DRAFT Report For Client Comment

Institutional Assessment

Punjab Board of Investment and Trade

Investment Policy and Promotion Department

Trade and Competitiveness Global Practice

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Table of Contents

Executive Summary

A Vision for the PBIT of the Future

The targets of the Punjab Growth Strategy reach two years into the future, and Pakistan Vision 2025 goes nine years. At a minimum, these strategies seek to meet Millennium Development Goals. More aspirationally, they seek to catalyze unprecedented economic growth, to establish booms in productivity and human capital, to start the province and the country on the path toward headline-grabbing economic transformation of the type enjoyed by the world's Shenzhens, Bangalores, and Karachis. The full realization of these goals will happen on a longer timescale than covered by the present strategies. It demands constant attention to long-term considerations by the public institutions which aim to orchestrate that growth.

PBIT should be one of those public institutions. Globally, investment promotion intermediaries (IPIs), such as PBIT, have been instrumental in the creation of high value-adding and/or job-creating sectors where there were none before, for example, medical device manufacturing in Costa Rica, call centers in Ireland, and electronics R&D in Penang, Malaysia, all owe their success at least to some extent to the initiative or sustained support of each country's IPI. PBIT's present activities are valuable (for example, to Punjab's attraction of investment to critical gaps in infrastructure and energy), but they are not transformational. The Province of Punjab needs for PBIT to lead in the identification and proactive promotion of potentially transformational sectors, where Punjab already possesses some competitive advantage or where, with effective policy advocacy by PBIT, Punjab could quickly become competitive.

As the provincial IPI, PBIT is better positioned than any other public institution to be a bridge to the private sector. It should use this position to ascertain whether Punjab's best chances at economic transformation lie in the inheritance of a decreasingly competitive Chinese textile and garment sector, in the nurturing of existing strengths in Punjab's pharmaceutical and IT sectors, or elsewhere. With laser focus, PBIT should then articulate the business cases for investing in these sectors, establish the operational infrastructure for facilitating such investments, proactively approach and persuade companies identified as the most likely to invest, and permanently engage with investors attracted, so as to extract maximum development benefits from them.

It is in this context that this report assesses whether PBIT is ready for this challenging role. It assesses PBIT's present institutional set-up, strategic orientation, and management structures and makes recommendations for PBIT's institutional and operational strengthening.

Assessment of PBIT's Suitability to achieve this vision

Information and opinions were collected on PBIT's institutional set-up, strategic orientation, and management systems, and its strengths and weaknesses were assessed against international practices across 10 categories: mandate, legal form and reporting lines, institutional partnerships, types of investment targeted, strategy, investment promotion activities, structure, internal systems, monitoring and evaluating performance, and human resources. The assessment's findings can be summarized as follows (more detailed information is contained in the main body of this report):

1. **Mandate**: Of the 15 objectives currently specified in PBIT's mandate, five seem to hinder its promotional effectiveness. These include approving investment projects and "ensuring" their implementation, resolving investor-state disputes, the provision of "one-window" facilities and

developing PPP proposals. The five objectives are mostly regulatory functions or have PBIT developing projects rather than facilitating investor-developed, market-driven projects. This mixed promoter-regulator role muddles PBIT's focus, intentions, and credibility and creates the potential for a conflict of interest.

Furthermore, trade promotion is not mentioned in the current mandate, beyond its place in PBIT's name. It appears to be an afterthought. This leaves PBIT with the sense that it should be doing something to promote trade, but with no direction at all on how to do it. Finally, and conversely, PBIT is active in at least one area not directly linked to its mandate: the monitoring of national compliance with 27 international conventions needed for the country to quality for the EU's GSP+ tariff regime.

2. **Legal form and reporting lines**: Studies by WBG and others during the last quarter century have repeatedly shown that IPIs are best positioned to perform well when they are largely autonomous, reporting to a prime minister or chief minister's office, but with a well-functioning board having primary responsibility for oversight.

   Several findings are worth highlighting here: First, a lack of continuity in management. With 13 CEOs in six years, PBIT's CEO is subject to sudden dismissal by the Government of Punjab. And although PBIT's chairman is regularly engaged in PBIT's activities, PBIT's board as a whole is virtually non-operational. Second, significant distractions from its core functions. PBIT is currently not sufficiently insulated against requests for comments and support unrelated to its mandate by various other government departments, which, by staff estimates, sap 25-50 percent of PBIT's collective working hours..

3. **Institutional partnerships**: IPIs are bridges between the public and private sectors, and their public sector partners are most typically ministries/departments regulating investment, providing services to companies, or promoting specific sectors. They are at all levels of government, from federal immigration authorities to municipal water suppliers. IPIs generally need two things from other government departments: good information and the prompt and transparent facilitation of investor procedures.

   For a subnational IPI, such as PBIT, the need to partner effectively with the national IPI is inescapable, if the IPI strives to create a seamless experience for investors in site selection, start-up, and aftercare. On the private sector side, trade associations, chambers of commerce, private service providers (e.g., lawyers and accountants), IPI clients, and other individual companies in priority sectors can provide testimonials about the benefits of doing business in a location, help identify investment climate constraints to growth, and inform public policies to build clusters and better extract positive FDI spillovers. An IPI can never achieve all this information, authority, and credibility on its own. Recognizing this dependence on others, well-performing IPIs systematically include partners at every stage of their strategy.

   Despite a recent reputation for ineffectiveness, many stakeholders recall the first year or two of PBIT's performance as being quite good and would like to see PBIT exert itself again. Sector-focused departments have considerable good will toward PBIT, and should be quickly engaged under PBIT's new arrangements. Departments administering investment-related procedures at the federal, provincial, and municipal levels are mostly engaged on an ad hoc, often personal, basis.

4. **Investment Targeted:** By definition, IPIs contribute most to economic development, when they focus on areas where they have the biggest marginal impact. This means effectively promoting sectors that are not otherwise being effectively promoted and fostering spillovers that would not otherwise occur. In practice, this means focusing on attracting and nurturing private, productive investment projects that (i) can be competitive in a location, (ii) promise targeted development benefits, and (iii) are not already promoted effectively by other bodies. More often than not, such projects are investor-conceived and market-driven, rather than conceived by the government.

   However, PBIT's current emphasis is on the promotion of "saleable projects" designed by other provincial departments. These departments are tasked with developing infrastructure and administering large public concessions. To a degree, these projects are already being promoted by other departments, which could remain successful without PBIT's current involvement, which is primarily as road show organizer and sponsor of government travel.

5. **Investment Attraction and Retention Strategy**: A good strategy sets explicit, quantified impact objectives that relate directly to official development goals. It also sets out the specific activities through which those objectives are to be achieved and relates the two through a "logical framework" linking inputs, outputs, outcomes, and impacts. The strategy will prioritize sectors based on an objective assessment of the location's competitiveness and typically address relevant opportunities at all stages of the investment project life cycle (e.g. existing investors, announced investors, potential investors). Considering the multi-year timelines that are typical of investment projects, the impacts of investment promotion are generally seen only in the medium- to long-term. The time horizon of an IPI strategy is, therefore, typically between three and five years. Effective IPIs will review progress toward strategic objectives on an annual basis and make adjustments as needed to accommodate for shortcomings and changed circumstances, but under normal circumstances the broad strokes of a strategy tend to remain unchanged, giving good IPIs considerable consistency in priorities and activities.

