manufacturing and supplying of inputs used in textile and apparel manufacturing; the second shows fabric manufacturing and their exports (some of these outputs are used as inputs in apparel industry); whereas the third category represents apparel manufacturing and exports.

Source: DGTO's Website and websites of different textile associations

⁷⁰ The board was mainly responsible for: 1) implementation and monitoring of textile policy; 2) performance monitoring; 3) analysis for technology up gradation, quality standards and training needs; 4) bridging of coordination gap between government and industry; 5) provision of business advisory services; 6) investment promotion; and 7) human resource development

⁷¹ Source: Textile Policy 2009-14 and Textile Policy 2014-19, Textile Division.

government aims to consult textile TOs, and strengthen their role for a variety of sectoral affairs, the policy does not envisage a joint advisory board ala the FTB.⁷²

In addition, there is an absence of an umbrella body to represent the combined interests of textile sector TOs, or any large sub-sector thereof. One exception to this is Pakistan Apparel Forum, which represents multiple manufacturing and exporter associations including PHMA, PAKSEA, PRGMEA, and PCFA. However, the forum is not registered with the DGTO, and operates on ad hoc basis. The absence of an umbrella

body means that a large number of TOs representing different yet overlapping mandates across textile value chain engage various government departments independently, which impairs optimal policy making process (**Figure S1.10**).

In contrast to the institutional design in Pakistan, India has an Apparel Export Promotion Council that acts as a public-private joint advisory board, whereas Sri Lanka has an umbrella organization called Joint Apparel Association Forum (JAAF), a permanent body to represent the interests of multiple value-added textile TO (**Box S1.2**).

Box S1.2 : Examples of Umbrella Bodies in Apparel Sector of India and Sri Lanka

In comparison to Pakistan, the institutional structures of India and Sri Lanka offer useful insights.

India: India has several sectoral export promotion councils, one of which is the Apparel Export Promotion Council (AEPC) formed in 1978. It is a public private industry implementation body that promotes garment exports. The AEPC was set up by private sector leaders from within India's textile and apparel industry to standardize and promote apparel exports, with representation of the government in its executive council. While AEPC's leadership comes from the private sector, it reports to the Indian Ministry of Textile.^a

Due to AEPC's efforts, India has strategized to focus on higher value and specialized products like manmade fibre apparels, medical textile and technical textiles. It has a dedicated R & D cell. It also publishes the semi-monthly periodical, which offers insights from experts and industry leaders. The body also organises the twice-yearly India International Garment Fair.^b Most apparel export firms register with the AEPC to seek its guidance on exploring new market, international fairs and technical guidance.

The organization works closely with various government departments, including Indian foreign office, for technology upgradation, attracting FDI in textile sector, becoming focal body for foreign buyers, and improving the country's infrastructure, such as power, port, transport, water and labor.^c The AEPC also operates 14 training institutes, which have played a critical role to train textile operators, but also developed managerial skills within textile industry and relevant government bureaucracy.^d

⁷² Under the new policy, the Ministry of Commerce plans to consult textile TOs for the sector's regulatory reforms, and targets strengthening their role as TOs for numerous matters including productivity, technology up-gradation, Industry 4.0, quality & standards, resource efficiency, product & market diversification, digitization, and building Pakistan's image abroad. (Source: Textiles and Apparel Policy 2020-25, Ministry of Commerce)

Sri Lanka: In 2002, five textile associations formed to work closely with the government on long term strategic plan, and to deal with the dismantling of quota allocation policy in the post Multi-Fiber Arrangement era. The associations - namely Sri Lanka Apparel Exporters Association; the Fabric and Apparel Accessory Manufacturers Association; the Sri Lanka Chamber of Garment Exporters; the Sri Lanka Sourcing Association; and the Free Trade Zone Manufacturers Association - came from varied background and therefore represented wide range of sectoral interests under one apex body.

Formed with the objective of strengthening forward linkages, solidifying alliances with buyers and suppliers, Joint Association Apparel Forum (JAAF) focusses on strategic issues such as bilateral and multilateral issues; international marketing, and productivity. Among these, various programmes were carried out by JAAF focusing on market development, and international image building - to provide competitive edge to these establishments.

