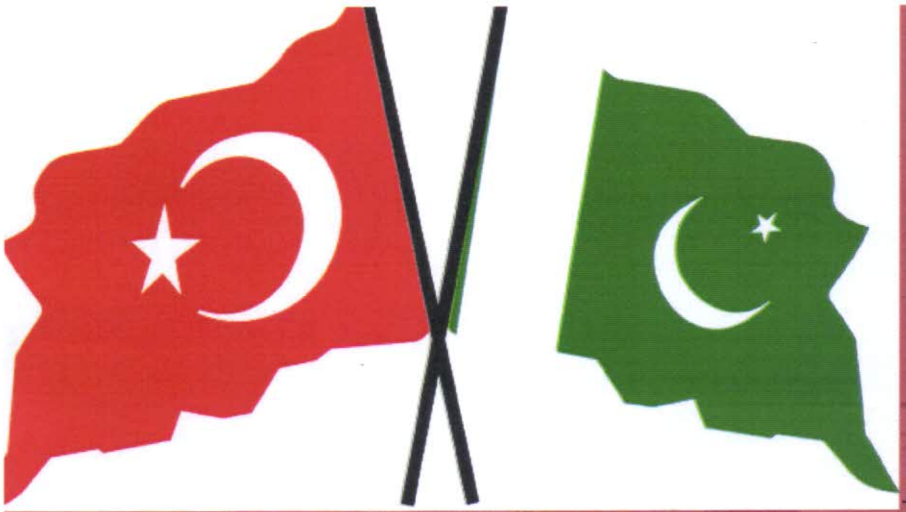

Report on Study Tour to Turkey

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PUNJAB CLUSTER DEVELOPMENT

UNIDO

ACKNOWLEDGEMENT

The milestones achieved so far in the project including a study tour to Turkey is the result of combined support of various individuals / institutions, who deserve a word of gratitude.

The role of Punjab Small Industries Corporation (PSIC) is acknowledged for execution of this important initiative for the uplift of the small & medium enterprises (SMEs). The initiative will, enable the CDI team, to assist/facilitate the clusters in improving their competitiveness and integration into global value chain. The CDI team is grateful to Dr. Muhammad Mujtaba Piracha, Secretary Industries, Commerce & Investment, Government of the Punjab and Mr. Khalid Saleem, Managing Director, PSIC for their continued support and guidance throughout the execution of the project.

We are thankful to Mr. Badar ul Islam, National Program Coordinator, UNIDO for capacity building of CDI team and arranging tour to Turkey for benchmarking of the clusters of Punjab viz-a-viz better performing clusters of Turkey. We are especially thankful to Mr. Vedat Kunt, International Cluster Expert, UNIDO for conducting the tour in a very orderly manner and for being supportive throughout the tour.

CDI team acknowledges the support of associations (SIMAP, PAAPAM, PFMA, PRGMEA) as without their support this initiative could not be realized. Their support has been immense throughout the execution of the project.

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GLOSSARY

Competitive Reinforcement Initiative (CRI)

Packages that are based on the selection of clusters within priority sectors and areas within their operations which exhibit high potential for improvement and/or growth and incorporate plans for working with the firms involved to deliver these outcomes.

Customs Union

A group of states that have agreed to charge the same import duties as each other and usually to allow free trade between themselves.

GDP (Gross Domestic Product) – per capita

Per capita GDP is a measure of the total output of a country that takes the Gross Domestic Product (GDP) and divides it by the number of people in that country.

International Competitiveness

The ability of a firm or a country to compete in the international market.

Competitiveness

Competitiveness is capacity of countries to increase their industrial presence in domestic and international markets while developing industrial structures in sectors and activities with higher value added and technological content.

URGE projects mechanism

1. An organization such as Chamber, Organized Zone, Exporters Association, Sectoral Associations, etc. can apply to Ministry of Economy's (MoE) URGE program. They have to gather minimum 10 companies as a group (or in this case called as a cluster).
2. Once MoE gives the green light, first they conduct a needs analysis. This analysis is carried out by professional companies and the report is approved by MoE.
3. According to the outcome of the analysis, several training and consultancies can be carried out.
4. Total budget for Needs Assessment and Training-Consulting is 400.000 USD. 75% is paid by the MoE. First Organization spends then approved and reimbursed.
5. Once training and consulting starts, the group can take 10 outbound B2B missions to target markets and 10 inbound missions for buying groups. Each has max 150.000 USD budget.
6. Project is for 3 years and if successful, it can be extended for another 2 years. Same organization can apply for another project for the same cluster as well.

1 STUDY TOUR OF CLUSTER DEVELOPMENT INITIATIVE TO TURKEY

1.1 Background

The Cluster Development Initiative (CDI), under Jobs and Competitiveness Program of Government of Punjab (J & C P for R), has been envisioned to increase the competitiveness of export oriented and high growth industrial clusters of Punjab by studying best practices and benchmarking against the best performing, comparable clusters of the world.

A Trust Fund Agreement (TFA) that was signed with UNIDO for technical assistance, included capacity building of the cluster management teams, designing and assisting in implementation of Competitive Reinforcement Initiatives (CRIs) and improving policy framework for strengthening the cluster development. Under the capacity building output, a series of classroom / on the job training and study tours have been envisaged for developing the skills and expertise of the cluster management teams. Pursuant to the above and to provide an opportunity of cross learning through studying better performing clusters, UNIDO organized an international study tour for the CDI team. As the clusters selected under CDI (Readymade Garments, Leather Footwear & Products, Auto Parts, Surgical Instruments) are present in Turkey and show exports that are indicative of high performance, development and sustainable growth, Turkey was selected as the ideal destination.

On a summary regarding the study tour of the CDI team Chief Minister, Punjab, also approved the name of Mr. Jawad Khan, Chief Executive Officer of Punjab Skills Development Fund (PSDF) to accompany the CDI team. Consequently, a team of members from the CDI, UNIDO and PSDF was formed to visit Turkey. The list of members is placed at **Annex - A**

The relevant associations (PRGMEA[1], PAAPAM[2], PFMA[3] & SIMAP[4]) of the selected clusters were informed and sought for their input regarding any area of interest. A presentation was prepared by the CDI team that was further reviewed by the Managing

[1] Pakistan Readymade Garments Manufacturers and Exporters Association
[2] Pakistan Association of Automotive Parts & Accessories Manufacturers
[3] Pakistan Footwear Manufacturer Association
[4] Surgical Instrument Manufacturers Association of Pakistan

Director, PSIC to be given at the relevant forums during the tour. The presentation is placed at **Annex – B**

1.2 Objective of the Study Tour

The objective of the study tour was to study best practices, observe and learn from other best performing comparable clusters and to enhance the capacity of the cluster managers. It will provide an opportunity to compare the selected clusters in Punjab to the clusters in Turkey. This comparison would lead to impact in terms of value addition, export integration, job creation and inclusive sustainable growth.