   PBIT has no formal, written strategy. Consequently, it is difficult to reach an agreed consensus across stakeholders as to what PBIT's main goals are or should be. The lack of explicitly stated objectives, impact targets, and performance indicators deprives PBIT of the opportunity to more directly and meaningfully serve public development goals.

6. **Investment promotion activities**: Day-to-day investment promotion activities are the link between investors and an IPI's strategic objectives. The full set of activities undertaken by most best-practice IPIs ensures that the IPIs take ownership of investor leads, nurture them until they become announced projects, shepherd them through the start-up process, and then work with companies and local stakeholders to extract maximum benefits. The right promotional activities and tools applied at each stage, ensure that everything possible is done to get the investor to the next stage. These activities are usually categorized under five essential functions: investor-targeting, facilitation of site selection, facilitation of start-up, investor aftercare, and policy advocacy.

However, PBIT's day-to-day investment promotion activities are, to a large extent, driven by outside influences. PBIT is most active in organizing road shows typically targeting a selected country, where the government's "saleable investment projects" are presented to investors from that country. PBIT does not undertake investor-targeting in any meaningful way. It facilitates investment reactively and with little follow-up. It does not have a database of existing or potential investors, nor does it offer any aftercare services. And, while policy advocacy is a notional priority, the exigencies of daily external requests prevent it from being performed.

7. **Organizational Structure**: Organizational structures vary considerably among best practice IPIs, reflecting differences in mandate, strategy, target sectors, and service delivery. However, there are a number of shared characteristics amongst best practice IPIs. Notably, they all allow for sector specialists, account managers, research staff, strong points of contact with partners and stakeholders, and the transfer of client accounts in a way that is seamless from the investor's perspective, for example from a "promotion unit" to an "aftercare unit." If the IPIs are responsible for both investment and trade, the two are well segregated.

   Almost none of these common features are found in PBIT's current structure. Currently, all PBIT staff are ostensibly tasked with both investment and trade. The structure has four major departments/units under the CEO. These are designed for "one window" facilitation (currently non-operational), country-focused promotion (currently, only Turkey), promotion of infrastructure and concessionary projects developed by other government departments, and event organization and publications.

8. **Investment Promotion Support Systems**: Two investor-related systems can be found, in one form or another, among all top-performing IPIs: an investor information system and an investor-tracking system. Information allows an IPI to meet investors' information needs, and investor-tracking facilitates and increases the conversion of investment leads into actual investments.

   PBIT currently has no investor-tracking system or investor information system. Information on investors is not centrally collected. Individual staff members who have come in contact with investors may retain some personal record of it, but it is very difficult for PBIT to ensure systematic follow-up with potential investors or to reach out to existing investors with such patchy information. When an individual staff member leaves PBIT, much of the information may be effectively lost since there is no central storage system.

9. **Monitoring and evaluating performance**: A successful M&E framework will have three core elements: (i) a results framework linking goals, activities, outcomes, and impacts, where possible, through rigorous measurement, (ii) plans, staff, and tools for collecting evidence of results, and reporting plans that convincingly inform critical stakeholders of the facts the IPI wants them to have and (iii) key performance indicators (KPIs) that are the basis for monitoring and measuring the IPI's progress. In this way, a good strategy provides the focus for all of an IPI's day-to-day activities and a frame of reference for determining success or failure. With strategies and results made public, an IPI's results can be valued against its results. The annual reports of well-respected IPIs, such as PRONicaragua, IDA Ireland, and Invest in Hong Kong, can be found on their public web sites and include performance figures such as the investment promotion cost per job created. This objective assessment provides a strong rationale for their

continued or expanded funding and promotes cooperation from other stakeholders who see the IPIs as effective agencies.

PBIT currently has no M&E system. It does not have key performance indicators (KPIs) either at the organizational or individual staff levels. The number of road shows held and the number of MoUs signed are frequently cited as results, although in fact these are outputs with no recorded link to desired impacts such as jobs created, investment facilitated, or spillovers. PBIT's activities have almost certainly facilitated some such impact, and the evidence of that impact may be scattered, particularly among the sector-focused provincial departments supported by PBIT, but PBIT's impact is not systematically monitored and, consequently, the organization finds it difficult to articulate its impact. Staff may receive annual bonuses of up to 8 percent of their salaries, but job descriptions are not sufficiently detailed, and the basis on which bonuses are awarded is neither uniform nor objective.

10. **Human resources**: The 2009 WBG study of best practices *Investment Promotion Essentials* found that well-performing IPIs cultivated private-sector mind-sets within their public-serving organizations. They do this by maintaining private sector standards for service delivery, adhering to key performance indicators, and recruiting staff with relevant experience, in marketing, account and project management, priority sectors, and government agencies. Invest Hong Kong's staff is intentionally balanced with a 2:1 ratio between people with private sector backgrounds and people with public sector backgrounds, giving the agency a more private sector feel but with strong connections to the public bodies it must partner with.

    PBIT's CEO and directors are capable, motivated people with useful experience, albeit mostly not in marketing. However, staff turnover is high. PBIT has had 13 CEOS in 6 years, and a typical job tenure for professional staff is a relatively short 1.5-2 years. The longest serving professional staff member is a director that has been with PBIT for 3.5 years. New CEOs tend to be selected by the Chief Minister and approved without due diligence on the part of the board. When staff vacancies are posted, although PBIT in principle may select anybody based on relevant skills and experience, there is considerable external pressure to select particular candidates.

A Plan for Strengthening PBIT

In almost every respect, PBIT is not currently set up to achieve its vision. However, it is led by capable, motivated people; it has critical political support; it has a substantial budget; and its mission is broadly valued by private and public stakeholders alike. Those things which PBIT must do to succeed are either things within its own control or at the control of the Government of Punjab.

The following summary of recommendations constitutes a plan for the significant strengthening of PBIT, which, if implemented, should allow PBIT to become a globally competitive and highly effective IPI, well-positioned to win the investment it seeks. The recommendations are as follows. They are presented in the broad order in which they should be undertaken.

1. PBIT's mandate should be revised to:
    a. Exclude regulatory and enforcement functions, including being a statutory one-stop shop and the monitoring of Pakistan's GSP+-related compliance, thereby allowing PBIT to focus and excel as a purely promotional body.

   b. Either elaborate the trade promotion function or formally strike it, with commensurate resources and structures being applied in PBIT.

