



**TRADE RELATED TECHNICAL ASSISTANCE (TRTA II) PROGRAMME
PAKISTAN**

NARRATIVE REPORT

January-December 2010

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Table of Contents

	Page
1. Executive Summary.....	03
2. Establishment of the Programme Management Office (PMO).....	04
3. Conduct of Inception Phase and Stakeholders Consultation.....	06
3.1 Recruitment of Key National and International Experts.....	06
3.2 Consultations with Focal Points.....	07
3.3 Stakeholders Consultations and Analysis.....	08
3.4 Programme Start up: Inception Phase.....	11
3.5 Sector Specific Studies.....	12
3.6 Elaboration of Inception Report.....	16
3.7 National Workshop.....	17
4. Conduct of TRTA I follow-up Activities.....	17
4.1 Accreditation related activities.....	17
4.2 Calibration of Balance.....	17
4.3 Surveillance/Re-assessment Visits by Accreditation Body.....	18
4.4 SPS Compliance and Quality Infrastructure.....	18
5. Main Achievements/Results.....	18
5.1 Component 1.....	18
5.2 Component 2.....	18
5.3 Component 3.....	20
5.4 Overall Programme.....	21
6. Main difficulties encountered and measured taken to address them.....	21
7. Important next steps/actions and any change foreseen.....	22

1. Executive Summary

- 1.1 During the start up period of the Programme, the following three main activities were carried out:
 - Establishment of Programme Management Office (PMO)
 - Conduct of Inception Phase and Stakeholder Consultations
 - Conduct of TRTA I follow-up Activities
- 1.2 The TRTA II Programme Management Office (PMO) was rendered fully operational following recruitment of staff and procurement of equipment with fully functional and secured office premises. The staffing of TRTA II Programme Management Office was completed by November 2010 with recruitment of a Programme Officer for Component I activities.
- 1.3 The Programme Inception phase was successfully concluded by elaboration of the draft Inception Report, which was considered at a National Workshop. The Programme Steering Committee (PSC) held on 30 September 2010 approved the Inception Report.
- 1.4 With regard to Component 1, intensive consultations were conducted in respect of incorporation of trade policy capacity building interventions in the Inception Report. This included a description of the overall context and justification of the proposed activities as well as a detailed work plan and related resource schedule and budget.
- 1.5 Component 2 activities were focused on conduct of baseline studies and value chain analysis covering the fisheries, horticulture and industrial product sectors. The studies provided the basis for elaboration of the Inception Report relating to Sanitary and Phytosanitary (SPS) compliance, value added productivity and conformity assessment infrastructure.
- 1.6 In addition, mapping of testing and calibration laboratories in Pakistan was carried out and a brochure featuring profile of the laboratories including services provided was published. Similarly, stakeholders analysis and donor mapping was undertaken to determine capacity building requirements and synergy with programme interventions in the area of trade related assistance initiatives in Pakistan.
- 1.7 Pursuant to the decision taken at the PSC meeting on 30 September 2010, work was undertaken towards elaboration of a monitoring scheme and schedule of TRTA II programme. Hence, a draft Monitoring Guide and a document on Implementation Monitoring Scheme for TRTA II Programme were prepared for consideration and approval of the PSC.
- 1.8 The 20 testing laboratories, which were accredited to ISO 17025 under TRTA I, were able to gain their accreditation status by arranging for traceable calibration of their laboratory balances and conduct of surveillance/reassessment visits by the Accreditation Body.
- 1.9 Substantive field operations of Component 2 activities were launched immediately following the approval of the Inception Report by the PSC. These activities covered development of SPS framework, competitiveness benchmarking system and accreditation of testing and calibration laboratories.
- 1.10 With regard to Component 3, intensive consultations were conducted in respect of incorporation of intellectual property capacity building interventions in the Inception Report. This included a description of the overall context and justification of the proposed activities as well as a detailed work plan and related resource schedule and budget.

2. Establishment of the Programme Management Office (PMO)

2.1 The Financing Agreement and Contribution Agreement make provisions for UNIDO to establish a field-based TRTA Programme Management Office (TRTA/PMO). The PMO is headed by a Chief Technical Advisor (CTA), whose principle duties concern both overall programme coordination of all TRTA components and field implementation of UNIDO's own technical interventions.

2.2 Due to the prevailing security situation in the country, and on the recommendation of the UN Department for Security and Safety (UNDSS), and after consultation with the EU Delegation, TRTA/PMO along with the UNIDO Country Office was shifted to Serena Business Complex in Islamabad in August 2010 after functioning temporarily in the Old Business Center of Serena Hotel, Islamabad, since January 2010.

2.3 The TRTA I PMO staffs were retained through a UNIDO/NORAD bridging support after completion of the programme in 2007. Hence, the following staff was immediately deployed under TRTA II as from 1 January 2010:

- Chief Technical Advisor (CTA)
- Programme Officer for Laboratory Accreditation and SPS Compliance
- Programme Officer for SME & Export Development
- Senior Administration and Finance Assistant
- Secretary
- Driver/Clerk
- Office Boy

It is to be noted that the CTA has two distinct functions: A main function to provide technical advice in Programme intervention areas and secondary function to coordinate Programme Management at field level. He technically guides PMO staff, international experts and counterparts in the conduct of technical activities, in particular for the definition of intervention roadmaps during the programme start-up phase for each of the technical intervention areas. Assisted by the Programme Officers and support staff, he also supervises the field implementation of programme activities, maintains contacts with all counterparts. (NB: As the CTA role is primarily technical, his cost is reflected as technical advice under sub-component 2.3)

2.4 The PMO develops detailed annual Work Plans establishing target dates for project activities with assigned staff responsibilities. These Work Plans are reviewed monthly on progress made in implementation of project activities and amendments to be introduced thereof, as found appropriate.

2.4.1 The Project Manager at UNIDO Headquarters in Vienna is responsible for the overall implementation of the programme, and supervises and coordinates programme implementation with PMO and provides all financial and support services for the execution of project activities by PMO. The Chief Technical Advisor (CTA), as Head of the PMO, reports directly to the Project Manager at UNIDO Headquarters in Vienna.

