

Institutional Actors in Discursive Engagements: Examining Processes of Infrastructure Reform for SMEs Industrial Districts in Sialkot, Pakistan

Dr. NAUSHEEN H. ANWAR

“Regional Responses and Global Shifts: Actors, Institutions and organizations”

Pecs, Hungary, 26th May 2010

Origins of Study

- Case study based on thesis project
- Original Question : How do SMEs cope with inadequate infrastructure to remain competitive in global markets?
- Sialkot : well-known SME industrial district
- Population 3 Million
- All SMEs are export-oriented
- Sialkot region considered 2nd largest source of foreign exchange earnings

Why focus on SMEs?

- Comprise 90% of all enterprises in Pakistan.
- Employ 80% of non-agricultural labor force.
- Share in GDP is 40%.
- Firms employ less than 99 persons.
- Generate 30% of manufacturing export earnings.
- Rely on ageing infrastructure.

North-Eastern Punjab's SME Industrial Districts

- Clusters specialize in sports-goods (produce 70% of world's soccer balls), surgical instruments (2nd only to Germany), leather goods, sports-wear, fans, electrical machinery, garments.
- Generate thousands of jobs across region.
- Family-owned enterprises.
- Clusters spread across administrative units Daska, Pasrur, Gujranwala, Wazirabad.
- Landlocked region.
- Inadequate roads, broken drains, intense flooding during monsoon season.
- Nadvi (1999) – competitiveness & collective action.