2. PBIT should be given greater operational autonomy to prevent its daily agenda from being overloaded (hi-jacked) by requests from other governmental offices and to ensure its focus on long-term strategic objectives. This includes:
   a. Revisiting its legal form and reporting lines to ensure that PBIT reports to the highest level of government and that it has the operational freedom to focus all its efforts on achieving its strategic goals; and
   b. Revising the formal duties and responsibilities of PBIT's board of directors in line with international best practice, as well as strengthening its governance capacity through training and expert guidance.

3. PBIT should immediately set about designing and implementing both a CRM-based investor-tracking system and an electronic investor information system.

4. A sector competitiveness scan should be conducted as soon as possible to map existing value-chains and identify the most competitive subsectors and business activities for the attraction of FDI. These should be weighed against the anticipated long-term benefits of increased investment and prioritized accordingly, with the top three or four being made the operational focus of a new PBIT strategy.

5. A stakeholder-wide strategy-setting workshop for PBIT should be held to agree on priority sectors, strategic objectives, and a service-level cooperation framework for procedural facilitation, information collection, and joint promotion. The final strategy should cover three to five years; spell out PBIT's objectives, activities, and key performance indicators; be clearly linked to government development goals; and include PBIT strategies for communication and stakeholder outreach. It should be approved by a sufficiently probing and demanding board of directors, and be reviewed annually for progress and continued relevance to the circumstances.

6. PBIT's daily operations should be reoriented away from road shows and other support of sector-focused departments of the Government of Punjab and newly dedicated to the execution of investor aftercare, facilitation of site selection and start-up, and investor-targeting of investor-developed, market-driven projects in priority sectors. The operational details of each of these investment promotion functions should be elaborated as part of the new PBIT strategy.

7. PBIT should restructure its departments as recommended in Figure 5 below, with modifications to accommodate the details of its new strategy.

8. Organizational and individual performance evaluations should be conducted annually. PBIT's performance should be assessed against its stated strategic objectives and target impacts, with results being published in an annual report. Individual performance should be assessed against key performance indicators associated with each position and its role in achieving PBIT's strategic objectives and target impacts.

9. In terms of human resources, PBIT should:
    a. Use its new operational autonomy to resist pressure to hire anyone on any basis other than their suitability to the job. From CEO to junior staff members, the hiring and firing process should be formalized and transparent, including through more detailed articulation of job descriptions, and strictly adhered to.
    b. Systematically build sector expertise, research capacity, and marketing skills through new hires and/or training of existing staff.
    c. Develop an "onboarding" manual and periodically deliver a series of training sessions to quickly bring new recruits up to speed on PBIT's objectives, activities, and practices overall, as well as on those of the recruit's particular department.

10. A PBIT CEO actively making progress toward the institutional reforms recommended in this report should be given no less than two years to complete PBIT's transformation.

Many of these recommendations are addressed in the current World Bank Group PforR and advisory projects in support of the Government of Punjab.

Introduction

Private investment projects, both domestic and foreign, exist in all countries. Although the types, volumes, and development benefits may vary, every country has, therefore, proven that it can attract investment and can presumably attract more. Governments that want it can maximize their chances through effective investment policy and investment promotion. In Punjab, the government has explicitly targeted the attraction of foreign direct investment (FDI) and its positive spillovers in the provincial growth strategy. As the province's lead investment promotion institution (IPI), the Punjab Board of Investment and Trade (PBIT) potentially has a central role to play in meeting those targets.

It is appropriate, therefore, that PBIT's suitability to the task be assessed, so that gaps and weaknesses may be remedied. In December 2015, the World Bank Group (WBG) undertook a detailed institutional assessment of PBIT. The WBG team interviewed PBIT's management team and staff members, as well as a variety of other public and private stakeholders. The latter included partner departments in the provincial government, the Lahore Chamber of Commerce, and domestic and foreign investors in a variety of sectors.

Information and opinions were collected on PBIT's institutional set-up, strategic orientation, and management systems, and its strengths and weaknesses were assessed against international practices across 10 categories: mandate, legal form and reporting lines, institutional partnerships, types of investment targeted, strategy, investment promotion activities, structure, internal systems, monitoring and evaluating performance, and human resources.

The body of this assessment report is organized according to those 10 critical areas, with each topic being divided into three sections: best practices, assessment of PBIT, and report recommendations.

A Vision for the PBIT of the Future

The targets of the Punjab Growth Strategy reach two years into the future, and Pakistan Vision 2025 goes nine years. At a minimum, these strategies seek to meet Millennium Development Goals. More aspirationally, they seek to catalyze unprecedented economic growth, to establish booms in productivity and human capital, to start the province and the country on the path toward headline-grabbing economic transformation of the type enjoyed by the world's Shenzhens, Bangalores, and Karachis. The full realization of these goals, if it does happen, will happen on a longer timescale than covered by the present strategies. It demands constant attention to long-term considerations by the public institutions which aim to orchestrate that growth.

PBIT should be one of those public institutions. IPIs, such as PBIT, have been instrumental to the creation of high value-adding and/or job-creating sectors where there were none before. Medical device manufacturing in Costa Rica, call centers in Ireland, and electronics R&D in Penang, Malaysia, may all owe their success to the initiative or sustained support of the local IPI. PBIT's present activities are valuable (for example, to Punjab's attraction of investment to critical gaps in infrastructure and energy), but they are not transformational. The Province of Punjab needs for PBIT to lead in the identification and proactive promotion of potentially transformational sectors, where Punjab already possesses some competitive advantage or where, with effective policy advocacy by PBIT, Punjab could quickly become competitive.

As the provincial IPI, PBIT is better positioned than any other public institution to be a bridge to the private sector. It should use this position to ascertain whether Punjab's best chances at economic transformation lie in the inheritance of a decreasingly competitive Chinese textile and garment sector, in the nurturing of existing strengths in Punjab's pharmaceutical and IT sectors, or elsewhere. With laser focus, PBIT should then articulate the business cases for investing in these sectors, establish the operational infrastructure for facilitating such investments, proactively approach and persuade companies identified as the most likely to invest, and permanently engage with investors attracted, so as to extract maximum development benefits from them.

In this context this report assesses PBIT's strengths and weaknesses under three broad headings: institutional set-up, strategic direction and management and support structures. It makes recommendations under each heading for PBIT's institutional and operational strengthening.