2.4.2 The Programme Manager in Vienna is assisted by an Associate Industrial Development Expert, who is recruited through international competitive advertisement and is on board since 15 September 2010 exclusively supporting TRTA II programme. An Administrative Assistant will be recruited exclusively for TRTA II programme.

2.4.3. The TRTA II programme structure and management arrangements are depicted in Figure 1 and 2 below.

Figure 1: Programme Structure

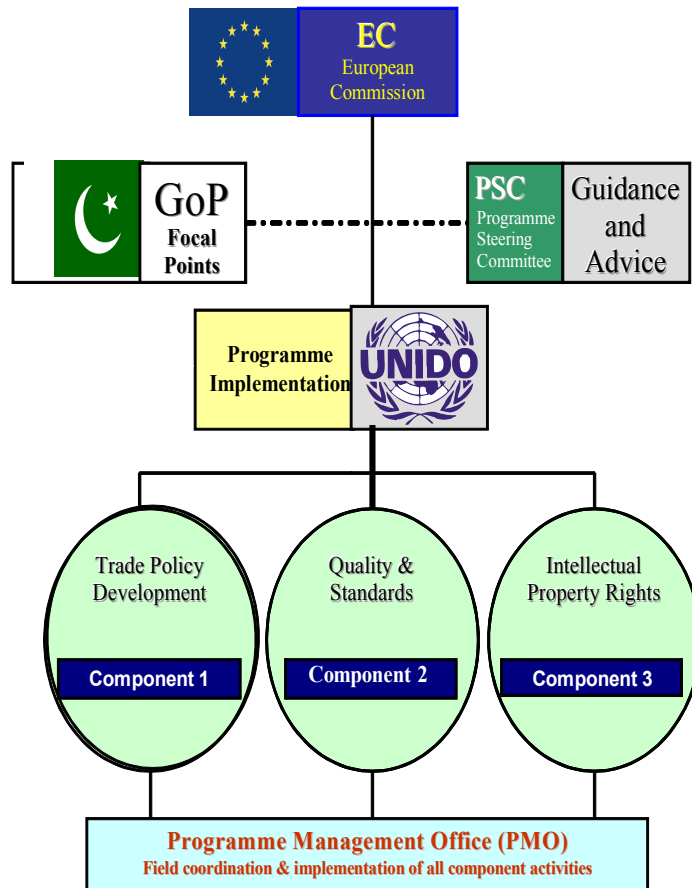
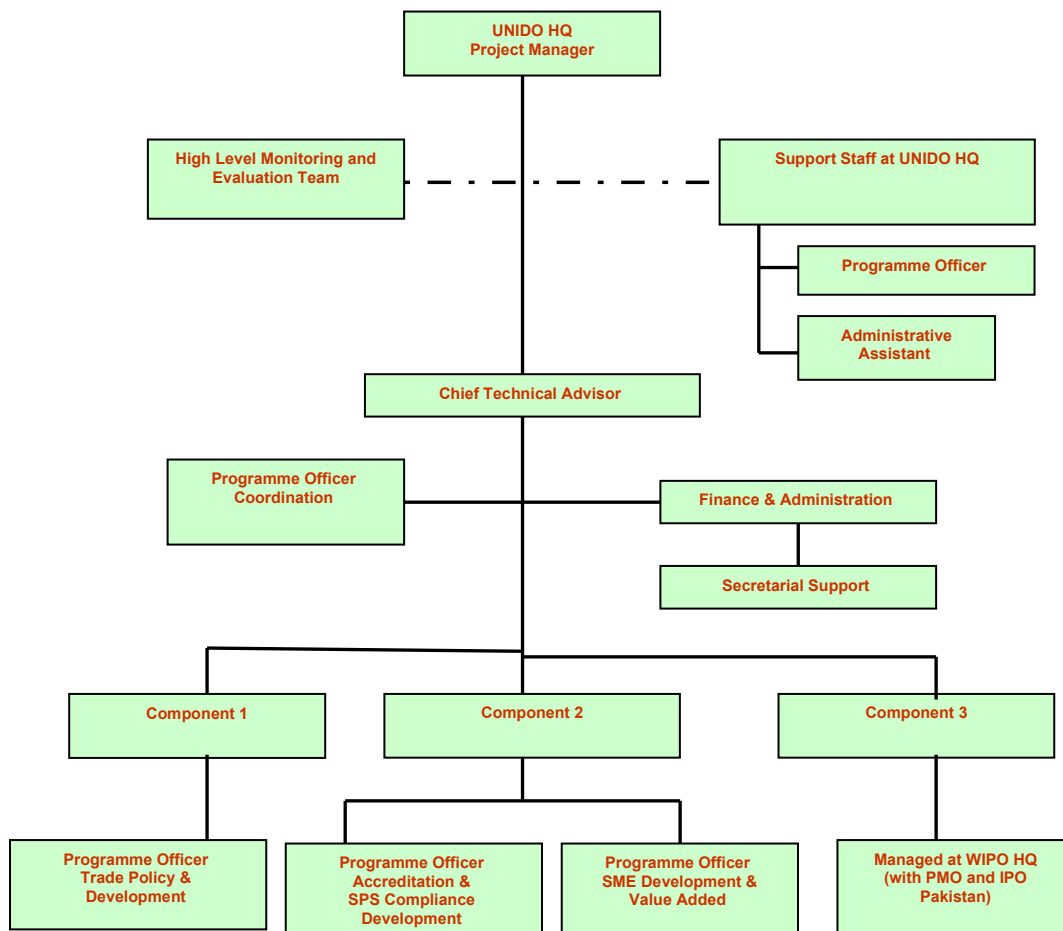


Figure 2: Programme Management Office (PMO) Structure



3. Conduct of Inception Phase and Stakeholders Consultation

3.1. Recruitment of Key National and International Experts

3.1.1 The following National Sector Experts were engaged in March 2010 to carry out baseline studies and analysis in their specific areas:

- Sector Expert in Fisheries
- Sector Expert in Horticulture
- Sector Expert in Industrial Products
- Sector Expert in Sporting Goods and Apparel
- Sector Expert in Textile and Garments

3.1.2. The position of Programme Officer for Coordination was advertised in the local Newspapers and a suitable candidate was recruited following rigorous selection process. The Officer assumed his duties at PMO in April 2010.