The CDI teams have conducted Diagnostic Study Reports (DSRs) through primary and secondary research, to comprehend the existing dynamics in their respective clusters in Pakistan. The study tour helped to compare and analyse gaps in terms of design & development, productivity, marketing, skills development and integration with international compliance regime between clusters in Pakistan and Turkey.

Visits to cluster organizations, support institutions, associations and chambers were arranged to help the CDI team to identify the best practices, models and mechanisms to further strengthen the cluster development interventions. The visit itinerary is placed at **Annex – C**

1.3 Profile of Turkey

Turkey's economy, coupled with its location, was instrumental in its recognition as a regional power. Turkey's largely free-market economy is driven by its industry. Some of the key statistics of Turkey are summarised as below:

Indicator	Value
GDP - per capita	$10,700 (2016)
Industrial production growth rate	Avg 6.2% (2017 - 2018 est.)
Labour force	47.3 million (2017 est.)
Exports	$157.1 billion (2017 est.)
Imports	$234.2 billion (2017 est.)
Export commodities	Apparel, foodstuffs, textiles, metal manufactures, transport equipment, refined petroleum, raw iron bars, wheat flours, citrus fruits

Import commodities	Rice, leather, textile & fabric, sports goods, medical equipment
Source: CIA Fact Book	

Export in Selected Sectors under the CDI intervention

Sector	Export Value (Bn US$)
Auto Parts	19.80
Ready Made Garments	14.77
Footwear	0.70
Surgical Instruments	0.17
Source: Trade map	

The automotive, petrochemical, and electronics industries have risen in importance and surpassed the traditional textiles and clothing sectors within Turkey's export mix.

The Customs Union, which entered into force on January 1, 1996, constituted the most important step for the modernization of the Turkish economy and its integration into world trade system. It effectively abolished all customs duties and charges and implemented a common customs tariff to the outside world. This triggered formation of policies, including intellectual property laws, to be compatible with those of the Union in addition to adhering to the EU quality standards.

Clustering as a tool is critical for the development of SMEs. The clustering concept and initiatives began to take root in Turkey in 2000. This included development of policies that consisted of infrastructural investments, R&D incentives for firms and legal regulations in order to develop a better environment for businesses. The per capita income of Turkey in 1996 (US$ 3052), in 2006 (US$ 8034) and in 2016 (US$ 10787). Conversely, per capita income of Pakistan is US$ 1486. Continuity in government policies coupled with effective implementation have resulted in the economic turnaround of Turkey.

The government has provided a strong platform to enhance the competitiveness and productivity of the industry through developed infrastructure, consistent policies and various financial incentives and projects. The UR-GE projects, which have been discussed in detail in the report, are one such example. However, the private sector takes the lead in matters related to industrial growth with minimum interference from the government. Short-term, medium-term and long-term goals are defined with consultation of all the stakeholders (industry, academia, association and support organizations).

2 A REVIEW OF BEST PRACTICES & ASESSMENT OF CLUSTER DEVELOPMENT IN TURKEY VIZ A VIZ PAKISTAN

As mentioned earlier, the cluster teams carried out diagnostic studies of their respective clusters before the study tour of Turkey. On the basis of the recommendations of the diagnostic study, possible interventions and actions plans were chalked out to support and uplift the cluster. During the tour, emphasis was made on areas of possible interventions and how the clusters of Punjab can benefit from it. The possible areas of interventions include:

1. Productivity Improvement
2. Marketing / Promotion
3. Research & Development
4. Capacity Building / Skills Development
5. Compliance

Meetings with manufacturers, chambers, unions, associations, training service providers, development agencies, industrial estate development and management organizations, universities and techno parks were held.

During the tour, it was learnt that strong public - private sector cooperation and collaboration exists in Turkey. All the actors, public or private work and operate in close coordination to complement the efforts of each other to uplift the economy of the country. Private sector is given the lead for achieving sustainable industrial growth and is backed with strong support from the government. Chambers, Unions, Associations, Academia and all other business development service providers (BDSPs) are involved with the government for formulation of policies and strategies for the growth and betterment of industry. These policies are long term, sustainable and implemented effectively.

Government provides financial support and incentives to the companies / manufacturers under various projects especially UR-GE project to increase the international competitiveness of the industry and for better linkage / connectivity with the global value chain. Under UR-GE projects, government provides up to 75% of the project cost while 25% is borne by the beneficiary company(s). The mechanism includes; need assessment of the requisite target area, along with the feasibility report which is submitted to the relevant association, chambers of commerce /unions, which evaluates and gives recommendations to the umbrella organizations that undertake UR-GE projects for application, management and implementation. A committee comprising development agency officials, representatives from academia and industry, headed by the Governor of the province evaluates the project(s). If the project proposal is feasible and aligned with the national targets, the grant is then channelized to the beneficiary company(s). The projects are awarded to single or a group (cluster) of companies.

During implementation, Business Development Service Providers and support institutions are engaged. The progress of the project is closely monitored by the development agency and concerned chamber/union.

Academia is actively involved in UR-GE and other such projects especially related to research and development. A sizeable budget is ear marked every year by the government. These projects are designed for 3 years but can be extended for further 2 years.

Under UR-GE projects, a group of companies can apply for projects after needs analysis and approval from the Ministry of Economy in the following key areas:

- Productivity Improvement, Research and Development and Technology Development / Acquisition
- Compliance
- Skills Development
- Marketing / promotion

The areas of interventions highlighted in the diagnostic studies carried out by the cluster teams and the above areas in which clustering initiatives are taken by Turkey are almost similar.

2.1 Research and Development, Technology Development/Acquisition and Productivity Improvement

To enhance and support the industry with regards to productivity improvement, government support programs are available for industrial sector in Turkey. Majority of the factories are purpose built in order to implement lean manufacturing techniques. In companies where superstructures are built for generic purposes, support programs are acquired to implement contemporary manufacturing practices on shop floors. The academia has a major role to streamline production floors of the companies, which provides thorough and regular consultation to the manufacturing firms.