1 Institutional Set-Up

1.1 Mandates

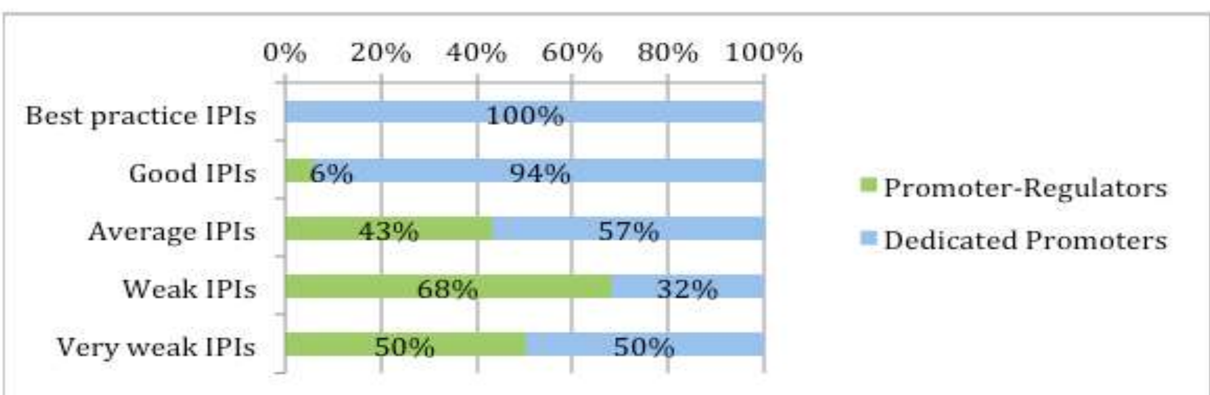
1.1.1 *Best practice*

The mandate should clearly establish the IPI as a tightly focused marketing force for the attraction of FDI into the country or province and as a good service provider to investors. In the way that a company generates profits for its shareholders by successfully meeting the needs of its customers, an IPI generates development benefits for its country's citizens (jobs, incomes, etc.) by successfully meeting the needs of investors. This means freeing the IPI from regulatory, or administrative functions, including investor registration, approvals, and incentives administration. Combining investment promotion with such functions typically muddles the focus, intentions, and credibility of an IPI, and investment promotion effectiveness frequently suffers for it.

A combined promoter-regulator potentially faces a conflict of interest, when its performance is both judged on how many investors it can attract and on how well it stops the "wrong kind" of investments. Investors are likely to question the motives of such an IPI when it is acting as a promoter. Consequently, a promoter-regulator may find it difficult to get the access it needs to effectively promote investment opportunities and provide aftercare. This argues against IPIs acting as statutory one-stop shops with the authority to issues licenses and permits, although it leaves room for the IPI acting as a physical one-stop shop where secondees from regulatory authorities can sit under one roof. Figure 1 presents relevant data from international practices regarding the negative effects of combining promotional and regulatory functions in the same agency.

The focus on investment projects that strengthen markets and value chains means going beyond the promotion of one-off opportunities to exploit a natural resource or unique infrastructure gap. While the value generated by such projects is important, other public institutions (e.g. department of energy) are generally able to market them adequately on their own, and the IPI's value addition to the country's development objectives is in reaching investors that would not otherwise be reached.

Figure 1. Performance of IPIs acting as dedicated promoters and promoter-regulators, in the World Bank Group's *Global Investment Promotion Best Practices (GIPB) 2012*



Source: Robert Whyte, Celia Ortega, and Carlos Griffin, "Investment Regulation and Promotion: Can They Coexist in One Body?" World Bank Group Investment Climate In Practice, no. 16 (March 2011).

1.1.2 Assessment of PBIT

PBIT's mandate is clearly articulated in its memorandum of association, which lays out 15 objectives for which the body was established. Ten of these (#s 1, 3, 4, 6, 7, 10, 11, 12, 14, and 15) are, in principle, wholly consistent with international best practices on investment promotion. In practice, Objectives 3 and 15, which cover the provision of advice to GoPunjab and the organization of large promotional events, although potentially relevant, occupy too much of PBIT's time and resources and are, at times, approached with the wrong vision. These are addressed further in this report's section on investment promotion activities.

The remaining five objectives hinder PBIT's effectiveness at investment promotion for the reasons given below:

- **Objective 2: "…to develop Public-Private Partnership (PPP) models, guidelines and proposals for the Government of Punjab."**
  On such matters, it is appropriate for an IPI to provide guidance to the government, to participate in identifying opportunities, to help market those opportunities, and to provide investors with information and assistance. However, leading in the development of models, guidelines, and proposals makes the government a direct client of the IPI and frequently puts the IPI in the position of an investment regulator, as opposed to a pure promoter. That mixed role has proven to have a significant negative influence on an IPI's promotional effectiveness.

- **Objective 5: "To appraise, evaluate and process all investment proposals and projects received from the investors for submission to the Government of the Punjab."**
  This objective suggests that PBIT is meant to be engaged in approving or licensing investment projects, which would again put it in the position of a "regulator-promoter." PBIT reports that it does not perform any such function, a good thing from a promotional perspective, which should be formalized by removing Objective 5 from PBIT's mandate.

- **Objective 8: "To provide 'one-window' facilities in accordance with and subject to applicable laws, for the provision of all services and utilities to investors by federal, provincial or local governments and state-owned enterprises."**
  PBIT has yet to implement this, but there seems to be internal consensus that "one window" or a "one-stop shop" of this sort would be a good thing. PBIT is at the stage of working out the form that implementation would take.

  The idea of a one-stop shop is common among IPIs, and it has been implemented according to a variety of models to different levels of success in many places. With a virtual one-stop shop, an IPI may accept, file, and follow-up paperwork on behalf of investors with public offices located elsewhere. With a purely physical one-stop shop, an IPI may host seconded officials from licensing authorities and utilities within the IPI's own facilities. With a statutory one-stop shop, the IPI assumes the authority of those officials and becomes a regulator. Good IPIs "feel the pain" of their investor clients and want to save them the time, cost, uncertainty, and anxiety of excessive red tape. Many of these IPIs seek to become statutory one-stop shops with the notion that they will then be able to spare the investors those problems. However, any improvements in processing times are threatened by the reduced effectiveness that tends to come with the mixed regulator-promoter role. The virtual and purely physical one-stop shops, in combination with good partnerships among the actual regulators, is more likely to reduce red tape without reducing promotional effectiveness.

- **Objective 9: “To endeavor to resolve investment-related disputes and other disputes regarding commercial activities of the Government of the Punjab, in accordance with and subject to applicable laws.”**
  Investor grievance and dispute resolution mechanisms are valuable components of the investment climate. However, they need to be administered by objective parties for their credibility. Putting a promoter in the position of referee creates a clear conflict of interest.

- **Objective 13: “To monitor the progress of investment programs and projects in Punjab at all stages and to ensure prompt implementation and operation.”**
  The appropriateness of this objective hinges on the word “ensure,” which gives the sense of enforcement rather than facilitation. If PBIT actively engages with investors as clients, looking for ways to help facilitate the realization of the investors’ own plans through start-up servicing and aftercare, then Objective 13 is highly appropriate.

PBIT’s mandate is notable also for four elements which it does not include:

1. The word “trade” appears nowhere in PBIT’s memorandum of association, except in PBIT’s name. It appears to be an afterthought, with little consideration given to how or why trade promotion was to be carried out. In fact, PBIT staff report that between 10 and 33 percent of the trade-related meetings they take are not with domestic exporters but with foreign companies that want to sell goods into Pakistan. If the Government of Punjab hopes to actively promote exports, there are reasons to combine it with investment promotion (primarily, cost savings) and reasons to keep them separate (different audiences and skills sets possibly leading to underperformance, especially in investment promotion). However, interviews with PBIT and its stakeholders suggest that GoPunjab’s most immediate priority in establishing PBIT wasto promote investment. PBIT’s trade promotion work should be properly resourced and structured within PBIT, or it should be formally struck from PBIT’s mandate, allowing PBIT to sharpen its focus on investment.