- 3.1.3. Following publication of the vacancy of National Expert in Trade Policy in the local Newspapers, interviews were held in June 2010. However, the selection process was deferred following further advertisement of the position. Interviews of candidates for the said position were held in October 2010 and a suitable candidate for the position of Programme Officer in Trade Policy was engaged in November 2010
- 3.1.4. International experts required to provide technical advice during the Inception Phase were identified and the relevant Job Descriptions were elaborated. Consequently, international experts were recruited and fielded in respect of the following areas:
- Sanitary and Phytosanitary (SPS) Management
 - Laboratory Accreditation
 - Conformity Assessment
 - Value-Added Productivity

3.2. Consultations with Focal Points

- 3.2.1. The following Government Ministries are identified as focal points for TRTA II programme to liaise the implementation of component activities and coordinate the operation of the programme components:
- Ministry of Commerce (MoC) represented by Pakistan Institute of Trade and Development (PITAD) will be the overall coordinator of TRTA II on the Government side. MoC/PITAD will also be the focal point for the Component 1 on Trade policy capacity building.
 - Ministry of Food and Agriculture (MoFA) will be the focal point for Result Area 1 of Component 2 dealing with Support to strengthening the Sanitary and Phytosanitary (SPS) management system and capacity.
 - Ministry of Livestock and Dairy Development (MoLDD) will be the focal point for Result Area 2 of Component 2 dealing with Value addition, productivity and compliance issue in fisheries sector.
 - Ministry of Industries, Production and Special Initiatives (MoIP) will be the focal point for Result Area 2 of Component 2 dealing with Value addition, productivity and compliance issues of selected industrial product sectors.
 - Ministry of Science and Technology (MoST) will be the focal point for Result Area 3 of Component 2 dealing with Support to improving conformity assessment infrastructure and services.
 - The Intellectual Property Organization (IPO) of Pakistan (operating under the Cabinet Division) will be the focal point for Component 3 dealing with Strengthening IPR policy and management framework.
- 3.2.2. During the reporting period, detailed consultations were conducted with above mentioned focal points and agreement was reached on the following issues:
- Assessment of needs of the target institutions operating under the line Ministries

- Consultations with the specific institutions on details of TRTA II interventions and programme inputs including counterpart contributions
- Implementation modalities and arrangements

3.3. Stakeholder Consultations and Analysis

3.3.1. Mapping of Stakeholders

3.3.1.1 Mapping of stakeholders was carried out to look into their legal mandate of responsibilities, their role in trade and identify priority areas which could be supported through TRTA with a more systematic engagement of all stakeholders and outline programme interventions to achieve visible impacts on exports, employment and poverty alleviation. In this regard, detailed consultations were held with key stakeholders including government departments, the business community, civil society organizations, donors, technical agencies and the academia.

3.3.1.2 The stakeholders of TRTA II programme constitute the following five categories:

- Government/public institutions
 - Policy level
 - Direct beneficiaries
- Business representative organizations (chambers of commerce and industry and trade associations)
- International and bilateral donors
- Civil society organizations
- Researchers and the academia specializing in international trade

3.3.2. Component 1 Consultations

3.3.2.1 With regard to Component 1 interventions, a two person ITC team, comprising an Advisor on Business & Trade Policy and a Consultant, visited Pakistan (Islamabad & Karachi) from 8-15 June 2010. ITC consulted with key stakeholders concerning the broader intentions of the trade policy component and the specific activities to be undertaken. The institutions with which the ITC mission interacted included the following:

- Pakistan Institute of Trade and Development (PITAD)
- Ministry of Commerce (MoC)
- Institute of Business Administration (IBA)
- Federation of Pakistan Chambers of Commerce and Industry (FPCCI)
- Trade Development Authority of Pakistan (TDAP)
- Institute of Capital Markets (ICM)

3.3.2.2 During that mission, a series of meetings were held with PITAD, the main beneficiaries and focal point of the trade policy component activities. Consequently, the following main areas were identified for assistance under the TRTA II programme:

- (i) Strengthening of PITAD's institutional capacity
- (ii) Strengthening of PITAD's and other research institutes' expertise on trade policy
- (iii) Strengthening of Government officers' capacity on specific trade policy and international trade negotiations
- (iv) Conducting research studies contributing to the development of a national export strategy
- (v) Fostering of public-private dialogue for a coherent national export strategy.

Specific activities to be carried out under these broad areas were also discussed with the stakeholders.

3.3.2.3 A number of international training institutes were considered to train Pakistani trainers/researchers. Important factors in determining the most suitable institute included the needs of the stakeholders and the capacity of the institute to meet these. Further recommendations from PITAD were considered. Following this process, ITC suggests that the World Trade Institute (WTI), based in Berne, Switzerland, could best meet these demands.

3.3.2.4 A series of subsequent consultations took place between ITC and WTI. The main issues in these consultations included: (i) Assessing the capacity of the training institute to meet the diverse needs of the Pakistani institutions to be trained/mentored. This included alternatives to be considered when WTI does not possess expertise to meet specific demands – such as the hiring of external experts or alternative institutions; (ii) Designing a specialised training/mentoring programme, and; (iii) Discussing upon the financial terms of WTI’s involvement. WTI has extensive expertise in delivering training on trade policy issues to both government and academic personnel. Consultations have shown their willingness to design a flexible training approach to meet the needs of the Pakistani stakeholders ascertained during the Inception Phase as well as those expressed during consultations with PITAD at the outset of the programme.

3.3.3 Component 2 Consultations

3.3.3.1 The following international experts were fielded during the Inception Phase to carry out consultations with the various stakeholders (public & private) and partner institutions of Component 2 in order to validate and update their needs identified during the formulation phase of TRTA II Programme and identify the type of technical interventions/activities under TRTA II which can help address those needs.