In addition, JAAF has helped facilitate, negotiate, and draft trade policy framework related to Sri Lanka's apparel sector. For instance, because of JAAF's efforts, Sri Lanka initiated the bilateral Free Trade Agreement with the US in 2014. JAAF has taken initiatives to improve worker productivity, such as training programmes in marketing in collaboration with Chartered Institute of Marketing in UK; degree courses in fashion development with North Carolina State University College of Textiles; and design courses in textile technology jointly with London School of Fashion Design. It is also working on automation of Sri Lanka's textile industry, and has conducted successful programmes to promote Sri Lanka's name as an ethical clothing source.^e

References:

- ^a C. Hall (2018). "The AEPC: Learning More About India's Apparel Export Promotion Council", *The Sourcing Journal*; Apparel Export Promotion Council, Memorandum of Association: (www.aepcindia.com/system/files/20170915_Memorandum_Articles_of_Association_of_the_council.pdf) accessed on January 28, 2022); US Department of Labour: (www.dol.gov/sites/dolgov/files/ILAB/submissions/20091210c.pdf) accessed on January 28, 2022); Dr. G. Yoganandan (2015). "Textile Export Promotion in India-Salient Features", *Bonfring International Journal of Industrial Engineering and Management Science*, Vol. 5(1) pp. 1-4.
- ^b India Country Study (2019). Amsterdam: Fair Wear Foundation
- ^c D Das (2014). "India, the next China? Analysis of the unique firm resources claimed by Indian apparel export firms", *Journal of Fashion Marketing and Management*, Vol. 18(4) pp. 378-393.
- ^d M. Tewari (2008). "Varieties of Global Integration: Navigating Institutional Legacies and Global Networks in India's Garment Industry", *Competition & Change*, Vol. 12(1) pp. 49-67.
- ^e A. Khattak (2015). "Environmental upgrading of apparel firms in global value chains: Evidence from Sri Lanka", SAGE Publications, Vol. 19(4) pp. 317-335; D. Weerakoon and J. Thennakoon (2006). "Trade Liberalization in Sri Lanka: A Case Study of the Garments Industry", Institute of Policy Studies of Sri Lanka; S. Kelegama (2004). "Readymade garment industry in Sri Lanka: Facing the Global Challenge" Institute of Policy Studies of Sri Lanka; H. Jayatilake and A. Withanarachchi (2016). *Industry 4.0 in the Apparel-Manufacturing Sector: Opportunities for Sri Lanka*, 1st Interdisciplinary Conference of Management Researchers, at Sabaragamuwa University of Sri Lanka. Sabaragamuwa: Sabaragamuwa University of Sri Lanka; P. Athukorala (2018). "Repositioning in the global apparel value chain in the post-MFA era: Strategic issues and evidence from Sri Lanka", *Development Policy Review*, Vol. 36 pp. 247-269.

Market Complementing Services & Organizational Constraints

Most of the textile TOs offer basic services, such as visa facilitation, and issuing COO, to

their members (Figure S1.11). Some also offer opportunities for networking or exploring new markets, such as B2B matching making services and trade exhibitions (Figure S1.12). However, market

Provision of Services to Members in Textile TOs

Figure S1.11



Note: Total 13 associations were surveyed

Source: Survey conducted as per Annexure II

complementing services that can help TOs become financially sustainable are largely absent.

This is also evident from the fact that most textile sector TOs lack separate departments staffed with relevant professionals to perform various functions (such as research) and to offer various services (such as training, legal aid & arbitration/mediation,

Presence of Seperate Departments in Textile TOs

Figure S1.13

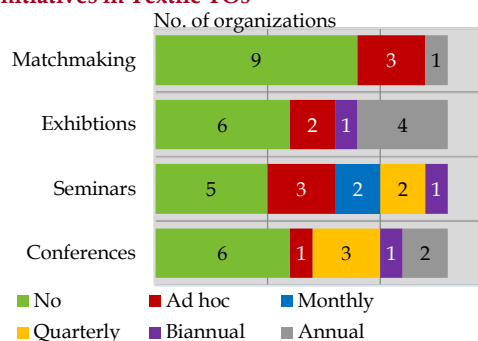


Note: Total 13 associations were surveyed

Source: Survey conducted as per Annexure II

Frequency of Networking Initiatives in Textile TOs

Figure S1.12



Note: Total 13 associations were surveyed

Source: Survey conducted as per Annexure II

quality testing) against fees. Instead, these functions and services are carried out by different committees on voluntarily basis, which doesn't help TOs become financially sustainable organizations to be able to perform the real function of effective public-private collaboration (Figure S1.13).