   In principle, all PBIT staff are meant to be responsible for both investment and trade, which itself is potentially poor practice. For example, PBIT’s director for agriculture, livestock, and dairy development appears to spend more time advocating policy reforms and SME development measures for Punjab’s small producers than in facilitating or proactively targeting investment. In other words, trade promotion and investment promotion are quite different activities and need to be structured and resourced accordingly. The distractions from investment promotion which the trade work represents are examples of the negative consequences which can come from combining trade and investment without thinking it through properly and from failing to design and integrate the two properly. The advantages and disadvantages of promoting both investment and trade under one roof are summarized in Table 1.

2. The Chief Minister of Punjab has assigned PBIT (i.e., its one-person legal department) with monitoring Pakistan's compliance with the 27 international conventions needed for Pakistani companies to benefit from the EU's GSP+ tariff regime.

3. Several parties interviewed during the fact-finding mission independently volunteered the opinion that PBIT acts much as a public relations department for the Chief Minister.

4. Several parties interviewed voiced the misplaced expectation that PBIT's mandate should include the authority to compel government bodies to expedite investment-related procedures. Going forward, a refocused PBIT, particularly in the context of the larger P4R project and the new investment climate reform unit (ICRU), should actively seek to mold client and stakeholder perceptions of PBIT as a liaison and buffer, rather than an enforcer, either for the state or client investors.

Table 1. Advantages and disadvantages of promoting investment and trade through a single body

Advantages	Disadvantages
Better policy coherence in investment and trade issues.	Often different objectives and core activities. Risk of fragmented responsibilities and loss of focus in the agency.
Shared support services (IT, human resources, accounting, legal services, public relations, research and analysis), and shared office accommodation.	Possible problems in coordinating investment and trade promotion activities and managing staff with different mindsets. Risk of increased bureaucracy.
Knowledge-sharing, to benefit strategy development.	Different time frames, with generally a longer time perspective in investment promotion.
Potentially more continuity in service delivery. A single point of contact in government, e.g. for export-oriented investors.	Often different clients and contact points in companies.
Potential synergies in overseas promotion, especially country branding.	Largely different skills requirements for staff.
Common ground for policy advocacy in the area of national competitiveness.	Risk of less attention being paid to investment promotion and FDI-related policy issues.

Source: United Nations Conference on Trade and Development, 2009. *Promoting Investment and Trade: Practices and Issues*. Investment Advisory Series, Series A, number 4.

Despite the mandate's distractions and deficiencies, PBIT itself has well-articulated an appropriate and focused (though yet to be realized) vision of its purpose, functions, and value. In the overview section of its web site, PBIT states that:

> "PBIT has quickly established its focus around three key objectives: facilitating new and existing businesses; creating a mutually beneficial business environment through

proactive policy advocacy both at the provincial and federal level and, promoting Punjab as the ultimate investment destination. The unique combination of public officials and private sector experts who work at PBIT helps bridge the gap between private corporations and the government. We provide investors and businesses with a one-window facility and reduce their time to market their products."

1.1.3 Recommendations

Regulatory and enforcement functions should be eliminated from PBIT's mandate, allowing it focus and excel as a purely promotional body.

"Trade" should be struck from PBIT's name, reflecting the fact that trade promotion is not addressed in its mandate. Alternatively, the articulation of a clear trade promotion mandate could be considered, but the challenge of achieving excellence in trade promotion would complicate the challenge of doing so in investment promotion, which is the clear area of priority for GoPunjab. Trade promotion should be housed this another institution, either permanently or until PBIT has achieved excellence in investment promotion.

And finally, PBIT's mandate should explicitly discourage its pursuit of non-promotional objectives in its mandate, such as monitoring of Pakistan's GSP+-related compliance.

1.2 Legal form and reporting lines

1.2.1 Best practice

An IPI's legal form and reporting lines are important as they affect an IPI's ability to operate like a private sector organization, to get cooperation from other public institutions, to have influence as investment climate advocates, and to avoid mission creep. These characteristics tend to be most difficult to achieve in less developed economies and within civil services with shortages of relevant technical expertise, where the purpose and value of an IPI are less well understood, and IPI management is less well positioned to exert itself.

The IPIs that are best positioned to perform well are those that are largely autonomous, reporting to a prime minister or chief minister's office, with additional oversight from a well-functioning board. A 2009 Bank Group survey[1] of 96 national IPIs found that only about 30 percent of top performers[2] were ministerial subunits. The large majority of top performers are positioned outside of ministries and report directly to a minister or higher authority. This allows them to pursue their "strategies with minimal interference and the freedom to allocate resources accordingly."[3] This conclusion is supported by a 2013 ECORYS report on investment promotion best practices,[4] which found "quasi-governmental" status was highly correlated with promotional success.

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[1] Investment Climate Advisory Services. 2009. *Investment Promotion Essentials: What Sets the World's Best Investment Facilitators Apart from the Rest.* World Bank Group, Washington, D.C.
[2] As defined by the categorization of their performance in Global Investment Promotion Benchmarking 2009 as either "best practice" or "good."
[3] Ibid
[4] ECORYS. 2013. *Exchange of Good Practices in Foreign Direct Investment Promotion.* ECORYS, Rotterdam.

The superior performance of more autonomous quasi-governmental bodies has long been observed, going back at least to the case studies of the Bank Group's 1990 *Marketing a Country*, which observed that many of the IPIs most widely recognized as leaders in the field, such as Industrial Development Authority Ireland (IDA Ireland), Singapore Economic Development Board (Singapore EDB), and Malaysian Industrial Development Authority (MIDA), had long existed as quasi-governmental bodies. Meanwhile, IPIs originally set up as investment regulators but later taking up the promotional mandate, including Investment Canada and the Board of Investment of Thailand, had found greater promotional success once their forms were changed from governmental to quasi-governmental bodies.

Such bodies have better control over their agendas, resisting pressure from other government offices to deviate from the activities explicitly called for in the IPIs' strategies. The need to operationally sequester an IPI applies equally to its line minister, who should be involved in setting the daily activities of the IPI only in his or her capacity as board chair.

A good board of directors will likely comprise similar numbers of public and private sector stakeholders, representing critical stakeholders and economic sectors. ECORYS (2013), likewise found a significant positive correlation between the number of FDI projects attracted to priority sectors and the private sector representation on the IPI board.

The formal duties and powers of the board should be explicit in according it the authority to approve/reject the IPI's strategy, appoint/recall the CEO, and periodically review the performance of the IPI. And, the IPI's CEO will be able to rely on influential board members to act as a team of champions for investment-related initiatives and reforms.