NAME	COUNTRY	POST	DURATION
Ian Goulding	UK/Portugal	SPS Management	2 weeks
Upali Samarajeewa	Sri Lanka	Product Testing	3 weeks
Anwar Al-Tawil	Switzerland/Egypt	Conformity Assessment	2 weeks
John Heap	UK	Productivity	2 weeks
Mike Dillon	UK	Value-Addition	10 days

3.3.3.2 The key institutions, which the international experts consulted, included the following:

SPS Management:

- Ministry of Food & Agriculture (MinFA), Islamabad
- National Animal & Plant Health Inspection Service (NAPHIS), Islamabad
- Pakistan Horticulture Development & Export Company (PHDEC), Lahore
- Departments of Fisheries, Livestock, Public Health, Governments of Punjab, Sindh and Baluchistan
- Marine Fisheries Department (MFD), Karachi
- IFAD, Islamabad

- FIRMS (USAID Project)
- Pakistan Standards & Quality Control Authority (PSQCA), Karachi
- Animal Quarantine Department (Head Office – Karachi)
- Department of Plant Protection (DPP), Karachi
- Pakistan Seafood Exporters Association (PSEA), Karachi

Value-Addition and Productivity:

- National Productivity Organization (NPO), Islamabad
- Ministry of Industries and Production (MoIP), Islamabad
- Small & Medium Enterprise Development Authority (SMEDA), Lahore
- Marine Fisheries Department (MFD), Karachi
- Pakistan Seafood Exporters Association (PSEA), Karachi
- Trade Development Authority of Pakistan (TDAP), Karachi
- Technology Up-gradation & Skill Development Company (TUSDEC), Lahore
- Technical Education & Vocational Training Authority (TEVTA), Lahore
- Pakistan Horticulture Development & Export Company (PHDEC), Lahore
- Pakistan International Freight Forwarders Association (PIFFA), Karachi
- Mango Growers Association, Multan
- Kinnow Growers Association, Sargodha
- Value-Added Productivity & Kinnow Processing plant, Multan
- Korangi Fish Harbor Authority (KofHA), Karachi
- Lahore University of Management Sciences (LUMS), Lahore

Conformity Assessment:

- Ministry of Science & Technology (MoST), Islamabad
- Pakistan Council of Scientific & Industrial Research (PCSIR) Head Office & Laboratory Complex (Lahore, Karachi, Quetta & Peshawar)
- National Physical & Standards Laboratory (NPSL), Islamabad
- Pakistan National Accreditation Council (PNAC), Islamabad
- Pakistan Standards & Quality Control Authority (PSQCA), Karachi
- Federation of Pakistan Chambers of Commerce & Industry (FPCCI), Karachi
- Pakistan Institute of Quality Control (PIQC), Lahore
- Private Certification & Inspection Bodies (SGS, BVQi, Moody etc.)

Product Testing:

- National Veterinary Laboratory (NVL), Islamabad
- High Voltage & Short-Circuit (HVSC) Laboratory, Rawat-Islamabad
- National Reference Laboratory for Poultry Diseases, Animal Health Section, NARC, Islamabad
- Animal Quarantine Department (AQD) Laboratories (Islamabad, Lahore & Karachi)
- Environmental Management Laboratory at Textile Institute of Pakistan (TIP), Karachi
- Federal Seed Certification Laboratory, Islamabad
- Textile Testing Laboratory of PTEA, Faisalabad
- Pesticide Residue Laboratory, NARC, Islamabad

3.3.3.3 The findings of the above international experts provided inputs to the relevant sections of the Inception Report as well as contributed in elaboration of the presentations for the National Workshop.

3.3.4 Component 3 Consultations

3.3.4.1 WIPO mobilized its own resources to carryout consultations relating to Component 3 with the relevant institutions and to prepare the intellectual property (IP) component of the Inception Report. The first step was the engagement of a Consultant to provide expert inputs for the Inception Report.

3.3.4.2 A two person WIPO team, comprising the Deputy Director of Asia and Pacific Bureau and the WIPO Consultant, visited Pakistan (Karachi, Islamabad) from May 26 – June 2, 2010. They held intensive consultations with a wide range of stakeholders on elements to be included in the IP component of the Inception Report, including the overall thrust of the IP component and the specific activities to be undertaken.

3.3.4.3 The key institutions with which the WIPO mission interacted included the following:

- Trademarks Registry (Karachi)
- Patent Office (Karachi)
- Copyright Office (Karachi)
- IPO Pakistan Headquarters (Islamabad)
- Pakistan Intellectual Property Rights Association (PIPRA)
- Pakistan Institute of Trade and Development (PITAD)
- Small and Medium Sized Enterprises Development Authority (SMEDA)
- Karachi Chamber of Commerce and Industry
- Ministry of Science and Technology
- Pakistan Council of Scientific and Industrial Research (PCSIR)
- National University of Science and Technology (NUST)
- Ministry of Food and Agriculture
- Federal Seed-Certification and Registration Department
- Federal Investment Agency (FIA)
- Federal Judicial Academy
- Federal Board of Revenue
- National Institute of Cultural Heritage
- EMI Pakistan
- INTUNE Pakistan

3.3.4.4 Another round of consultations with some of the above institutions (especially IPO-Pakistan and PITAD) was held by a WIPO official during his visit to Islamabad in July 2010.

3.3.4.5 As a result of the above missions the following broad areas were identified for assistance under the TRTA II programme:

- (i) Strengthening of IP institutions
- (ii) Reinforcing the IP policy and legislative framework

- (iii) Enhancing enforcement capacity
- (iv) Strengthening the ability of the business sector to utilize IP for greater competitiveness, including by establishing robust linkages between research institutions and industry.

3.4 Programme Start up: Inception Phase

3.4.1 The main activities undertaken during the inception period were:

- Surveys and mapping of fishery, horticulture and industrial sectors including laboratories in Pakistan
- Identification of monitoring indicators and research to establish baseline values
- Identification of related interventions by other donors and discussions on coordination mechanisms
- Establishment of Draft Inter-Agency Agreements between implementing bodies (UNIDO, ITC and WIPO)
- Mobilization of High Level Monitoring and Evaluation Team (HLMET)
- Development of the Terms of Reference and identification of Members of Programme Steering Committee (PSC)
- Preparation of Inception Report of TRTA II

3.4.2. The programme successfully completed the inception phase including validation and approval of the draft Inception Report through a consultative process. Representatives of both private and public sector stakeholders participated at a Validation Workshop on 28 September 2010 and their deliberations resulted in validation of the interventions proposed in the Inception Report. Finally, the Inception Report was approved at the first meeting of the Programme Steering Committee (PSC) on 30 September 2010.