Pertaining to research and development activities, TUBITAK is the core organization which works under the Ministry of Development of Turkey. During the visit, it was observed that all the stakeholders were actively involved in research and development activities under the guidance of researchers and academicians. Qualified staff such as engineers were engaged in research and development which is not a common practice in Pakistan. Turkish government supports and encourages the industry to carry out these activities using the platform of universities and are monitored and evaluated vigorously. R&D centres are established inside the industry which further strengthens the industry academia linkage. TUBITAK has devised a comprehensive research and development framework mechanism which is absent in case of Pakistan.

For technology development and acquisition activities, again research and development centres are given lead to acquire breakthrough technology and indigenize it for the local use. Hence, industry is able to implement and use latest technology within the shop floors. Industry is able to manufacture products for hi-tech sectors such as defence, aviation and aerospace. This scenario is not common in Pakistan, as currently there is no technology development / acquisition organization at national or provincial level. This is also the reason for industry being left behind in terms of technology as compared to the regional economies.

This scenario is rare in Pakistan as the SMEs face lack of funding with regards to productivity related issues. However, Federal Ministry of Science and Technology (MOST) has taken the initiative on Productivity Quality & Innovation (PQI) which was inaugurated in 2016. PCSIR has the main role for implementation of this initiative with National Productivity Organization (NPO) and Higher Education Commission (HEC) as implementation partners. Through this initiative, companies can acquire grant pertaining to compliance and certifications and other productivity related issues. However, lead of private sector for this initiative is given less significance resulting in a small number of companies benefiting from this initiative due to delays and cumbersome procedures.

2.2 Compliance

The location of Turkey is geopolitically important and crucial as it serves as a gateway between Europe and Asia. The government of Turkey has tremendously benefited from its important geopolitical location by harmonizing and developing its industry in line with the European

compliance regime. All the business development service providers as well as manufacturers follow the pre-requisites in terms of certifications and standards to export to the European markets. For this reason, Europe is the biggest export market for Turkey.

In Pakistan, compliance regime is very weak. There is no harmony in standardization and different business development service providers and manufacturers work in isolation. Due to this, several standards exist in Pakistan causing difficulties, especially to the exporters. Hence, it is more complex for the exporters to export to the potential export destinations.

2.3 Skills Development

For training/capacity building in Turkey, TURKAK is the main certification and accreditation body for the technical and vocational training programs. It adopts the European standards for the capacity building of the workforce, which is eligible to work in Europe. Training institutions are established, owned and managed by the private sector, for which seed money is given by the government. The examination centres are being established through government funding but are owned and managed by the chambers of commerce and industry. Examinations of not only qualified/trained workforce are taken, but also semi-skilled/skilled workforce (who are not trained by any vocational school). These tests include both practical and theoretical component. The examination centres exhibit actual working conditions, in which the candidate has to show his skills in order to clear the exam. The exam fee which is approx. 200 US$ paid by the candidate is reimbursed if he / she passes the exam. There are three chances to appear in any vocational exam with single fee. For dangerous trades like construction, lift operators, machinist, plumber etc, it is compulsory by law for the employee to get the vocational trade certification and for employer to hire certified workforce. Industry academia linkage is very strong as the trainers / examiners are taken from the academia having experience of the industry. Hence industry, academia and government work in complete harmony where lead is given to private sector to achieve national goals.

In Pakistan, majority of the technical and vocational training institutions are established, owned and managed by the government. The private institutions are owned by the large entrepreneurs and are required to get affiliated with the provincial technical and vocational training authority. The industry academia linkage is weak and most of the curricula is designed in isolation, with least involvement of the industry. Initiatives like Punjab Skills Development Fund Company have played a positive role to turnaround the situation, but more effort is required. Chambers of Commerce & Industry and associations work in isolation, hence deteriorating the overall delivery mechanism. It is pertinent to mention that Pakistan has a population pool of approx. 100 million under the age of 30. If this young population is trained at par with the standards of European Union, or other developed countries, it can be a huge source of foreign exchange for the country. It will also provide a tremendous scope and opportunities to work in those developed countries. PSDF along with TEVTA and other such organizations may study and adopt the models and approaches followed by Turkey with regards to skills and capacity building in order to have qualified, employable and exportable human resource.

2.4 Marketing / Promotion

For marketing promotion and branding, government support is also channelized through support programs, as described previously. Associations through Chambers of Commerce & Industry and Unions are active in marketing, branding and export promotional activities / projects. Under such projects, marketing strategies trade fairs and exhibitions, international missions and buyer's missions are organized by the chambers / associations and unions. Awareness seminars / workshops and B2B meetings are also being organized from the platform of chambers/associations and unions. The chambers, associations and unions work in complete harmony towards the national goals.

In this regard, it was learnt that Istanbul Fashion Academy which is run and managed by ITKIB helps the member companies in marketing, branding and designing. They also participate actively in most of the internationally renowned trade fairs, expos and fashion weeks with the support of government funding. Government also supports associations and manufacturers in buyer's mission to Turkey by reimbursing the cost of boarding and lodging of the mission participants. This was learnt in the meeting with Aegean Region Refrigeration Industry and Business Association.

In Pakistan, the associations have weak linkages with chambers of commerce and industry. No such collaborations exists and they work in parallel. The development agencies such as TDAP, PBIT and BOI have reactive approach towards marketing and promotional activities. Chambers have their own working agenda which is, at times, not linked with the national goals. Hence, the national targets are not met. There is lack of international exposure for local companies especially SMEs who cannot afford to participate in international exhibitions due to limited resources. It is also pertinent to mention that due to high cost of doing business in Pakistan, manufacturers are shifting towards trading by getting their products manufactured from China, as it is more profitable and feasible.

2.5 Stakeholder analysis in Turkish Economy with regards to Clustering

2.5.1 Chambers of Commerce & Industries & Associations

The Chambers of Commerce & Industries, Unions and associations have a pivotal role for industrial growth and development in Turkey. They all have a well-defined structure backed by strong government support. They have huge developmental budgets with a well-trained and qualified workforce. All the exporters are bound to be members of Chambers and Associations. In return, they pay a percentage of their exports to the Chambers and association to make them self-sustainable and take new initiatives for industrial support.