For example, PRONicaragua, the national IPI recognized by the World Bank Group as the world's top investment facilitator in 2012,[5] has a board consisting of 13 public sector representatives, six private sector representatives, and a presidentially appointed chairman. The board's responsibilities include coordinating with local institutions to implement "policies, structures and programs for investment and export promotion with the purpose of fostering the country's economic growth."

1.2.2 Assessment of PBIT

When established in 2009, PBIT reported to the Chief Minister. In a decentralization effort, it was later moved under the Industries, Commerce, and Investment Department (ICID), but it continues to take regular direction from the Chief Minister in addition to ICID. Despite being incorporated as a non-profit limited liability company under Section 42 of the 1984 Companies Ordinance, it remains, in practice, a departmental subunit and depends on the Department for budget and oversight. PBIT lacks all three of the major benefits which optimal reporting lines are meant to secure for it: (1) political insulation, (2) operational oversight, and (3) meaningful cooperation from critical stakeholders.

A substantial amount of PBIT's daily activities is driven directly by the Chief Minister, to the point which the WBG fact-finding team heard PBIT repeatedly referred to by various stakeholders as a public relations office for the Chief Minister. That being said, the many short-term requests for action coming from the Chief Minister's office are reported to be very much related to PBIT's mandate. A much larger and detrimental distraction is the constant flow of requests for input and support coming from

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[5] Investment Climate Advisory Services. 2012 *Global Investment Promotion Benchmarking 2012.* World Bank Group, Washington, D.C.

provincial departments, the satisfaction of which PBIT staff reports taking somewhere between 25 percent and 50 percent of staff time. While these requests, which might include sitting on committees and providing background information, do sometimes relate directly to PBIT's objectives, PBIT reports that completely unrelated tasks make up the majority. These might include arranging travel for another department doing promotion abroad, because PBIT has the budget, or preparing a PowerPoint presentation unrelated to investment or trade, simply because PBIT makes good presentations.

Oversight from the board is lacking, and while PBIT's organizational chart envisions an advisory council, it has never convened. Supposed to meet at least quarterly, the board has at times gone more than half a year without meeting, and when the board does meet, it is often attended by junior representatives of board members, without legal authority to vote on their behalf. The board acts as a rubber stamp for the selection of CEOs, often without having interviewed the candidates. And while the chairman maintains an office at PBIT and is regularly engaged in its activities, the practical duties, powers, and operational guidelines are unclear to some other board members. There is no expectation among the board, as a whole, that it should be demanding a strategy, performance indicators, and regular performance review from PBIT.

This lack of a meaningfully engaged board deprives PBIT of a valuable tool, which many strong IPIs enjoy and, in fact, depend on: a team of influential public and private sector stakeholders to champion investment-related initiatives and reforms.

1.2.3 Recommendations

PBIT should be made more institutionally autonomous, but with sound board oversight. The board's formal duties and responsibilities should be revised in line with international best practice, and its governance capacity should be strengthened through training and guidance (**a recommended deliverable of the Bank Group project**).

PBIT also requires political space to perform its duties accordingly and time to build capacities and show results. However, it might take at least 18 months to adequately build capacity and perhaps another two years to show significant, measurable, attributable results in terms of actual capital invested, jobs created, sectors developed, exports boosted, etc. However, this is well within the timeframe of the Bank Group project and a considerably better alternative than proceeding in the same manner that has produced few results over the last six years.

Options: Much of the political support needed to make this happen is in the hands of the Chief Minister. By directive, he could insulate PBIT from other departments and allow PBIT to work on nothing other than the activities made explicit in its new strategy. PBIT's operational autonomy could also be better secured by making it a quasi-governmental body, as was recently done with the Province of Khyber Pakhtunkhwa's Board of Investment and Trade. This would give PBIT a budget set by the provincial assembly, and, if PBIT moves to implement its one-stop shop, the possibility of greater delegated authority.

1.3 Institutional partnerships

1.3.1 Best practice

IPIs are bridges between the public and private sectors, and their public sector partners are most typically ministries/departments regulating investment, providing services to companies, or promoting specific sectors. They are at all levels of government, from federal immigration authorities to municipal water suppliers. IPIs generally need two things from other government departments: good information and the prompt and transparent facilitation of investor procedures. For a subnational IPI, such as PBIT, the need to partner effectively with the national IPI is inescapable, if the IPI strives to create a seamless experience for investors in site selection, start-up, and aftercare.

Figure 2. Indicative division of roles between national and subnational IPIs

On the private sector side, trade associations, chambers of commerce, private service providers (e.g., lawyers and accountants), IPI clients, and other individual companies in priority sectors can provide testimonials about the benefits of doing business in a location, help identify investment climate constraints to growth, and inform public policies to build clusters and better extract positive FDI spillovers.

An IPI can never achieve all this information, authority, and credibility on its own. Recognizing this dependence on others, well-performing IPIs systematically include partners at every stage of their strategy. Table 2 provides an example of stakeholder analysis which can be conducted to identify potential scope of partnership and set parameters for a proactive PBIT campaign to productively enlist institutional partners in the satisfaction of PBIT's mandate.

Table 2. Brazilian example of stakeholder analysis to identify potential partners and their services