3.5 Sector Specific Studies

3.5.1. During the Inception Phase, substantive analytical baseline work was undertaken with a view to engaging stakeholders in identification of needs, elaboration of capacity building strategies, preparation of work plans and detailed provisions of TRTA interventions. In particular, analysis was carried out in respect of key trade development challenges in the area of trade policy development, supply side development, compliance infrastructure and services, and Intellectual Property Rights (IPRs) regime.

3.5.2. The initial baseline analysis to guide the overall Programme, and carried out during the Inception Phase, covered the following sectors specifically targeted by the Programme:

- Fisheries,
- Horticulture produce (Kinnow and Mango),
- Industrial products (fans, surgical instruments, cutlery, sporting goods, textile & garments)

3.5.3. The inception baseline analysis on the above priority sectors involved:

- Review of sector studies and other relevant documents produced under the components of TRTA I

- Preparation of questionnaires and collection of data and information related to the sector products in respect of export trade, market access, compliance requirements, value added and quality issues along the supply chain, IPRs issues, etc.
- Analysis of data and information and presentation in a form of a preliminary draft document
- Preparation of draft report with work plan reflecting current status, needs assessment, stakeholders' analysis and areas of technical support required in terms of trade policy environment, addressing compliance concerns, improving quality, and enhancing export and value-added productivity along the supply chain, IP rights, etc.
- Incorporation of the findings of the analysis and studies in the TRTA II Inception Report and work plans

3.5.4. Results of Sector Analysis

The sector studies and analysis demonstrate the following:

Fisheries Sector:

- Marine fisheries sector provides employment to a large size of workforce (about 125,000) in the provinces of Sindh and Baluchistan.
- Most of the workers in this industry are poor and Programme support would yield substantive poverty impact.
- No systemic policy/strategy to develop trade is available for fisheries
- Over fishing is putting strain on the resource base and has started affecting the fish yield. On the other hand, due to poor quality control along the supply chain the value of the catch remains low and a major portion (about 40%) of it goes into wastage
- Non-compliance of international standards has eroded further, the export potential that is available in the European Union and elsewhere in the global market.
- Direct export promotion policies without effective market access and supply-side capacities have small export effect.
- There is the need to create a domestic trade-friendly environment and adopt policies that adhere to accepted international quality practices and standards requirements of international buyers.
- Pakistan needs to ensure that low income workers are active participants of the export-supply chains and that income inequalities do not raise much in this process.
- Key factors that are likely to influence the various stages of exports, employment, wage and poverty nexus in the fisheries sector are:
 - (a) Restocking of fish to increase the catch and attract more workers to this sector in order to sustain its supply chain;
 - (b) As a large part of the fish catch is wasted, training of workers in post-harvest fish handling is needed, to maintain quality and reduction of production losses;
 - (c) Training of staff in SPS institutions, fishermen, boat owners, mole holders and auction hall operators, to introduce good operational and management practices along the entire fisheries chain;
 - (d) Introduce an efficient integrative management system at all levels for effective cooperation between public sector institutions and private sector associations;
 - (e) Compliance to international standards for securing entry and a bigger and better access to export markets;
 - (f) Availability of accredited labs to ensure that certified consignments fulfill all the requirements of quality conscious international buyers;
 - (g) Traceability of the fish and fish products to satisfy the requirement of international buyers;
 - (h) Proper maintenance of cool chain;

- (i) Uninterrupted supply of electricity at competitive rates; and
- (j) Market diversification.

Horticulture Sector:

(i) Kinnow

- No systemic policy/strategy for Kinnow trade development
 - Improper picking, poor handling practices and transportation (farm to the processing unit) including lack of cool storage.
 - Presence of 7-8 intermediaries between the growers and the consumers.
 - Pollution at orchards effecting the production. Lack of knowledge, guidance and directional research in production.
-
- Short shelf life and need for introduction of seedless kinnow in the international market and insufficient marketing.
 - Lack of compliance with international requirements
 - Unreliable reefer containers for the transport of kinnow from processing unit to port.
 - Lack of cost effective logistics with provision of dedicated shipping lines,
 - Processing technology is outdated, inefficient and have high wastages
 - Lack of knowledge on modern marketing techniques to develop the image of the Pakistani Kinnows in the importing countries
 - Lack of understanding of customer needs
 - Low price commodity exports due to absence of branding

(ii) Mango

- No systemic policy/strategy for Mango trade development
- No provision of direct cargo flights from Multan to export destination.
- Lack of awareness about certifications to GlobalGAP, BRC, traceability etc.
- Non-availability of cold storage and reefer containers for transport of mango
- Modern harvesting techniques and standards for the maintenance of farms are major constraints.
- Lack of awareness about Sanitary and Phytosanitary standards which is critical for market access.
- Need for market diversification to increase exports
- Low price commodity exports due to absence of branding

(iii) Industrial Sectors

In the analysis of the key industrial sectors a number of special factors was identified those apply to one or small number cluster/sectors. However, the analysis identifies some common factors that also apply to all industrial sectors, which are:

- The vast majority of the firms involved are small
- There is a lack of investment in technology and in new capital equipment
- There are few economies of scale
- Many of the manufacturing processes are outdated, inefficient and have high wastage levels
- Low price exports due to absence of branding

The sector/cluster specific issues related to various key industrial sectors are listed below:

Electric Fan

- Lack of scale economies and sub-optimal production flow management
- Fragmentation & lack of standardization in the vendor industry
- Limited research & development especially inadequate material development
 - Inadequate design and product development capacity
 - Plastics & PVC varieties for fans are not available locally
 - Large variations in quality and price of material especially aluminium
- Seasonal production cycle resulting in limited availability of skilled workers
- High cost of compliance with international quality standards
- Local branding concentrated to few companies & no international branding
- Limited technology upgrade due to inadequate capital availability
- Lack of proof of market compliance such as CE marking

Surgical Instruments

- Non-diversified product mix
 - 95% of Production concentrated in basic instruments
 - Extreme negative competition as all companies competing in similar products
 - Limited production of high value added medical devices
- Limited research & development
 - Inadequate design and product development capacity
 - Variable availability of good quality steel of medical grade
- Declining workforce with no surgical training school
- Large dependence on a weakened vendor industry
- Negligible branding (predominantly producing for OEMs)
- Significantly increasing testing and certification requirements
- No feedback or direct contact with end consumer of instruments
- Some production processes limit quality for e.g. Tampering and polishing
- Limited information and willingness to explore new markets
- Low price exports due to absence of branding