The funding from the government is disbursed through Chambers and Associations and a strong collaboration was seen. Chambers and associations are actively involved in policy making and implementation. All the visited chambers and associations, are carrying out clustering activities which includes need assessment, designing and implementation of support programs, marketing initiatives, training and capacity building, examination and certification of skilled workforce, export promotion, etc. with the funding from government for 3~5 years projects.

They are all governed by an independent board of directors, elected every four years with no representation from the public sector. The check and balance mechanism is also comprehensive which is done through continuous feedback from the members.

2.5.2 Business Development Service Providers (BDSPs)

The BDSPs in Turkey have a well-defined role for development of industrial sectors in Turkey. They have strong industry and academia linkages not only in Turkey but abroad (especially in EU states) as well. The BDSPs have the required infrastructure and human capital to support the industrial sectors, which is further reinforced by the strong government funding and dialogue. The BDSPs are not only providing services in Turkey, but also supporting lesser developed countries like Iran and Africa. The BDSPs are also supported by the government especially by Ministry of Industries and Economy to work towards self-reliance of the service provider. Until 100% self-sustainability, they are continuously supported through government funding. Few BDSPs also act as technology acquisition companies, which afterwards indigenize and disseminate the technology in the industry.

2.5.3 Factories

It was observed that the companies have strong R&D with government support. The qualified and trained staff is hired by the company owners. Main focus is towards achieving the national goals. The industry has very strong academia linkages. Numerous ongoing and completed research projects were shown during the visits, to enhance productivity, quality, and reduction in cost of doing business. The workforce is hired on permanent basis with no piece rate, hence the quality of goods manufactured is of very good standard. Health and safety measures and better working environment are assured by the management as mandatory by the government. It was also observed that the latest technology has been adopted by the companies for efficient and quality production.

2.5.4 Institutions

It was observed that institutions work in close collaboration with the industry and BDSPs. Almost all the universities have Technoparks which support the pass outs and other interested students / people to become entrepreneurs. The technoparks have a comprehensive guidance and handholding mechanism which provides new entrepreneurs incubation environment to thrive their businesses. Once a business achieves sustainability, the support is withdrawn for new companies to come. A central repository of 'Lessons Learnt' is also maintained by the technoparks in order to continuously improve service deliverance. Research on new technologies is taken up by the universities, which is then commercialized from the platform of technoparks to acquire patents.

Moreover, it was also observed that the Turkish government has given the mandate of science, industry and technology to only one ministry for better coordination and policy formulation as they are all closely linked with each other. It was also observed that there is only central ministry with regional directorates, which consequently harmonizes the whole delivery mechanism to the industry doorstep.

2.5.4.1 KOSGEB (SMEs Development Organization Izmir North Directorate)

KOSGEB is a federal government organ working under the auspices of Ministry of Science, Technology and Industry. KOSGEB has been mandated for the development of SMEs through provision of financial and non-financial support mechanisms. For any firm or group of firms to avail the support from the KOSGEB it is mandatory to be registered with KOSGEB.

An important aspect contributing to the success of KOSGEB is strong liaison with private sector and academia. It is mandatory that a certain percentage of project cost should be earmarked for the academic support, especially in the projects related to R&D activities. For any UR-GE project to be implemented through KOSGEB at the cluster level, the relevant association ensures participation of the requisite number of companies and development of project proposal. Around 25% of the funds of budgeted proposal comes from the side of association ensuring seriousness on part of the private sector.

2.5.4.2 IZKA (Izmir Regional Development Agency)

IZKA is a regional development agency for Izmir working under the Ministry of Development and has a major role in the local cluster development initiatives. Major functions of IZKA include, increasing the local capacity of the region, providing financial support, promoting investment and business opportunities in İzmir and provision of consultancy services to new investors

PSIC and regional development agencies in Pakistan are functioning differently as compared to IZKA, KOSGEB and other such development agencies of Turkey. In Turkey, there is a bottom up approach and private sector brings the projects to the relevant agency (KOSGEB, IZKA) for support and funding. The process for acquiring such support is very convenient and formalized. The documents can be submitted online for processing and verification. Whereas, in Pakistan this approach is different as support programs are designed by the public sector (top down approach), hence hindering the overall delivery mechanism.

2.5.5 Organized Industrial Zones

In Turkey, there are currently more than 300 operational organized industrial zones working independently without the involvement of public sector. The Boards of Management of these organised industrial estates comprise of the industrialists that are housed in the relevant industrial estate. The government approves the establishment of an industrial zone on the recommendation of chamber of commerce & industries, which carries out need assessment and project feasibility. All utilities are provided to the members companies by the organized industrial zone which includes sustainable power supply through their exclusive power plants, and other municipal facilities with a huge laboratory for drinking and waste water analysis operating within the zone are charged to the member companies. The organized industrial zones may have their own vocational training institutes to support the industry by providing skilled manpower as per their demand. It carries out collaborative activities with the assistance of academia. Izmir Ataturk Organized Zone which was visited during the tour had its own vocational and technical training school (İAOSB Nedim Uysal Private Technical College) which was established, owned, and managed by the zone authority. The entry tests are carried out for the new entrants. The government provides the cost for the training / study of the students.

In Pakistan, whenever any new industrial set up is to be established, Industrial Estate Development and Management company carries out project planning in accordance with priority set by the provincial government. As such, no formal need analysis is carried out. Funding of the project is done by the government as a returnable loan which is returned after sale of plots. It is rarely interest free (though interest is nominal i.e. maximum 2.5 %). industrial estate development and management companies are self-sustainable through sale of plots. The industrial estate management company is responsible for provision of all utilities to the new industry from national resources. Waste water treatment plants are under construction for which capital cost is provided by the government and operational cost is planned to be borne by the user industry. The need of skilled manpower is filled through government vocational institutes like TEVTA and PVTC, but are not established, owned or managed by the relevant industrial estate management company. The management company does not have direct linkage with the academia which can be adopted from the model of Turkey. President Chamber of Commerce is a member of the board of industrial development & management company.

3 CONCLUSIONS

On the basis of meetings, observations and lessons learned during the study tour, it may be concluded that in Turkey lead is given to the private sector for sustainable industrial growth, through innovation, research and development, skills development, marketing and compliance to achieve international competitiveness. Government of Turkey, Chambers of Commerce and Industry, Associations and Unions, Development Agencies and Academia work in harmony in achieving the national targets of economic development.