Services Provided by the National Investment Network										
Institutions	Type of Institution	Relation to Service / What they can offer	Marketing Intelligence	Proactive Sales	Enquiry Handling	Visits Handling	Deal Negociation	Servicing (Set Up)	Aftercare	Policy Advocacy
Apex-Brasil	-	-	●	●	●	◕	◕	○	◔	◔
BNDES	Stakeholder	Banking products and sectoral information	●	●	●	○	◕	◕	◔	◔
BACEN	Partner	Customized statistic data	●	○	○	○	○	○	◔	○
MRE	Stakeholder	Get investors refered by MRE	○	◔	○	○	○	◔	○	○
Sector Associations	Partner	Sector information	●	○	◔	◑	○	○	○	○
State Institutions	Partner	Areas of interest and strategic focus; partnership	◑	◑	◑	◕	●	●	●	●
IBGE	Partner	Customized statistic data	●	○	○	○	○	○	○	○
ABDI	Stakeholder	Information about policy issues. Partnership in special government programs	●	●	◔	◔	○	○	○	●
Empresas de recrutamento	Service Provider	Workforce availability and compensation information	●	●	●	◕	○	○	○	○
CEFET	Partner	Workforce degrees	●	●	●	◕	○	○	○	○
Inep e Capes (MEC)	Partner	Information on graduate and post gratuade programs, technical schools, with number of students, graduates, by city/state, by course, quality evaluation, etc.	●	○	○	○	○	○	○	○
Senai	Partner	Workforce training	●	●	●	◕	◔	◔	◔	○
CNI / IEL	Stakeholder	Partnership	◔	◑	◑	◑	○	◔	◑	●
ABDIB and Sinaenco	Partner	Information about projects and infrastructure in general	●	◔	○	○	○	○	○	◑
Anatel	Partner	Information about the sector, regulation, bidding processes	●	◔	○	○	○	○	○	○
Aneel	Partner	Information about the sector, regulation, bidding processes	●	○	○	●	○	○	○	○
Ana	Partner	Information about the sector, regulation, bidding processes	●	○	○	●	○	○	○	○
NTC	Partner	Information about the sector, regulation, bidding processes	●	○	○	●	○	○	○	○
Escritórios de Advocacia	Partner	First time legal consultation by investors	●	○	○	●	○	○	○	○
Empresas de consultoria	Partner	Knowledge about investors anb sectors	●	○	○	●	○	○	○	○
C.B Richard Ellis, Jones Lang	Partner	Info about Real Estate	●	○	○	●	○	○	○	○
Anprotec	Partner	Tech Parks info (sectors, area, number, companies profile, size of the companies, infrastructure, benefits and incentives, competitive advantages, p&d)	●	○	○	●	○	○	○	○
MDIC	Partner	Get investors refered by MRE	●	○	○	●	○	○	○	◔
MTRABALHO	Partner	Labor law	○	◔	◔	◔	○	◔	○	○
MJUSTIÇA	Partner	Violence rating	◔	○	○	◔				
MTUR	Partner	Information concerning tourism, projects, incentives and events (2014 World Cup)	●	○	○	◑	○	◔	○	○
MCT and Finep	Partner	Information regarding and S&T&I incentives and strategic programs	●	○	○	○	○	○	○	○
MDEFESA and ANAC	Partner	Airport privatization and air traffic info	○	○	○	○	○	○	○	●
MTRANSP, ANTT and ANTAQ	Partner	Multimodal and logistic information	●	○	○	○	○	○	○	○
MME	Partner	Information regarding energy legislation, bidding process and privatization	●	○	●	○	○	○	○	○
MAPA	Partner	Information concerning agriculture, livestock and supplying legislation	○	○	●	○	○	○	○	●
RECEITA	Partner	Reports conerning importing and exporting data	●	◔	○	●	○	○	○	○
FT	Service Provider	FDI announcements and companies profile	●	○	○	○	○	○	○	○
EIU and Euromonitor	Service Provider	Sector and economic information	●	○	○	●	○	○	○	○
UNCTAD and OCDE	Service Provider	Estatistic data	●	○	○	●	○	○	○	○
Salaries information	Service Provider	Quantitative and qualitative information on labor force by region and area of study, including masters and phd degrees, avarege salaries, total costs for hiring	●	○	○	●	○	○	○	○

Apart from making investment promotion easier, strong partnerships create allies and champions among critical stakeholders and clarifies boundaries and responsibilities among stakeholders that might otherwise feel they are in competition with each other.

The keys to successful partnerships are that they be mutually beneficial, explicitly agreed (including what is expected from each other and when, high-level buy-in and support, and sharing publicity and credit for positive results.

1.3.2 Assessment of PBIT

Despite a recent reputation as being ineffective, many stakeholders recall the first year or two of PBIT's performance as being quite good and would like to see PBIT exert itself again. In terms of promotion, PBIT enjoys considerable good will from sector-focused departments, which PBIT should move to quickly engage under its new strategy. However, PBIT is not closely coordinated with the national IPI, the Board of Investment of Pakistan. The two institutions sometimes invite each other to participate in some investor events, but there appears to be no division of labor in the development of sector-specific investor information and marketing materials, no sharing of leads, and no coordinated transition of service from BOI to PBIT once an investor has decided to invest in Punjab.

In terms of procedural facilitation, PBIT's interacts mostly on an ad hoc, often personal, basis with departments administering investment-related procedures at the federal, provincial, and municipal levels. This puts PBIT in a weak position when seeking to facilitate government procedures on behalf of client investors, let alone implement the procedural "one-stop shop" envisioned in its mandate.

PBIT customers interviewed as part of this assessment reported that PBIT offered very willing support in dealing with other government offices, but that that support mostly took the form of letter-writing and, when available, leveraging personal connections, but nothing in the form of systemized coordination with relevant authorities. For example, the Swiss chemical company SIKA has been operating in Pakistan for five years and recently sought to invest in a second project. Having agreed on a land price with relevant authorities, the SIKA project manager obtained board approval and set out to implement the project, only to be told that the land price had more than doubled. A PBIT more continuously engaged with its existing investor base and institutionally engaged in permanent partnerships with critical authorities could help to prevent such problems.

1.3.3 Recommendations

Within PBIT's new strategy, it should have a section on communications and partnership strategy that incorporates the partnership needs of each of PBIT's departments, harmonizes external messages, develops interdepartmental MoUs and service-level agreements, and aims to institutionalize engagement of partners.

Those investors that have benefited most from PBIT's past services, should be engaged periodically to maintain them as a resource for sector intelligence, testimonials, sector development efforts, and insights into the investment climate.

2 Strategic Direction

2.1 Types of investment targeted

2.1.1 Best practice

By definition, IPIs contribute most to economic development, when they focus on areas where they have the biggest marginal impact. This means effectively promoting sectors that are not otherwise being effectively promoted and fostering spillovers that would not otherwise occur. In practice, this means focusing on attracting and nurturing private, productive investment projects that:

- Can operate more competitively and profitably in the location than in alternative locations
- Introduce new skills, technologies, and international markets to the local economy (i.e., projects of foreign origin)
- Strengthen local markets and value chains
- Are not already promoted effectively by other bodies

More often than not, such projects are investor-conceived and market-driven, rather than conceived by the government. Infrastructure development projects and resource extraction projects, for example, are likely to be developed and effectively marketed by other government departments, leaving less room for value addition by IPIs, relative to competitive sectors that are not otherwise being promoted.

2.1.2 Assessment of PBIT

In practice, PBIT currently targets countries and investment projects developed by provincial departments. Its highest ranking officer after the CEO is the Head of the Turkey Cell,[6] the creation of a China cell is being considered, and road shows are conceived by country rather than competitive sector. That is, unless the sector is one of interest to a provincial department with saleable projects to promote. This is reflected in PBIT's five sector-specific directorships. Three of these are focused on sectors with powerful government departments that are successfully promoting projects they have developed: energy, mines and minerals, and infrastructure.

A fourth directorship is dedicated to agriculture, livestock, and dairy. In contrast to the FDI focus of PBIT's other directorships, this one appears to be more active in forms of SME development and policy advocacy in support of that, as well as in buyer events.

There are no staff members specialized in textiles and apparel, information technology, pharmaceuticals or some sector in which a Punjabi competitive advantage for FDI has been identified.

2.1.3 Recommendations

A sector competitiveness scan (utilizing existing sector studies) for the province should be conducted, mapping existing value chains and identifying the most competitive subsectors and business activities therein. These should be weighed against the anticipated benefits of increased investment and prioritized accordingly. The top three or four should be made the operational focus of a new PBIT strategy (see Section 2.2 of this report), including proactively targeting investors identified as being

[6] "Cell" in the GoPunjab context is synonymous with unit.

desirable and likely to invest, in order to present them with tailored business cases for investing in Punjab (see Section 2.3).