Cutlery

- Lack of scale economies and sub-optimal production flow management
- Limited research & development especially inadequate metal development
 - Inadequate design and product development capacity
 - Food Grade certified material not available
 - Large variations in quality and price of local steel
- Declining level of traditional blade making skills; no specific training facility
- Negligible branding in international markets
- Outdated technology due to historically low levels of investment
 - Polishing and Welding technologies are two critical impediment in supply chain
- Inadequate availability of good quality packaging
- Low literacy rates resulting in lack of export and business management
- Limited outreach of cluster to end clients/buyer clusters
- Low price exports due to absence of branding

Sports Goods (Soccer Balls, Gloves and Sportswear)

- Limited research & development especially inadequate material development
 - Pakistan lost out in the rackets market due to the inability to shift to composite materials
 - Some impact was realised on hockey manufacturing

- Losing soccer ball market due to the inability to shift to newer technology soccer balls
- Child labour issue impacting image and has halted inflow of workers
- Production for OEMs, no original product is being marketed or branded
- Outdated technology due to historically low levels of investment
- Limited product diversification and mismatch of Pakistan's production with world demand
 - Not yet manufacturing golf equipment and clothing the biggest sporting goods markets
- Entrepreneurial culture focused on life style management and not growth

Textile Sector (Garments, Bed wear, Knitwear and Woven)

- Locally grown cotton's yield is low and lacks in quality
- Knitwear and woven apparel suffer due to inadequate managerial, technical and organizational capabilities, as well as factor inputs that are scarce in Pakistan's business environment
- Dearth of qualified and skilled labour
- Absence of research institutes
- A severely under-developed capacity for producing textile products based on MMF,
- Weak marketing capabilities
- Absence of even a semi-efficient domestic market where branding and marketing skills may be developed
- Lack of flexibility required to keep up with fashion movements worldwide
- Limited skill level of workforce required to prepare and stitch women's apparel
- Scarce supply of blended and fine quality fabrics
- Limited capabilities to add/create complex designs

The analysis carried out during the Inception Phase provided the basis for a systemic programme approach for TRTA II within which the three components are to be implemented as complementary sets of activities and contribute in a strategic manner to the strengthening of Pakistan's trade capacity and export performance. All the three components will also specifically target the selected sectors within their scope of activities. A complementary set of technical assistance support will therefore be available for the sectors, ranging from trade policy/strategy support, the development of competitive value added products, including through the valorization of Intellectual Properties, the internationally recognized proof of compliance.

3.6. Elaboration of Inception Report

- 3.6.1. The consultations with stakeholders and the sector-based analysis focused on the contribution which the programme can make towards improved export performance and creation or sustenance of pro-poor employment opportunities, and develop programme strategies to orient contributions from each component and its activities accordingly. Hence, the Inception Report contains analysis of sector issues and supply chain constraints to be addressed and detailed work plans of TRTA interventions specific to each component of the programme. Stakeholder's analysis and review of capacity gaps of beneficiaries are reflected in the Inception Report and the technical assistance planned arrangements have been detailed out accordingly.
- 3.6.2. The analysis carried out during the Inception Phase provided the basis for a systemic programme approach to be reflected in the Inception Report of TRTA II within which the three components

are to be implemented as complementary sets of activities and contribute in a strategic manner to strengthening of Pakistan trade capacity and export performance.

3.6.3. The Inception Report was developed along the format set out in Project Cycle Management Guidelines of the European Commission. The Inception Report covered the following topics:

- Review of Programme Design/Financing Proposal
- Overall Work Plan
- Logframe Matrix
- Monitoring and Evaluation Plan
- Resource Schedule and Budget
- Visibility Plan
- Phase Out Plan
- TOR of Programme Steering Committee

3.6.4. The above series of consultations and analysis resulted in production of the draft TRTA II Inception Report, which was approved by the EU Delegation and PITAD, leading to its validation and further enrichment at the National Workshop. The final version of the draft Inception Report was approved by the Programme Steering Committee (PSC) at its first meeting on 30 September 2010.

3.7. National Workshop

3.7.1. The final consultation and validation of the TRTA II draft Inception Report took place at the National Workshop prior to the meeting of the Programme Steering Committee. The participants of the National Workshop were drawn from wide cross-section of both the public and private sectors concerned with capacity building initiatives and supply side sector interventions of TRTA II programme.

3.7.2. The programme of the National Workshop was strategically conceived to identify and bring out the challenges and requirements of beneficiary institutions in terms of capacity building needs and supply side development of selected product sectors (fisheries, mango, kinnow and industrial cluster products to enable access to global supply chains. This was aimed at addressing the export performance and trade related challenges of Pakistan through provision of specific and focused TRTA II interventions.

3.7.3. Consequently, invitations were extended to over 150 participants to attend the technical sessions and proceedings of the National Workshop. The technical presentations given at the Workshop by the International Experts followed by inactive discussions led to enrichment of the draft Inception Report and rendered it relevant to addressing the objectives of the programme in terms of supporting the economic integration of Pakistan into the global economy and increase exports by enhancing the enabling climate for international trade.

4. Conduct of TRTA I follow-up Activities

A key intervention area during the Inception Phase was to pursue a number of TA activities that had been part of TRTA I, and which had been agreed for immediate continuation under the TRTA 2 Programme. This in particular relates to Laboratories Accreditation and Calibration of Balances.

4.1 Accreditation Related Activities

The support of selected product testing laboratories for accreditation has been an activity under TRTA I and is identified for continuation under TRTA II. In this regard, a number of activities were undertaken during the start-up phase of TRTA II.

4.2 Calibration of Balances

- 4.2.1 The Industrial Technological Institute (ITI) in Colombo, Sri Lanka, was contracted to carry out on-site calibration of the balances used by the 20 laboratories accredited under TRTA I. ITI fielded two metrologists from 4-14 July 2010 to visit all 20 laboratories and calibrate the 53 balances used by the accredited testing laboratories as required by the Accreditation Body.
- 4.2.2 Certificates of calibration were issued by ITI and distributed to all laboratories as proof of internationally traceable measurement services. These certificates are to be maintained by the laboratories to gain the accreditation status to ISO 17025.