In order to transform Pakistan's industrial sector from factor driven base to efficiency and knowledge driven paradigm, there is no choice but to formulate a comprehensive development strategy like the model adopted by Turkey by establishing TUBITAK. In this regard, gap analysis of the current situation (research and development, innovation and technology) involving all the stakeholders and benchmarking with the regional and global higher innovation countries may be carried out.

As far as cluster development is concerned, the current diagnostic studies of the selected clusters in Punjab have revealed very relevant challenges. It is recommended that piloting different interventions at the cluster level can generate considerable momentum. It can create buy-in of trust for public and private stakeholders to stick with the approach of sustainable cluster development by furthering collaboration. Prior to the Cluster development Initiative, there was a considerable trust deficit between the public and private sectors. The CDI acts as a bridge to curtail this gap by positive and regular interaction between the relevant stakeholders.

Comparing support mechanism of KOSGEB and IZKA and their rate of success with similar agencies in Pakistan, the Pakistani SME development agencies are facing different issues in which they lack competency to perform as per their mandate. For instance, PSIC is only performing functions such as micro financing to cottage industries, handicrafts development and establishment of small industrial estates. However, keeping in view the size of province of Punjab and its industrial base, PSIC neither has the initiatives accounting for the needs of industrial sector in Punjab nor has desirable collaboration with federal and provincial bodies to come up with a joint industrial development strategy for the province.

4 WAY FORWARD

1. Collaboration of selected clusters association with their Turkish counterparts is recommended, in order to adopt their best practices and management models for cluster governance. This will also promote competitiveness and diversify our export basket. In this respect, the Turkish associations have already expressed willingness for mutual cooperation.

2. Istanbul Fashion Academy (iMA) is a success story in itself contributing in the designing and other capacity building areas for the ready-made garment sector in Istanbul. The academy is well equipped in terms of HR, machinery and equipment and is involved in the major garments related fairs and exhibitions. Collaboration with iMA can be beneficial for the design studio intervention for the RMG cluster in Lahore. The academy can provide consulting services as to the establishment, training in design and development of RMG and can provide with curriculum development services for the professional development courses. Similarly, the academy is also conducting graduate degree programmes and can help improving PIFD garments related academic programmes.

3. Surgical instruments cluster in Sialkot may learn from the medical cluster in Izmir in bringing about product diversification challenge as well as marketing and branding strategy coupled with market diversification. As medical cluster in Izmir is not producing those products which are produced by the Sialkot cluster, collaboration and joint venturing can increase the product range of both countries and thereby can provide more attractiveness to the customers. However, there are stringent compliance requirements the Sialkot cluster will have to comply with in order to diversify its product range.

4. For the Footwear cluster, it is essential to develop a direct linkage between the Pakistan Footwear Manufacturing Association (PFMA) and the footwear associations of Istanbul, Izmir and Gaziantep and Konya. CDI may prepare an agenda focusing on areas of possible intervention. Relevant stakeholders of the cluster ecosystem may be included. Areas of intervention may include footwear design and development, market penetration into central Asian states including Russia, establishment of allied industry and basing the working of the footwear common facility centre along the model of IMA.

5. CDI may play an instrumental role in developing linkages with the allied industry of Turkey. It was observed during the tour that the shoe manufacturers buy raw material and other input accessories locally. The shoe parts manufacturers of Turkey may consider joint ventures in Pakistan. This would shift the focus from importing accessories to buying locally, reducing input cost and lead time and help towards local manufacturing of these components. Conversely, the Turkish companies would have access to a huge domestic market.

6. Auto parts is a thriving sector in Turkey and is very much aligned to the quality standards of EU and USA. All the major Original Equipment Manufacturers (OEMs) in auto are present in Turkey providing competitive advantage to the Turkish auto parts manufacturers in adoption of technology and embed high level of R&D activities at the firm level. Substantial level of robotics and well functioning lean production system can be observed at the auto parts companies in Turkey. Therefore, frequent interaction of the Pakistani auto parts manufacturers with their Turkish counterparts can help in improving technology and continuous improvement culture of the Pakistani companies.

7. In almost all the factories visited in Turkey, it was observed that the employees are permanent and highly skilled as compared to Pakistani manufacturers where contractual labor is in abundance. This is an important consideration as permanent employees have high risk and reward sharing in their respective company and therefore more likely to adopt best practices such as lean production and total quality management.

8. PSIC can benefit from the structure and functionalities of the KOSGEB and IZKA. A deep collaboration with these institutes can be established benefitting PSIC in carrying out SME development programmes. However, this will require reforms in PSIC's current organizational structure and will require commitment from the side of relevant competent authorities to carry out restructuring of PSIC. The ongoing restructuring of PSIC may be compared with KOSGEB and IZKA and may be customised keeping in view the local scenario.

9. Linkage of Research and Development Centres and Universities of Turkey with local counterparts is another avenue to work on, which may foster innovation and research and development in relevant clusters. Key academic institutions identified in cooperation matrix of diagnostic study reports can be prioritized in the matter.

10. Out of 80 million, approx.50 million is skilled labour force in Turkey. Whereas out of 200 million, 100 million youth under the age of 30 in Pakistan is required to be made employable therefore, a holistic approach towards skills development is needed. A comprehensive framework with thorough involvement of private sector stakeholders is required. For this purpose, BUTGEM (Bursa Technology Development Centre), BTSO MESYEB and İAOSB Nedim Uysal Private Technical College, Turkey which are following EU standards, may be taken as benchmarks by TEVTA, PVTC, PSDF and other such organizations, enabling the huge chunk of population be employed. Reforms to streamline training and delivery mechanism may be ensured for sustainable quality of training.

11. As seen in Turkey, in order to achieve success in cluster development, it is important to have the industry operate in an organized industrial zone. Relevant departments in Punjab may study the model of Turkey regarding the establishment of organized industrial zones before conceiving the idea of and developing such initiatives.