Moreover, resource pooling is also very limited in case of textile TOs in Pakistan. Members of only few associations pool in their funds, in addition to membership fees, to provide for the setting up, and/or running of high value added services such as labor training, testing labs, technology adoptions etc. (Figure S1.14). In the absence of significant pooling mechanism, TOs primarily run their training programs in collaboration with bilateral donor funded agencies, whenever the latter initiate their respective programs.⁷³

⁷³ For instance various textile TOs have conducted labour skill training under various donor funded programmes. SMEDA, Industry Support Programme, available at www.smeda.org/index.php?option=com_content&view=article&id=16&Itemid=118, accessed on May 19, 2022; PRGMEA, www.prgmea.org/documents/10.pdf, accessed on May 19, 2022

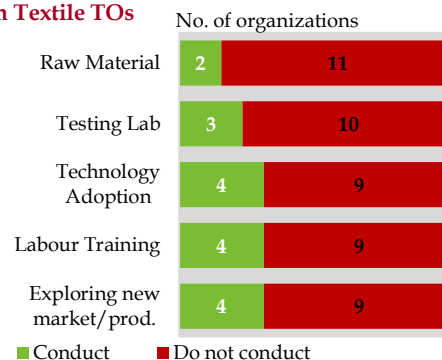
Lately, however, some of the leading associations have started to take some research initiatives to support the industry's value chain. For example, APTMA has laid the foundation of APTMA Cotton Foundation, which, in liaison with public and private research institutes, will introduce corporate farming model for cotton production on a large scale.⁷⁴ The foundation will establish model farms, where the farmers will use the cutting-edge technology, such as drones and satellite imagery to monitor the crop health. In addition, the project also aims to establish knowledge centers, bio-tech labs and research institutions with the collaboration of international counterparts.

S1.5 Final Remarks

TOs offer important market supporting and market complementing services that directly and indirectly benefit the public and private sectors. Under Pakistan Vision 2025, the government also identifies TOs as catalyst of change with an important role in guiding government policy and economic programs.⁷⁵ However, in Pakistan, as preceding sections show, the purpose of existence of TOs is not being adequately fulfilled.

In part, this is because the framework for PPD in the country is weak. Here, as mentioned earlier, the absence of joint advisory forums in general is worth noting, as is the fact that TOs are not given due

Resource Pooling for Services in Textile TOs **Figure S1.14**



Note: Total 13 associations were surveyed

Source: Survey conducted as per Annexure II

representation at high-level government advisory councils such as the EAC and CPEC Business Council. This prevents the development of a vibrant PPD process as an institution. Another reason why TOs in Pakistan are unable to play an effective role is the weak state of their organizational capabilities, which is a prerequisite for TOs to be able to engage in effective PPD and to offer various sorts of market complementing services to their members. As a result of these gaps, TOs have had a weak role in demanding reforms.⁷⁶

The following paragraphs offer seven recommendations intended as broad policy suggestions and bring to fore some points for deliberations between public and private sector stakeholders on how to build strong, effective, and sustainable TOs that can contribute to economic growth and development of Pakistan.

⁷⁴ Source: APTMA, www.aptma.org.pk/better-days-for-cotton/, accessed on May 19 2022

⁷⁵ Planning Commission (2014). *Pakistan Vision 2025*. Islamabad: Planning Commission, Ministry of Planning, Development and Reforms.

⁷⁶ Source: World Bank (2017). "Boosting Pakistan's Export Competitiveness: Private Sector Perspectives", Proceedings from Round Table Meetings held in Islamabad, Peshawar, Karachi and Lahore September - November 2017. Washington D.C.: World Bank

First, from the perspective of public sector, the government needs to set up institutional mechanisms for public private dialogue where bureaucracy can effectively engage the private sector on matters relating to both short- and long-term economic/ business policymaking and its implementation. These may take the shape of joint advisory councils across major sectors and regions where due representation is given to sectoral and regional TOs. These may also require a phased approach where in the first phase the public sector may set up such platforms, ensure their effective organization through collaborative leadership, and facilitate their funding before gradually letting the private sector take leadership and be responsible for financial sustainability of such platforms. Since there are no standardized solutions to these, a trial-and-error way of doing reforms would be the way forward.⁷⁷

Second, an equally important step is to move towards evidence-based policymaking helped in part by demanding the evidence behind policy advocacy by TOs. To this end, the legal framework of TOs may be reassessed with the objective of nudging TOs to improve their research capacities needed for effective PPD.

Third, legal framework also needs to be looked at from the aspect of improvement in organization affairs of TOs. These may include increasing the term of office for office bearers to give TOs a long-term sense of

direction, and the strengthening of TOs' secretariat with separate departments staffed by professionals. In addition, compulsory membership of TOs may be considered to strengthen the membership base, and accordingly, the finances of TOs. A framework for tiered membership, allowing TOs to offer different scope of services to different tiers of members against varied fees, may also be deliberated.