4.3 Surveillance/Re-assessment Visits by Accreditation Body

- 4.3.1 A joint-surveillance/re-assessment of the 20 testing laboratories accredited under TRTA-I was carried out jointly by Norwegian Accreditation (NA) and the Pakistan National Accreditation Council (PNAC) from 23 August till 9 September 2010. The assessors from NA and PNAC jointly visited the laboratories to assess their quality and technical competencies. The assessors raised non-conformities which the laboratories are now addressing.
- 4.3.2 It is expected that these non-conformities will be closed within the stipulated time (6 weeks) and the suspension of accreditation will be lifted by NA and the accreditation status re-instated to the laboratories by end of 2010.

4.4 SPS Compliance and Quality Infrastructure

- 4.4.1 The process of initiating a functional SPS management framework at federal, provincial and district levels was carried out by elaborating a Working Paper on SPS Policy for Pakistan. The way forward and options for development of SPS capacity in Pakistan was discussed, based on the Working Paper, at a series of consultative meetings held in Karachi, Lahore and Islamabad in November/December 2010.
- 4.4.2 Activities were launched towards development of HR capabilities of the National Productivity Organization (NPO) of Pakistan through local training of NPO staff in Competitiveness Benchmarking System (CBS) and pilot development of benchmarking tool for cutlery and fan sectors. NPO was also assisted in creating formal links with other productivity organizations outside Pakistan (Turkey) and with World Confederation of Productivity Science (WCPS).
- 4.4.3 A group of 32 testing and 6 calibration laboratories to be supported for accreditation under TRTA II were identified. A questionnaire aimed at establishing their commitments and preparedness was developed and completed by the selected laboratories. The replies from the questionnaire are being analyzed for subsequent actions in developing the technical capabilities and capacities of the laboratories to achieve accreditation to ISO 17025.

5. Main Achievements/Results

5.1 Component 1

5.1.1 A detailed input was prepared for the trade policy capacity building component of the Inception Report. This included a description of the overall context and justification of the proposed activities, as well as a detailed work plan and related resource schedule and budget.

5.1.2 This detailed input was further refined through series of consultations with programme partners and EU Delegation, and incorporated in the Inception Report approved by the PSC on 30 September 2010.

5.2 **Component 2**

5.2.1 The initial baseline studies and value chain analysis covering the fisheries, horticulture and industrial product sectors were successfully completed, thus providing the basis for elaboration of the Inception Report relating to SPS compliance, value-added productivity and conformity assessment infrastructure.

5.2.2 Mapping of testing and calibration laboratories in Pakistan was carried out and a brochure featuring profile of the laboratories including services provided was published. Similarly, stakeholders analysis and donor mapping was undertaken to determine requirements and programme interventions.

5.2.3 The 20 testing laboratories, which were accredited to ISO 17025 under TRTA I, were able to gain their accreditation status by arranging for traceable calibration of their laboratory balances and conduct of surveillance/reassessment visits by the Accreditation Body.

5.2.4 The TRTA II implementation Monitoring Guide for the overall programme has been developed in collaboration with PITAD. In addition, monitoring schedule along with the monitoring matrix has also been developed for effective monitoring of the programme. The Monitoring Guide and Scheme are to be considered and approved by the PSC in January 2011.

5.2.5 The study visit of the four officials of National Productivity Organization (NPO) of Pakistan to Turkey was organized under the TRTA II programme to provide them exposure and understanding of the operational functions and services of other productivity organizations of the world including the National Productivity Centre (MPM) of Turkey. During the study visit, the following were achieved:

- The formal links of NPO were established with other productivity organizations. NPO signed an MOU with World Confederation of Productivity Science (WCPS) and World Network of Productivity Organizations (WNPO).
- The CEO of NPO-Pakistan was officially designated as coordinator, by WCPS, for the South Asia and Middle East region which includes Sri Lanka, Bangladesh, Afghanistan, Iran, Iraq, Maldives and Nepal at present. The designated coordinator will nominate individuals from the above countries for award of fellowships to those who have contributed in the area of productivity.
- NPO-Pakistan also signed the protocol of cooperation with MPM-Turkey to carry out joint projects, arranging study visits, expert and information exchange, training programmes, consultancy, research and public relation activities for the purposes of observation, sharing the recent developments in productivity related topics and dissemination of best practices.

- The officials also attended the 16th Productivity Congress and the European Productivity Conference held in Antalya, Turkey from 2-5 November 2010.
- 5.2.6 An international Expert in Benchmarking was fielded from 29 November 2010 to 19 December 2010 to develop the Competitiveness Benchmarking System (CBS). The expert developed the benchmarking tool for the cutlery and fan sectors for pilot implementation. He also trained the staff of National Productivity Organization (NPO) to collect data and apply the tool for the purpose of benchmarking.
- 5.2.7 The process has been initiated to develop the HR capacities of National Productivity Organization of Pakistan and questionnaire for data collection was developed and forwarded to NPO.
- 5.2.8 A roundtable meeting of stakeholders was conducted in collaboration with Pakistan Horticulture Development and Export Company (PHDEC) on 14 December 2010 at the PHDEC office in Lahore to discuss the development of manuals/code of practices for kinnow and Mango products.
- 5.2.9 TRTA II programme is assisting the Government of Pakistan in developing its trade capacity including better control of import and export quality and compliance with international standards. The programme has comprehensively analyzed the Sanitary and Phytosanitary (SPS) related challenges across various agricultural and small industrial sectors, particularly, in relation to realization of their export potential.
- 5.2.10 A draft SPS policy paper aimed at establishing a functional SPS Management System at federal, provincial and district level in Pakistan was prepared by an international expert fielded under TRTA II and in close consultation with Ministry of Food and Agriculture (MinFA), Ministry of Livestock & Dairy Development, National Animal & Plant Health Inspection Service (NAPHIS) and provincial governments. Three consultative meetings were held in Karachi, Lahore and Islamabad to develop a national consensus on the future outlook of SPS policy and organizational step up for implementing an effective SPS management system,. The participants of the meetings at Karachi and Lahore were high level officials from the provincial and the federal departments, including Secretary Agriculture Baluchistan, Secretary Livestock Baluchistan, Secretary Agriculture Punjab and Secretary Food Punjab The consultative meeting at Islamabad was presided over by the Federal Minister of MinFA and participants included officials from Federal Institutions as well as from Khyber-Pakhtown-Khwa (KPK), Gilgit-Baltistan (G-B), Azad Jammu & Kashmir (AJK) and Federally Administered Tribal Area (FATA).
- 5.2.11 The recommendations of the UNIDO International Expert in SPS were endorsed by the majority of participants of the consultative meetings held in Karachi, Lahore and Islamabad. It was concluded that Pakistan should develop a Federal Biosecurity Authority as an overarching body to address animal health, plant health and food safety issues at the federal level and have counterparts at provincial levels that would implement the SPS policies through inspection and border control services.
- 5.2.12 The testing and calibration laboratories to be accredited under the TRTA II programme have been identified. To ascertain the level of commitment and preparedness, in terms of infrastructure development, procurement of equipment, staffing of the testing/metrology facilities through recruitment of appropriately qualified personnel and development of a business plan, a questionnaire was developed and distributed to 32 testing and 6 metrology laboratories. These questionnaires have been duly completed by the laboratories and are currently being analyzed to determine and provide TRTA II support for accreditation of laboratories.