List of Participants Visited Turkey

Sr. No.	Name	Designation
Cluster Development Initiative (CDI)		
	Mr. Fazal- Ur- Rehman	Project Director - Cluster Development Initiative (CDI)
	Mr. Muhammad Arslan	Cluster Manager Auto Parts - CDI
	Mr. Sabih Zaka	Cluster Manager Surgical Goods – CDI
	Ms. Farazia Majid	Cluster Manager Leather Footwear & Products – CDI
	Mr. Fawad Malik	Cluster Manager Ready Made Garments – CDI
Punjab Skills Development Fund (PSDF)		
	Mr. Jawwad Khan	CEO- Punjab Skills Development Fund (PSDF)
	Mr. Shoaib Mohsin	Head Monitoring & Evaluation – PSDF
	Ms. Madiha Sarim	Head Marketing & Communication – PSDF
	Ms. Azka Munir	Assistant Manager Partnerships & Placements - PSDF
	Ms. Sahar Nadeem	Associate Program Development – PSDF
	Ms. Mashal Yousaf	Research Associate – PSDF
United Nations Industrial Development Organization (UNIDO)		
	Mr. Qaiser Wasique	National Technical Expert

PUNJAB CLUSTER DEVELOPMENT

CLUSTER DEVELOPMENT INITIATIVE

Punjab Jobs and Competitiveness Programme (J & C for R)

THE WORLD BANK

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Cluster Development Initiative – A Way Forward for Economic Growth

Snapshot of Pakistan

- Population 207.7 million
- GDP growth rate 5.3%
- GDP $278.9 billion
- Total Exports $21.7 billion
- Total Imports $48.21 billion
- Top 5 Exporting Countries: US, China, UK, Afghanistan, Germany
- Top 5 Importing Countries: China, UAE, Saudi Arabia, Kuwait, Indonesia

Source : CIA Factbook & Pakistan Bureau of Statistics

Punjab Jobs and Competitiveness Programme (J & C for R)

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Cluster Development Initiative – A Way Forward for Economic Growth

Value Proposition of Punjab

11 Airports

107,973 km Road Network

State of the Art Industrial Estates

Metro Transport

Tourist Destinations

Strong Logistics Network

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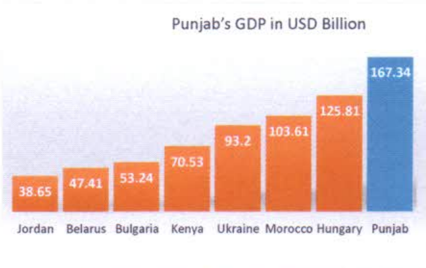
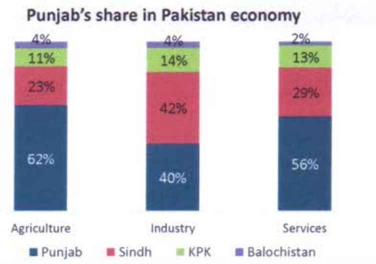
Punjab's Economy At a Glance

- Most urbanized province in Pakistan
- Accounts for 55% of the Population
- Contributes 60% to GDP
- 58% contribution to the Manufacturing Sector
- 68,000 Industrial Units
- 500,000 skilled graduates produced annually
- 5 out of 7 major urban centers located in Punjab
- 55% of population is below 30 years





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Special Industrial Estate under CPEC

Project Site: Allama Iqbal Industrial Estate
Area: 3000 Acres
Location: Faisalabad, Punjab

- Textile
- Pharma
- Construction Industry
- Chemical and Dyes
- Light Engineering
- Steel

Improved market access to EU (i.e.,GSP+) – Major attraction for Chinese manufacturers planning to relocate to Pakistan under CPEC

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Export Oriented Clusters of Punjab

- Cutlery
- Sports Goods
- Electrical Fans
- Protective Wear
- Leather-wear

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Pakistan vs Turkey : Key Indicators

Indicator	Pakistan	Turkey
Area	796,100 sq km	785,350 sq km
Population (million)	207.7	79.5
GDP (Billion)	$278.9	$863.7
Trade (% of GDP)	25.14	46.81
Total Exports(Billion)	$21.7	$157.3
Total Imports(Billion)	$48.21	$196.8
	Pak – Turkey Trade Statistics (2016)	
Pakistan's Exports to Turkey (Billion)	$0.236	
Turkey's Share in Pakistan's Total Exports	1.09%	
Pakistan's Imports from Turkey (Billion)	$0.26	
Turkey's Share in Pakistan's Total Imports	0.54%	*Source: World Bank, CIA Factbook & TradeMap*

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Cluster Development Initiative – A Way Forward for Economic Growth

Overview of Cluster Development Initiative Project

- Government of Punjab has started Cluster Development Initiative for the uplift of Industrial Clusters of Punjab and to create an enabling environment for growth and prosperity of industries
- The Cluster Development Initiative (CDI) is executed through Punjab Small Industries Corporation (PSIC) with United Nations Industrial Development Organization (UNIDO) as the implementation partner.
- The selected clusters under the CDI Project are Auto Parts, Readymade Garments, Surgical Equipment and Leather Footwear & Products.

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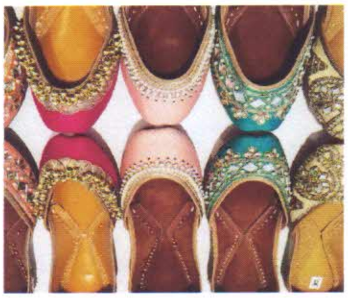
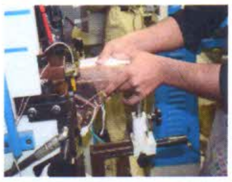
Cluster Development Initiative – A Way Forward for Economic Growth

LEATHER FOOTWEAR & PRODUCTS





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Cluster Development Initiative – A Way Forward for Economic Cooperation

Profile of Pakistan's Footwear Industry (HS Code 64)

	2014	2015	2016
Total Exports of Footwear (HS Code 64)	132 Mn	116 Mn	108 Mn
Leather Footwear (HS Code 6403)	110 Mn	91 Mn	86 Mn
Exports Contribution of Footwear	0.5339%	0.5297%	0.5260%
International Export Market of Footwear	141 Bn	133 Bn	135 Bn
Footwear Production	388 Mn Pairs	366 Mn Pairs	387 Mn Pairs
Footwear Import	9.5 Mn Pairs	10 Mn Pairs	11.7 Mn Pairs
Pakistan's Contribution to Footwear World Trade	0.09%	0.08%	0.08%
Annual turnover of Footwear Sector	Approximately 1.4 Billion USD (2016)		
Major Geographical Concentration	In & around Lahore, Karachi		

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Profile of Pakistan's Footwear Industry