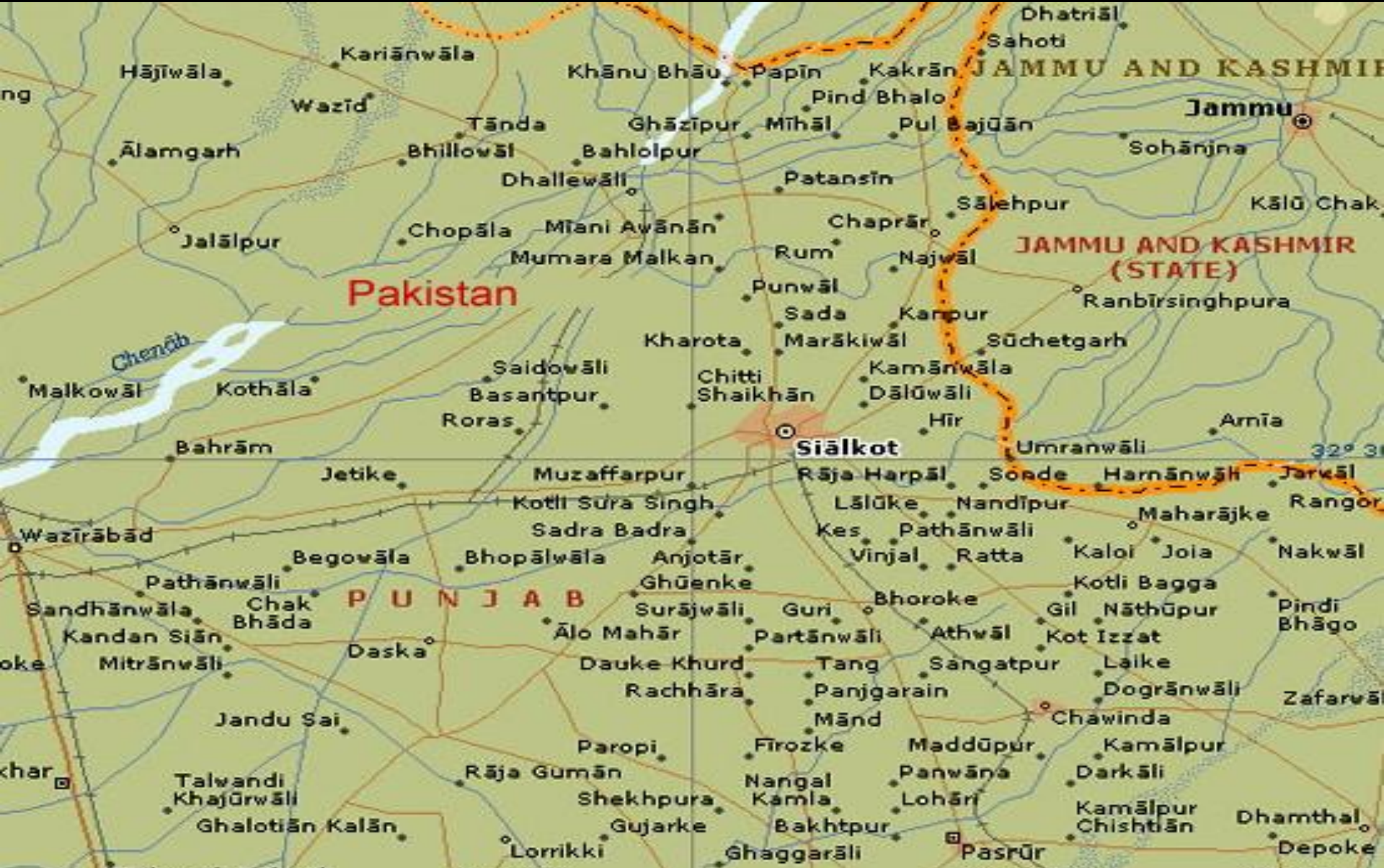
Secondary Cities

- Secondary cities such as Sialkot suffer greater infrastructure deficiencies.
- Provincial funding biased toward larger cities.
- Large cities like Lahore, Faisalabad get lions share of infrastructure funds.
- Political economy – state-led industrialization policies large-firm centric.
- SMEs overall neglected.
- State-driven economic development paradigm of 50s & 60s e.g. Rostow, Gerschenkron

Mapping Sialkot



Mapping Region



What I Discovered

- Extensive collaboration for infrastructure improvements – local roads, drains, international airport, dry port.
- The City Package Project – upgrading of 30 km of roads 1999 -2006.
- Collaboration b/w different layers of state + private actors
- Ongoing even in 2009

Consequence: New Questions

- Who are the institutional actors (organizations & individuals) that make such collaborations possible?
- How is institutional agency exercised?
- Do new institutional architectures emerge?
- What is impact on local economy and region?
- Is the impact long-lasting?

Infrastructure, Institutions & SMEs: What does literature say?

- Vast literature on SMEs, industrial districts, role of institutions in development.
- Infrastructure overlooked.
- Development explored from vantage point of technological diffusion and knowledge upgrading.
- Schmitz & Musyck (1994) and subsequent scholars talk about institutions BUT don't tell us HOW SMEs cope with and surmount inadequate infrastructure to remain competitive.
- No guidelines in literature.

What do policymakers & international agencies say?

- Institutions : rules of game, macro perspective e.g. judiciary, constitution, property rights, regulatory framework. Inspired by North (2000).
- Different literature on regional studies e.g. Gertler (2010) where local institutional structures matter.
- Infrastructure prescriptions:
 - Supply-driven (privatization, deregulation, govt. exp.)
 - Demand-driven (decentralization, PPPs – ‘best practice’)
- Undervalue role of state.
- Undervalue role of local institutional actors.
- Undervalue role of local knowledge.
- Private agents (SMEs) viewed as prostrate
- Overall prescriptions embrace market mechanism

Story Evolves

- A story emerges about local **INSTITUTIONS**, **INFRASTRUCTURE** and **COLLECTIVE LEARNING**.
- Focus on **PROCESS** to flesh out role of institutional actors.
- Show connectivity b/w state + non-state actors.
- Rely on three strands of literature:
 - Learning-by-monitoring (Sabel, 1992, 1994)
 - Institutions & Regional Development (Gertler, 2010, 2004)
 - Role of state (Amsden, 1989, 2001)

What am I illustrating?

- Institutional actors can exert individual agency in recalibrating state strategies for infrastructure reform.
- Engage different branches of state in discursive experiments.
- An open-ended, informal & highly experimental form of learning that leads to new institutional architectures e.g. new institutions
- Successful outcome contingent on how actors through conscious efforts mobilize peers, resources and competencies to facilitate experiments.
- Successful reform is underwritten by institutional base of region.