Fourth, as discussed in earlier sections, the government's relationships with the private sector needs to be legitimized through mechanisms of accountability and transparency. To this end, PPD and documents thereof need to be made public, with sufficient time and space allowed for their formal analysis and evaluation by both economic/ industrial bureaucracy and other stakeholders such as TOs from competing sectors, academia, media, etc. The objective is to identify opportunities for coordination and public deliberation while reducing rent-seeking.⁷⁸

Fifth, while compulsory membership of TOs may also help towards improving representation, the subject of advocacy forums by large businesses also requires attention. Advocacy forums by large businesses, such as the PBC, the PTC and PAC formed by leading local conglomerates, business groups and multi-national corporations, represent large scale industrial and financial sectors needed for driving

⁷⁷ B. Herzberg and A. Wright (2005). "Competitiveness Partnerships: Building and Maintaining Public-Private Dialogue to Improve the Investment Climate", The World Bank Group, Policy Research Working Paper Series, no. 3683. *The PPD Handbook: "A Toolkit for Business Environment Reformers"*, available at www.publicprivatedialogue.org/papers accessed on May 19, 2022.

⁷⁸ D. Rodrik (2004). "Industrial Policy for 21st Century", Special Publication for UNIDO. Cambridge, MA: Harvard University

economic growth and development. Although large businesses are also a part of various conventional TOs – i.e., chambers and associations – they are outnumbered by small and medium enterprises, because of which the interests of large scale industrial and financial sector is elbowed out. At the same time the interests of SMEs that mostly populate TOs are also important, whereas when large businesses are inactive in TOs or are less active, it leads to fragmented private sector representation and thereby complicates government-business relations.⁷⁹ Therefore, striking the balance in representation of the interests of both and ensuring effective functioning of TOs is what policymakers need to strive for.

Sixth, the private sector also needs to make TOs effective. The level of competition in Pakistan has been low, with little incentive for research, innovation, and efficiency. As a result, private sector has not faced pressure to improve productivity or search for new markets and products.⁸⁰ The corollary of this

has been low demand for archetypical market complementing services from TOs, and a failure to achieve economies of scale by pooling in resources using TOs as an institutional platform. However, Pakistan is taking gradual steps towards liberalization, which, as discussed in section S1.2, may encourage business community to reform the TOs.⁸¹ To that end, TOs will need to explore various business models for financial sustainability since strong business associations should be self-funded and offer market complementing services alongside the PPD function. As previously mentioned, funding for these may come from higher membership fees, tiered memberships, or pooling resources to offer demand-driven services like arbitration centres, quality testing labs, and labour training.

Lastly, academia and think-tanks may be encouraged to conduct periodic impact assessments and case studies on the nature and extent of the contribution of various TOs to Pakistan's economy.

⁷⁹ Schneider, B. R. (2015). "Designing industrial policy in Latin America: Business-state relations and the new developmentalism", New York, NY: Palgrave Macmillan US

⁸⁰ State Bank of Pakistan (2020). "Special Section: Technical and Vocational Education and Training (TVET) in Pakistan: Issues and Challenges for Productivity Enhancement, www.sbp.org.pk/reports/quarterly/fy20/Third/Special-Section.pdf

⁸¹ For instance, the country has moved towards market-based mechanism of exchange rate. Furthermore, the import tariffs are being rationalized under National Tariff Policy (2019) on capital goods, intermediate products and raw materials to encourage competition in the domestic market. Source: Ministry of Finance (2020-21), Economic Survey of Pakistan

Annexure I – List of Trade Organizations Surveyed⁸²

Table A: Leading chamber & association surveyed for Section 3

S. No	Associations and Chambers	Acronym	S. No	Associations and Chambers	Acronym
1	Federation of Pakistan Chambers of Commerce and Industry	FPCCI	10	Pakistan Chemical Manufacturers Association	PCMA
2	Karachi Chamber of Commerce and Industry	KCCI	11	Rice Exporter Association Pakistan	REAP
3	Quetta Chamber of Commerce and Industry	QCCI	12	Surgical Instrument Manufacturers Association Pakistan	SIMAP
4	Sarhad Chamber of Commerce and Industry	SCCI	13	Pakistan Banks' Association	PBA
5	Lahore Chamber of Commerce and Industry	LCCI	14	Pakistan Software House Association	PASHA
6	Faisalabad Chamber of Commerce and Industry	FCCI	15	Pakistan Sugar Mills Association	PSMA
7	Rawalpindi Chamber of Commerce and Industry	RCCI	16	Pakistan Vanaspati Manufacturers Association	PVMA
8	Sialkot Chamber of Commerce and Industry	SCCI	17	Pakistan Automotive Manufacturers Association	PAMA
9	Islamabad Chamber of Commerce and Industry	ICCI	18	All Pakistan Cement Manufacturers Association	APCMA