Description	Indicator
Average price per pair	<10 $ (Exports) <4.96 $ (Imports)
Productive Assets Investment	USD 11.35/Per Pair
Total Productive Assets	USD 4.16 Billion (Estimated)
Output	2-3 Pairs/Per worker a day (Leather & high end Products) 12-18 Pairs/Per Worker a day (Synthetic & other low end products)
Employment	0.6 Million (Direct & Indirect)
Contribution to GDP	0.5%
Import Markets	China, Vietnam, Indonesia
Export Markets:	Germany, Italy, UAE, Spain

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Potential Areas of Intervention

Product Design & Development

Marketing and Markets

Productivity

Skill Development

Promoting Allied Industry

Compliance & Certifications

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READYMADE GARMENTS

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Profile of Pakistan's Readymade Garments Industry

	2014	2015	2016
Total Exports of Textiles	USD 13.8 Bn	USD 13.5 Bn	USD 11.9 Bn
Total Exports of RMG	USD 4.38 Bn	USD 4.48 Bn	USD 4.6 Bn
Exports Contribution of RMG	17.90%	18.80%	22.43%
International Export Market of RMG	USD 412 Bn	USD 445 Bn	USD 435.56 Bn
Contribution to RMG World Trade	1.06%	1%	1.06%
Sector Growth	RMG : 3.1% & Textile : 0.78%		
Employment in 2016	Approximately 2.5 million		
Geographical Concentration	Lahore, Karachi, Faisalabad & Sialkot		

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Overview of the Readymade Garments Industry

- Produces good quality cotton of medium size fiber.
- 4th largest producer and 3rd largest consumer of cotton.
- Majority of the manufacturers are full package suppliers.
- Abundance of skilled and semi-skilled labor.
- Low labor cost.
- Specializes in basic and medium end fashion products.
- Major export markets are Europe especially Germany, Spain & UK.

Trousers (Casual & Formal)

Work Wear / Uniforms

Shirts & T – Shirts

Skirts and Shorts

Kids & Babies Garments

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SURGICAL CLUSTER

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Pakistan Surgical Cluster

Cluster Location	Sialkot – A City of Punjab Province
Number of Units	3,600 (Large: 20 Medium: 50 Small: 150 Traders & Vendors: 3380)
Product Trade Code	HS Code 9018 (Medical, Surgical, Dentistry & Veterinary) (95% of the trade)
Annual Sale (HS Code 9018) (2016)	USD 365 million (Local: 5% & Exports: 95%)
Contribution to GDP	0.13%
Employment	Approximately 0.6 million

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Export (HS Code 9018) (USD Million)	2014	2015	2016
	340.93	350.63	346.58
Import (HS Code 9018) (USD Million)	2014	2015	2016
	216.16	227.55	268.89
Average Export Growth Rate	5.2% (2007 to 2016)		
Pakistan Share in World Export (HS Code 9018)	0.30% (Total World's export: USD 112.543 Billion)		
Major Export Destinations	USA, Germany, UK, France, India, China, Japan, Australia, Italy, Brazil		
Pakistan Share in World Import	0.24% (Total World's import: USD 110.053 Billion)		
Major Countries of Import	China, USA, Germany, Japan, Singapore, Ireland, Netherland, UK, Malaysia, Belgium		

Source: Trade Map

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AUTO PARTS CLUSTER

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Profile of Pakistan's Automotive Industry

	2014	2015	2016
Total Exports of Automotive Industry	USD 59.66 Mn	USD 45.02 Mn	USD 39.03 Mn
International Export Market of Automotive industry	USD 1.39 Tn	USD 1.32 Tn	USD 1.35 Tn
Sector Growth	7% ~ 8%		
GDP Contribution	2.3%		
Number of Units	3000+		
Employment in 2016	Approximately 1.8 million		
Geographical Concentration	Lahore, Karachi, and Gujranwala		

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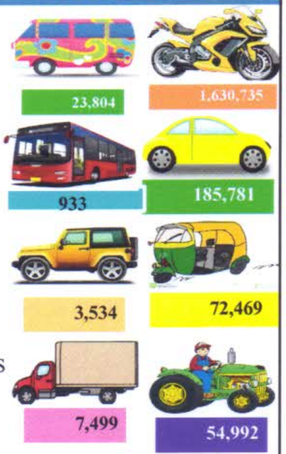
Overview of the Automotive Industry

Production 2016-17



- Contributes US$6 billion to the national economy,
- Auto parts depicts 16% of manufacturing sector
- 6th largest manufacturing sector
- Major export markets are Afghanistan, Bangladesh, Africa, USA especially & Europe
- Size of local market = 2 million vehicles per annum
- Annual Sales 2016-17 : US$ 4.01 Billion
- Productive Assets : 500 Billion PKR
- Technology involved:

Sheet Metal, Casting, Forging, Rubber, Plastics, Electronics

Source:
- Pakistan Automotive Manufacturers Association (PAMA)
- Pakistan Association of Automotive Parts Accessories Manufacturers (PAAPAM)

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Cluster Development Initiative – A Way Forward for Economic Growth

Potential Areas of Collaboration

- Joint Ventures
- Knowledge sharing
- Technology Transfer
- Capacity Building
- Research & Development
- Transfer of Skill at Technician level
- Product Diversification

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PUNJAB CLUSTER DEVELOPMENT

Cluster Development Initiative – A Way Forward for Economic Cooperation

Useful Links

Name	Website
Cluster Development Initiative (CDI)	http://www.cdi.psic.gov.pk/
Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA)	http://www.prgmea.org/
Pakistan Association of Automobile Parts & Accessories Manufacturers (PAAPAM)	http://www.paapam.com/
Pakistan Footwear Manufacturers Association (PFMA)	http://www.pakfootwear.org/
Surgical Instruments Manufacturers Association of Pakistan (SIMAP)	http://www.simap.org.pk/

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Thank you!