5.3 Component 3

- 5.3.1 A detailed input was prepared for the IP component of the Inception Report. This included a description of the overall context and rationale of the proposed activities, as well as a comprehensive work plan and associated resource schedule and budget.
- 5.3.2 This detailed input was further refined through series of consultations with programme partners and EU Delegation, and incorporated in the Inception Report approved by the PSC on 30 September 2010.

5.4 Overall Programme

- 5.4.1 The TRTA II Programme Management Office (PMO) was rendered fully operational following recruitment of staff and procurement of equipment with fully functional and secured office premises. The staffing of TRTA II Programme Management Office will be completed by October 2010 with recruitment of an Officer for Component 1 activities.
- 5.4.2 The Programme Inception phase was concluded by the successful elaboration of the draft Inception Report, which was considered at the National Workshop and finalized for approval by the Programme Steering Committee.
- 5.4.3 With regards to maintaining visibility of the programme and the donor, the development of TRTA II website was initiated and the website is targeted to be launched by end of December 2010. Similarly, an SPS Quarterly Newsletter was launched and the first edition of the SPS Newsletter was issued in November 2010. The first edition of TRTA Quarterly Newsletter is also targeted to be issued in January 2011.

6 Main difficulties encountered and measures taken to address them

- 6.1 PITAD highlighted the importance of better understanding the needs of ministries and other government agencies and better research linkages and training assistance. They also highlighted the need to ascertain the status of key institutes, LUMS, IBA, TDAP, and their potential to contribute to research and assisting PITAD in training of government officers. Realising this, programme activities were adapted to include a needs assessment survey of ministries and implementing governmental agencies, to be carried out by PITAD. Therefore, further activities have been designed so as to strengthen research capacity and linkages. Moreover, PITAD already possessed significant strength in many aspects of their programmes therefore it was opted to target resources where the most impact would be derived (course modules of its STP programme that needed strengthening, research areas where gaps are already known and/or have arisen from the survey of government needs as well as capacity to carry out ad hoc trainings).
- 6.2 A major aspect of the trade policy component is the utilisation of public-private dialogues (PPDs) to inform the design and monitoring of trade policy and regulatory reform. However, stakeholders

questioned the usefulness of PPDs owing to the frequently low participation and interest levels with little follow up and impact on government policy in Pakistan. Whilst maintaining the central importance of PPDs, certain measures have been emphasised so as to design a “new type” of PPD that will ensure a high level of relevance and impact of these discussions. Such measures include, the establishment of a Steering Committee, with both public and private representatives, to decide upon issues and commission research to feed into dialogues as well as follow up on the outcomes of discussions. The TRTA II Programme will promote support and assist in gaining recognition/credibility and buy-in for this new type of PPD.

- 6.3 The timeframe for the conduct of survey based sector studies was short and this issue was resolved by reducing the sample size of the survey from 50 to 20 enterprises.
- 6.4 During the conduct of the sector studies, the sector experts experienced some reluctance from enterprises to provide pertinent information during the face to face interview. This problem was adequately resolved by providing copies of the questionnaire in advance of the interview to allow the enterprises to gather all relevant in-house departmental information for meaningful analysis.
- 6.5 Scantly and scattered information on the donor interventions operating in Pakistan to develop synergies and complimentaries between other donor interventions and TRTA II programme activities was experienced. However, information was collected through the donor mapping exercise in order to synergize TRTA activities with other donor interventions.
- 6.6 There were limitations in programme resource allocations to accommodate the request of beneficiary institutions for provision of equipment essential to enhance their operations. Government has been sensitized to the issue and its critical role in supporting the budgets of these stakeholders. This case is to be reviewed during the course of programme implementation.
- 6.7 A significant difficulty in the inception phase was the differing perceptions amongst key national institutions on their respective roles in the determination of the content, and subsequent implementation of the programme. There were also differences in understanding of what the Programme could realistically accomplish in the given timeframe, and what may be done in the post Programme period. These varying perceptions were addressed through extensive consultations with the national authorities. The Programme will also produce relevant document outlining clear definition of roles and responsibilities, which will be elaborated in cooperation with all partners by end 2010.

7. Important next steps/actions

- 7.1 A request for the release of the next instalment has been addressed to the EU Delegation to Pakistan along with this Narrative Report. The release of these funds will allow for the continuation of the TRTA II activities as outlined and planned in the Inception Report.
- 7.2 The two Inter-Agency Agreements with ITC and WIPO are under finalization and need to be concluded as quickly as possible to allow for smooth operation of activities under Component 1 and 3.
- 7.3 A programme monitoring scheme, which has been prepared by TRTA/PMO jointly with PITAD, is to be presented for approval by the PSC in January 2011.
- 7.4 A coordination meeting of trade-related donors, whose working paper has been prepared by TRTA/PMO jointly with PITAD, is to be convened by the Ministry of Commerce in January 2011.

7.5 The next meeting of the Programme Steering Committee is planned for April 2011.