Table B: Leading textile associations surveyed for Section 4

1	All Pakistan Textile Processing Mills Association	APTMA	8	Pakistan Denim Manufacturers and Exporters Association	PDMEA
2	All Pakistan Bed Sheets & Upholstery Manufacturer's Association	APBUMA	9	Pakistan Hosiery Manufacturers & Exporters Association	PHMA
3	All Pakistan Cotton Power Looms Association	APCPLA	10	Pakistan Readymade Garments Manufacturers And Exporters Association	PRGMEA
4	Pakistan Bedwear Exporters Association	PBEDWEA R	11	Pakistan Silk & Rayon Mills Association	PSRMA
5	Pakistan Knitwear & Sweaters Exporters Association	PAKSEA	12	Pakistan Textile Exporters Association	PTEA
6	Pakistan Cotton Ginners Association	PCGA	13	Towel Manufacturers Association of TMA Pakistan	
7	Pakistan Cloth Merchants Association.	PCMA			

⁸² The TOs were surveyed in January, 2022. In addition to the organizations listed, a few other TOs were also approached but they did not respond.

Annexure II – Questionnaire⁸³

Basic Information	
Name of Organization:	Year Founded:
Name & Designation of Respondent:	Date:
Membership, Structure, Organization, Finances	
1)	Do you have different tiered membership pricing and service levels? (Tick one)
	a) Yes, we have different pricing plans and categories for different members <input type="checkbox"/>
	b) No, we charge all our members the same, and tiers or categories do not exist <input type="checkbox"/>
2)	Are there separate departments for each of the following activities: each dept. with its own full-time paid staff of relevant professional qualification? (Tick those that apply)
a)	Research <input type="checkbox"/>
b)	Intellectual Property Rights <input type="checkbox"/>
c)	Legal Aid <input type="checkbox"/>
d)	Training and development of members <input type="checkbox"/>
e)	Organize & Manage B2B networking and corporate affairs <input type="checkbox"/>
f)	Managing Quality Certification, Labelling, Testing Labs etc. <input type="checkbox"/>
3)	Does your organization formulate a long-term strategic business plan (3-5 years) with specific targets and goals as milestones during the plan period? (Tick one)
a)	Yes, shared with DGTO, only <input type="checkbox"/>
	b) Yes, shared with public <input type="checkbox"/>
	c) No <input type="checkbox"/>
4)	Does your organization publish annual reports with details about organization's performance, activities, initiatives and financial expenditure? (Tick one)
a)	Yes, and made public <input type="checkbox"/>
	b) Yes, but not made public <input type="checkbox"/>
	c) No <input type="checkbox"/>
5)	How many subcommittees/councils exist in your organization that focus on special issues relating to the area/industry represented by your organization? (Tick one)
a)	None <input type="checkbox"/>
b)	1-3 <input type="checkbox"/>
c)	3-5 <input type="checkbox"/>
d)	5-7 <input type="checkbox"/>
e)	More than 7 <input type="checkbox"/>
Advocacy and External Relations	

⁸³ The questionnaire is based from preliminary discussions with TOs representatives and a review of following papers: R. Strohmeyer, M. Pilgrim, F. Luetticken, R. Meier, H.G. Waesch, and I. Arias (2005). *Building the Capacity of Business Membership Organizations: Guiding Principles for Project Managers*. A Handbook by Small and Medium Enterprise Department, World Bank. Washington D.C.: World Bank; OECD (2018). "How can Private Sector Organisations Contribute to Economic Resilience in Fragile and Conflict-Affected Contexts in The Middle East and North Africa?". Background note for the MENA-OECD Economic Resilience Task Force. Paris: OECD; R. Doner and B.R. Schneider (2000). "Business Associations and Economic Development: Why Some Associations Contribute More Than Others." *Business and Politics*, Vol. 2, No. 3; L. E. McCormick (2000). *An Analysis of the Economic Development Role of Business Associations and Other Intermediary Organizations Serving Appalachian Industries*. Volume 1 of Report submitted to the Appalachian Regional Commission. Washington D.C.: Appalachian Regional Commission.