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STUDY TOUR AGENDA 24 APRIL – 2 MAY, 2018 (ISTANBUL-BURSA-IZMIR)	
DATE PLACE & TIME	**INSTITUTE/ORGANIZATION/COMPANY**
April 24 **İSTANBUL 10:00 -12:00**	IFA (İstanbul Fashion Academy)
April 25 **İSTANBUL 10:00 -13:00**	İTKİB (İstanbul Textile and Apparel Exporter's Union) TİM (Turkish Exporters Assembly) İDMİB (İstanbul Leather and Leather Wear Exporter's Union)
April 25th **BURSA 16:00-18:00**	YEŞİM Textile
April 26th **BURSA 09:30-14:00**	1.BTSO (Bursa Chamber of Commerce and Industry) 2. BUTEKOM (Bursa Technology Coordination and R&D Center 3. BUTGEM (Bursa Technology Development Center) 4. BTSO MESYEB SKILLS and JOBS Accreditation and Certification Center 5. BTSO EVM Energy Efficiency Center
April 26th **BURSA 14:00-16:00**	UIB (ULUDAG EXPORTERS' UNION)
April 26th **BURSA 16:00-18:00**	YEPSAN AUTOMOTIVE
April 27th **İZMİR 09:00-11:00**	1. İZKA (İzmir Regional Development Agency) 2. KOSGEB Small and Medium Enterprise Development Organization İzmir North Directorate
April 27th **İZMİR 11:00-13:00**	İESOB (İzmir Tradesman and Craftsmen Chambers Union)
April 27th **İZMİR 14:00-15:30**	İZTO (İzmir Chamber of Commerce)
April 27th **İZMİR 16:00-18:00**	1. TIPSAN MEDICAL 2. ZANDAR SHOES
April 28th **İZMİR**	1. EGE AYSAD –AEGEAN FOOTWEAR PRODUCERS ASSOCIATION 2. BİRSEV SHOES
April 30th **İZMİR 09:30-12:30**	İAOSB (İzmir Atatürk Organized Industrial Zone)
April 30th **İZMİR 12:30-14:30**	1. TOTOMAK 2. HIP KNEE MEDICAL
April 30th **İZMİR 15:00-16:30**	1. EBİLTEM (Aegean University Science Technology Center – Technology Transfer Office) 2. TEKNOPAREGE
May 1st **İZMİR 09:30-17:00**	Training
May 2nd **İZMİR 11:30-13:00**	DEMOTEKS
May 2nd **İZMİR 14:00-15:00**	ESBAŞ –Aegean Region Free Zone

Pictures Gallery

Meeting with Istanbul Fashion Academy on April 24th, 2018

Meeting with ITKIB and its affiliated organizations on April 25th, 2018

Meeting with ITKIB on April 25th, 2018

Souvenir Exchange at IDMIB on 25th April, 2018

Meeting with Bursa Chamber of Commerce and Industry and its affiliated organizations on April 26th, 2018

Meeting with Uludag Exporters Union on April 26th, 2018

Souvenir exchange at BTSO, Bursa on April 26th, 2018

Visit to YEPSAN Automotive, Bursa on April 26th, 2018

Visit to YEPSAN Automotive, Bursa on April 26th, 2018

Visit to Zafran Textile on April 26th, 2018

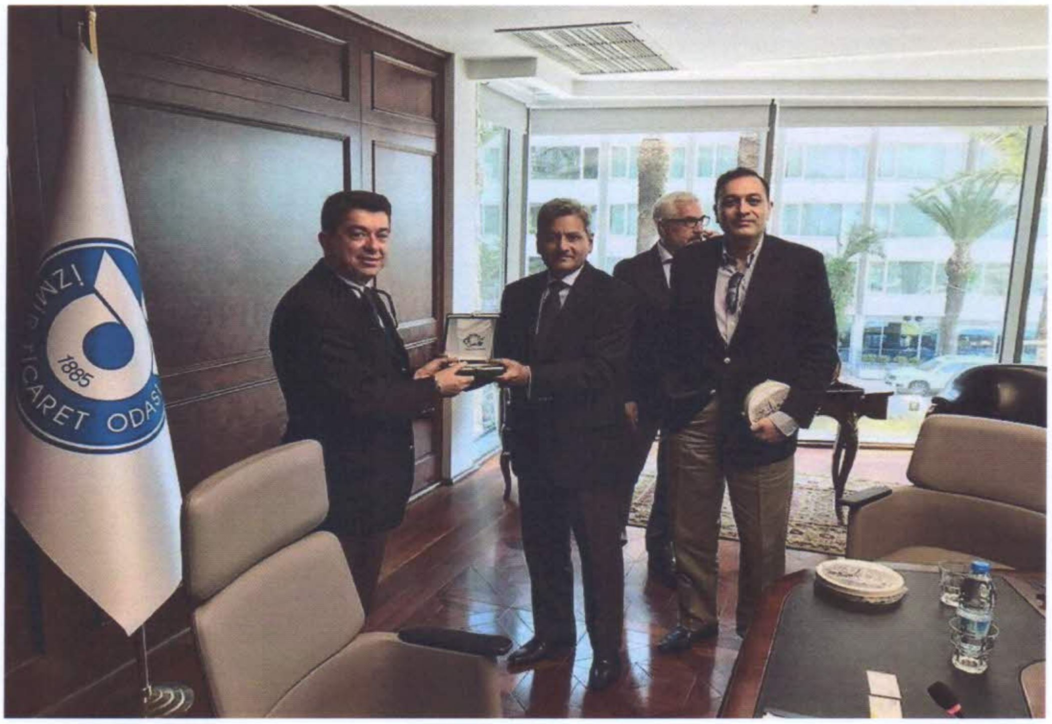
Meeting at Izmir Chamber of Commerce and Industries on April 27th, 2018

Meeting at Izmir Chamber of Commerce on April 27th, 2018

Meeting with Izmir Union of Tradesmen and Craftsmen on April 27th, 2018

Meeting with KOSGEB and IZKA on 27th April, 2018

Souvenir exchange at Izmir Chamber of Commerce on April 27th, 2018



Souvenir exchange at Izmir Chamber of Commerce on April 27th, 2018

Visit to Zandar Shoes on April 27th, 2018

Visit to Zandar Shoes on April 27th, 2018

Visit to Birsev Shoes on April 28th, 2018

Meeting with EGE University, Izmir on April 30th, 2018

Visit to IAOSB on April 30th, 2018

Visit to TOTOMAK on April 30th, 2018

Souvenir Exchange at TOTOMAK on April 30th, 2018

Visit to Izmir Ataturk Organized Industrial Zone on April 30th, 2018

Souvenir Exchange at IAOSB on April 30th, 2018

Souvenir exchange at Hip Knee, Izmir on April 30th, 2018

Meeting with DEMOTIKS on May 2nd, 2018