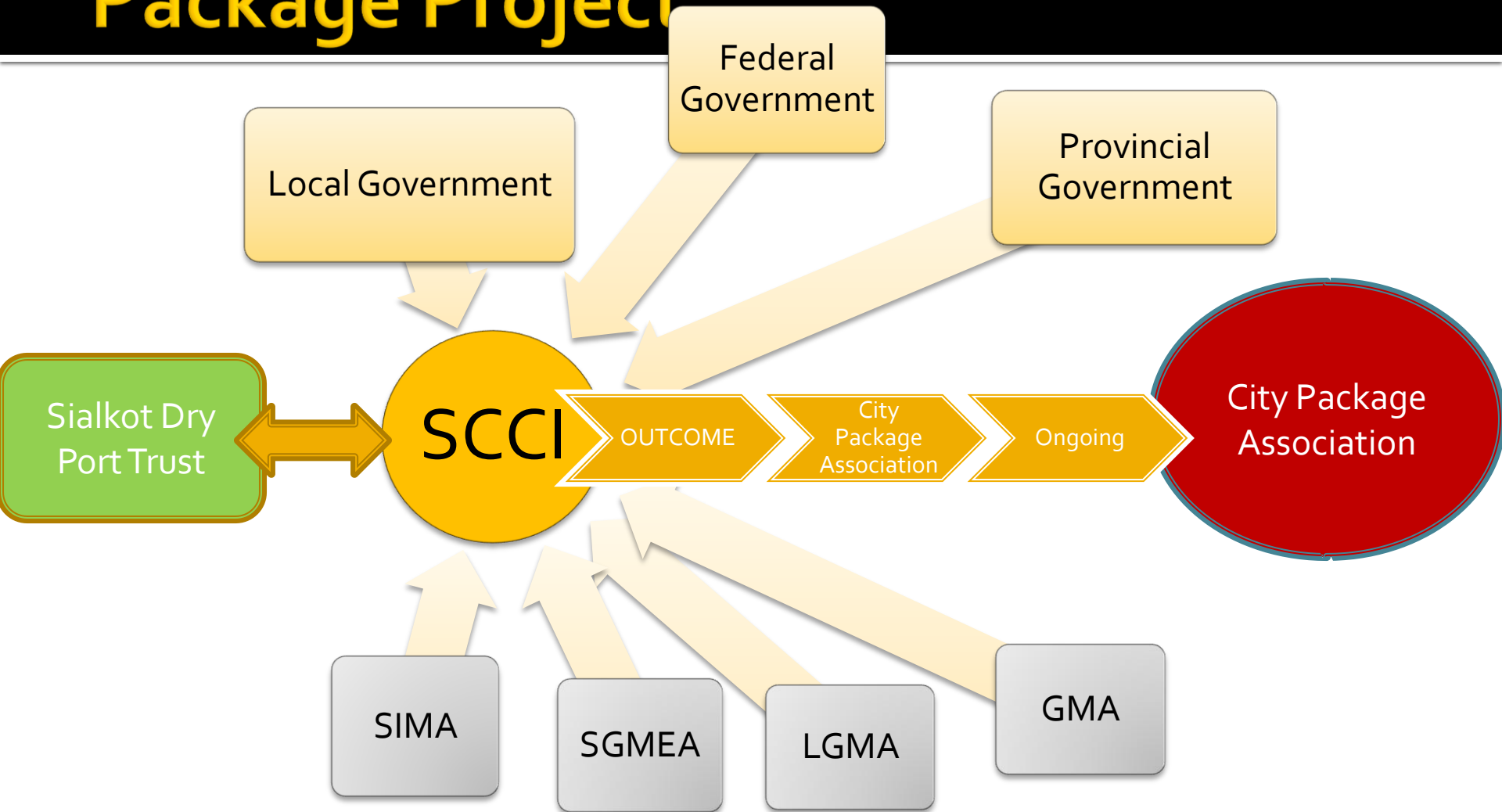
Core Points

- Institutional setting affects capacity for agency, action and innovative solutions.
- Who were the actors in the City Package Project?
 - **LEADER FIRMS w/ COLLECTIVE MEMORY** - attested possibility for a successful outcome through collaboration.
 - **BUSINESS ASSOCIATIONS/TRADE ASSOCIATIONS** - discursive spaces for action; developmentally oriented.
 - **PUBLIC OFFICIALS** - expertise & resources facilitated process.
- Process delivered an endogenous & innovative solution that suits local development realities.
- Process place-specific & buttressed by distinct institutional architecture.