6) Do your organization have joint advisory boards with various government ministries and departments?
(Tick one)

- a) Yes ☐ b) No ☐

7) Does your sector have joint advisory board for all associations representing all businesses upstream and downstream? (Note: This question applies to association and not on chambers) (Tick one)

- a) Yes ☐ b) No ☐

8) What are the tools used by your organization to steer government's macroeconomic, sectoral policy and other related policies? Kindly also mention the average number of times the tool is used in a year. (Tick only those that apply)

Tools		
a)	Press releases	<input type="checkbox"/>
b)	Letters to ministers/secretaries	<input type="checkbox"/>
c)	Website presence	<input type="checkbox"/>
d)	Social media presence (Linked, Twitter, etc.)	<input type="checkbox"/>
e)	Direct engagement with media (newspaper columns, interviews to TV channels, press conferences etc.)	<input type="checkbox"/>
f)	Policy briefs (for e.g. short one or two page summary of key issues/solutions)	<input type="checkbox"/>
g)	Research papers (detailed studies)	<input type="checkbox"/>
h)	Conferences	<input type="checkbox"/>
i)	Seminars & Roundtable discussions	<input type="checkbox"/>
j)	Advocacy trips: members' meetings with ministers	<input type="checkbox"/>
k)	Advocacy trips: members' meetings with bureaucrats	<input type="checkbox"/>

How many times tools f-k have been used in the last 3 years

9) Has the government delegated (or collaborated for the delivery) any of public function to you?

- a) Yes, on temporary basis ☐ a) Yes, on permanent basis ☐ b) No ☐

10) If yes, which of the following (Tick those that apply)

- a) Distribution of exports quota ☐
b) Collection of Cess, and/or any other type government taxes or charges ☐
c) Assist in ensuring that quality standards are followed ☐
d) Assist in monitoring labor laws ☐ e) Others

Services

11) Which of the following services are provided by your organization? (Tick those that apply)

- a) Visa Facilitation ☐
b) Certificate of Origin ☐
c) Help desk (for e.g. providing information & assistance to current/potential new members) ☐
d) Exchange visits to international counterparts ☐

12) Does your organization offer resource pooling for its members for any of the following? (Tick only those that apply)

- a) Testing labs ☐
b) Research to explore new export markets; new products. ☐
c) Combined raw material purchase (for e.g. to lower per unit prices) ☐
d) Labour training ☐
e) Technology adoption ☐

13) Is there an arbitration/mediation centre within your organization?

	Yes	No	If yes, then	
			Date of formation	Total cases/disputes resolved to date
Arbitration centre	<input type="checkbox"/>	<input type="checkbox"/>		

Mediation centre ☐ ☐

14) Which of the following B2B networking events do you organize? Please also mention the frequency of the event.

Event	No	If yes, what is the frequency (tick all that apply)					
a) Conferences	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
b) Seminars	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
c) Trade Fairs & Exhibitions	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
d) Matchmaking service (to connect companies with common business interests, complementary services, expertise, technologies etc.)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	

15) Which of the following reports and research initiatives are published or conducted by your organization?

Research Initiatives	No	If yes, what is the frequency (tick all that apply)					
a) Sectoral Data (for instance sales, employment data for the relevant industry)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
b) Market Insights (for instance market sizing, analysis of demand/supply drivers)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
c) Reports on Macroeconomic Trends and Challenges	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
d) Survey and Opinion Polls (for instance on employment situation, interest rate, etc.)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
e) Trade and Investment Reports (research on new potential markets, information on regulatory laws and certification requirement of new markets)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
f) Assessment of Hard (road, rail, etc.) and Soft (education, health system etc.) Infrastructure	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
g) Research in collaboration with academia (for e.g. for product R&D or market research)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
h) Research in collaboration with external research organizations (e.g. KPMG, AC Nielson, etc.)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
i) Conducting sectoral strategic planning for relevant industry (planning for future changes in markets, technologies, labor needs, and consumer/product trends.)	<input type="checkbox"/>	Ad hoc <input type="checkbox"/>	Monthly <input type="checkbox"/>	Quarterly <input type="checkbox"/>	Biannually <input type="checkbox"/>	Annually <input type="checkbox"/>	
j) Annual Sectoral Reports	<input type="checkbox"/>			Yes <input type="checkbox"/>			
k) Daily Briefs	<input type="checkbox"/>			Yes <input type="checkbox"/>			