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Small-scale manufacturers face several barriers to growth: low productivity, high cost of inputs, and limited or no access to foreign markets, finance and technology. These barriers often have a lot to do with the size of the firms but evidence suggests that their growth is largely hampered by their 'isolated existence'. Individually, small-scale enterprises are not able to realise economies of scale, which makes it difficult, and costlier, for them to take advantage of market opportunities.

Many countries have helped their small companies overcome these barriers and unleash their potential through technical interventions at small costs. Such interventions become easier and more cost-effective when enterprises facing the same challenges and involved in the production of similar goods or services are located in clusters or closer proximity to one another. The spatial proximity, as well as shared needs and interests of these firms, allows policymakers to foster linkages among them for collective effort to break the barriers impeding them.

Realising the crucial importance of small-scale producers in boosting growth, exports, and creating jobs, the Punjab government launched a Punjab Cluster Development Initiative (CDI) to support growth and competitiveness of key manufacturing clusters in the province. The \$6 million initiative is part of the \$286 million Jobs and Competitiveness Programme, which is being financed jointly by the World Bank and the provincial government.

‘The purpose of Punjab’s Cluster Development Initiative is to create an environment for growth and prosperity, upgrade technology and enhance productivity, quality and profitability of small-scale local industries’

“The purpose of CDI is to create an enabling environment for growth and prosperity, upgrade technology and enhance productivity, quality and profitability of local industries,” CDI project director Tayyaba Kamal says.

“The overall objective is to drive productivity and competitiveness of export-focused small-scale manufacturing clusters, build the support infrastructure that underpins collaborative industry activity and address issues like the high cost of doing business, quality and delivery inefficiencies and lack of demand-driven export strategies.”

Tayyaba says the CDI experience shows that small, cost-effective technical interventions and a little bit of handholding can foster relationships among and significantly improve the competitiveness of the small-scale firms. “The cluster development interventions mainly focus on initiatives that encourage firms and their trade bodies to undertake collective actions to overcome the common challenges they face.”

She says the CDI was part of the provincial plan to enhance private sector development in line with the objectives of the industrial sector development plan under the Punjab Growth Strategy-2018, which targets to boost the provincial economic growth to seven per cent by 2023 and increase private sector investment and participation in the economy for creating jobs in the province.

The initiative, which is being implemented with the technical assistance from the United Nations Industrial Development Organisation (Unido), is at the moment supporting manufacturers of readymade garments, leather footwear products and auto parts in Lahore and surgical instruments industry in Sialkot. Among other successes, the initiative has supported firms manufacturing surgical instruments find a new market in South Africa and jointly market their products by forming consortia, as well as helped readymade garments exporters establish an Apparel Design and Research Centre (ADRC) and improve labour productivity and skill development. A similar design centre is being developed for the footwear exporters.

“We don’t impose any preconceived programme on the industries we work with for implementing the initiative. Our teams sit together with the individual firms and the industry association representatives, do a diagnostic analysis of their problems to identify potential leverage point for intervention and ask them to identify and priorities three areas where they want our support.

“For example, the producers of surgical instruments wanted us to first help them develop export marketing plans and find them new markets before assisting them in increasing productivity; ready-made garment firms needed technical assistance in running its design centre. In short, we focus on initiatives that encourage companies to undertake joint actions that create business opportunities for the entire cluster as a whole by removing obstacles to their growth and integrating them with global value chains,” Tayyaba Kamal says.

The CDI pilot interventions have financial and time constraints. Like all good things, the project will also expire next year, which raises worries over sustainability and continuity of these interventions. The initiative has shown firms and their representative associations a way forward and identified and established channels for future collaboration but concerns remain over the stakeholders’ willingness to institutionalise and pay for sustaining and expanding these interventions in future.”

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