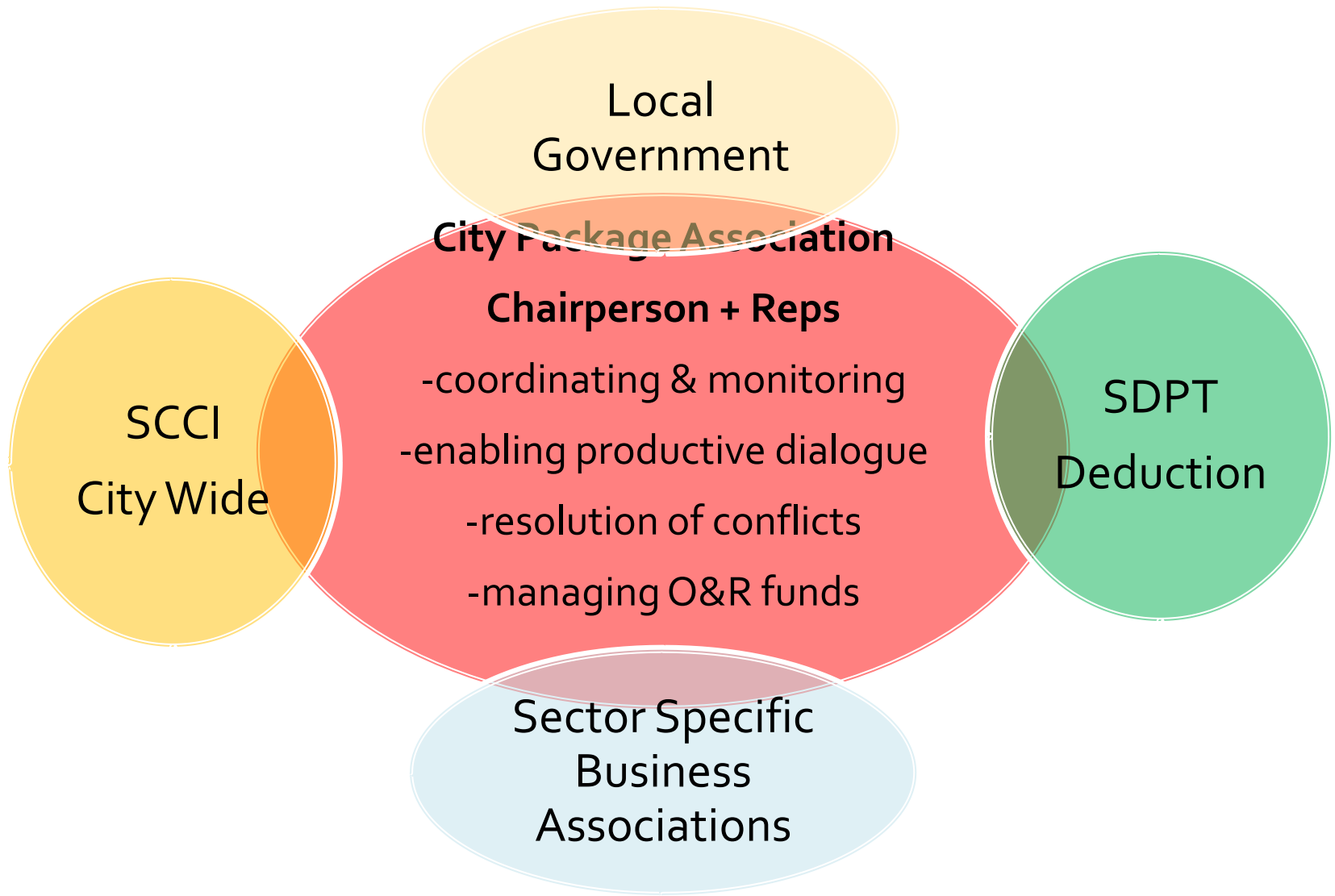
Main Conclusion

- Institutional agency has definitive impact on local economy and region's development.
- W/out supportive institutional structures, infrastructure reforms bound to fail.
- Forging partnerships is not a facile or guaranteed outcome.
- At a minimum this involves continuous revisions, strong leadership, conscious action.

Institutional Arrangements in City Package Project



Present Structure of CPA (2009)



Resources Mobilized

- Private funds mobilized via SDPT – US \$4 million based on voluntary deduction on export earnings (0.25cents deducted on every US \$100 of merchandise shipped overseas).
- Public funds – US \$2.9 million in matching grants from Federal and Provincial Governments.
- Remaining came from municipal and other sources.
- Total funds mobilized for upgradation - US\$ 10 million.

Role of CPA – New Organization

- Initially an informal committee located within SCCI.
- Relocated to DCO's office and formalized.
- Appointed chairperson and representatives of sector-specific trade associations.
- Objectives:
 - Coordinating and monitoring logistics of road improvements
 - Enabling productive dialogue and resolution of conflicts
 - Managing O&R fund.
- Members: local state reps; SCCI reps; trade assoc. reps; consultants; utilities' reps.
- Meeting convened once a week on road improvements.

Leader Firms – Rule Makers?

- Streeck & Thelen (2005) Human Agency/Institutional change: Can we comprehend 'leader firms' as 'rule makers'?'
 - Freedom to exercise power; to reach beyond their authority.
 - Power rests on social network, reputation, history.
 - Reshaped central ethos of local institutions.
 - Broke from previous paths to embrace new ones.
 - Mobilized resources.
 - Influenced peers.
 - Led collective effort.
- Leader Firms' Collective Memory – a regional endowment that underwrites leadership capacity?

Thank You – The End