Development and effective mobilization of the sector expertise, research capacity, and marketing skills needed for successful investor-targeting demand adjustments to PBIT's organizational structure (see Section 3.1) and investment promotion support systems (see Section 3.2).

2.2 Strategy

2.2.1 Best practice

The vast majority of IPIs are public, and they are established by governments to contribute to the achievement of national development goals, such as job creation, sector development, technology transfer, skill development, and market connectivity. A good strategy sets explicit, quantified impact objectives that relate directly to these public development goals. It also sets out the specific activities through which those objectives are to be met and relates the two through a "logical framework" of inputs, outputs, outcomes, and impacts.

The strategy will prioritize sectors based on an objective assessment of the location's competitiveness and typically address relevant opportunities at all stages of the investment project life cycle (e.g. existing investors, announced investors, potential investors).

Considering the multi-year timelines that are typical of investment projects, the impacts of investment promotion are generally seen only in the medium- to long-term. The time horizon of an IPI strategy is, therefore, typically between three and five years. Effective IPIs will review progress toward strategic objectives on an annual basis and make adjustments as needed to accommodate for shortcomings and changed circumstances, but under normal circumstances the broad strokes of a strategy tend to remain unchanged, giving good IPIs considerable consistency in priorities and activities.

In this way, a good strategy provides the focus for all of an IPI's day-to-day activities and a frame of reference for determining success or failure. With strategies and results made public, an IPI's results can be valued against its results. The annual reports of well-respected IPIs, such as IDA Ireland and Invest in Hong Kong, can be found on their public web sites and include performance figures such as the investment promotion cost per job created. This objective assessment provides a strong rationale for their continued or expanded funding and promotes cooperation from other stakeholders who see the IPIs as effective agencies.

Without a well-articulated strategy, an IPI is apt to over-focus on short term goals, to be vulnerable to political pressures and mission creep, and to allocate its resources inefficiently

2.2.2 Assessment of PBIT

PBIT has no explicit strategy. PBIT's guiding activities appear to be driven, in large part, by year-to-year goals to (1) engage particular countries (e.g., Turkey, Belarus, China) and (2) hold a certain number of promotional events with maximum participation and MOUs signed. The sectors promoted in these countries and events are driven largely by GoPunjab departments focused on particular sectors such as Energy, Mines and Minerals, and Transport, which seek investors to fill government-identified infrastructure gaps and develop public concessions.

In many countries with good investment promotion performance, the sorts of projects developed by sector-focused government departments are successfully promoted by those departments themselves. For example, UK Trade and Investment, Germany Trade and Invest, CzechInvest, ApexBrasil and many other successful IPIs do not cover sectors with large government projects such as mining, carbon-based energy, water, or transportation. The relevant investment opportunities (e.g., development of a newly discovered oilfield) tend to be few, very big, internationally known, and demanding of a high level of technical expertise on the part of the government. In such cases, the more generalist national IPI has little value to add. And in fact, in Punjab, PBIT's role in promoting such opportunities tends to be in organizing events and sponsoring government travel. This saps PBIT's budget, time, and focus, with no commensurate value addition.

PBIT is constantly distracted from even these objectives by a constant flow of requests from GoPunjab departments for advice and operational support on tasks of questionable relevance to its mandate.

Whatever other factors have contributed to PBIT's lack of a strategy, frequent changes in PBIT's CEO is a major one. A good strategy may take months to develop and, in a medium- to long-term prospect like investment promotion, years to implement. PBIT has had 13 CEOs in 6 years, the large majority of which could not have had enough time to develop and implement a good strategy, had they been so inclined.

2.2.3 Recommendations

PBIT needs a formal strategy of the sort described in the best practice section above. This should be developed through a well-informed and inclusive 'strategy' workshop meant to identify the concrete contributions to objectives of GoPunjab's growth and development strategy which PBIT could reasonably achieve through its given mandate.

Changes to the mandate, as raised in Section 1.1 of this report, should be agreed quickly and a stakeholder-wide strategy workshop held as soon as possible thereafter, while allowing time for the completion of a sector competitiveness study of the province.

With Bank Group facilitation, PBIT and its stakeholders would use the results of the sector scan to select priority sectors, in which PBIT's proactive promotion could have the biggest marginal contribution to the Punjab Growth Strategy. They would lay out detailed objectives, quantitative and qualitative performance indicators, and the activities by which the objectives would be achieved, as illustrated by the example in Table 3. The strategy should cover three to five years, be approved by a sufficiently probing and demanding board of directors, and be reviewed annually for progress and continued relevance to the circumstances.

Stakeholder participation in the strategy-setting workshop would provide the platform for identifying areas for cooperation. With the outline of a strategy set, PBIT and its stakeholders would spell out a cooperation framework, including points of contact within each institution, the specific roles of each, and standards for service delivery.

Table 3. Example of a result framework linking strategic objectives to activities and performance indicators

<table>
<tr><th>Goals</th><th>1. Facilitate FDI receptively</th><th>2. Generate strategic FDI proactively</th><th>3. Develop IPI’s promotional capacity</th><th>4. Build IP network and its capacity</th></tr>
<tr><td rowspan="2">Activities</td><td>• Preparation of investor-ready information
• Online presentation of information for investors
• Inquiry response</td><td>• Research priority industries and companies
• Conduct investor outreach campaigns
• Connect to priority investors through other means, incl. inquiries, referrals, industry events, and personal contact
• Proactive promotion</td><td rowspan="2">• Undergo capacity-building workshops for each IP function
• Have account managers build sector knowledge
• Add staff with appropriate skills
• Design and implement:
○ new Web site
○ IIS
○ CRM system</td><td rowspan="2">• Sign MoUs with state IPIs
• Design and implement certification system for state IPIs
• Have state IPIs undergo capacity-building workshops for each IP function</td></tr>
<tr><td colspan="2">• Site visit organization
• Facilitating government procedures
• Facilitating business start-up</td></tr>
<tr><td rowspan="2">Indicators for Target Output</td><td>• # of inquiries handled</td><td>• # of first-time presentations made to proactively generated leads</td><td rowspan="2">• % of staff completing training in:
○ Facilitation
○ Outreach
○ Aftercare</td><td rowspan="2">• # of state IPIs having signed MoUs
• # of state IPIs certified

For each state:
• % of staff completing training in:
○ Facilitation
○ Outreach
○ Aftercare
• % change in GIPB scores
• # of inquiries handled per IPI staff
• # of first-time presentations made to proactively generated leads per IPI staff
• # of site visits organized per IPI staff
• # of clients announcing investments per IPI staff</td></tr>
<tr><td colspan="2">• # of site visits organized
• # of clients announcing investments</td></tr>
<tr><td>Indicators for Target Impact</td><td colspan="2">• Total new investment, in USD
• Total reinvestment, in USD
• # of jobs created
• Total disinvestment averted
• # of jobs saved
• # of business lines added by existing investors
• Total increase in domestic purchasing by foreign-controlled companies, in USD
• Exports, in USD, from foreign companies facilitated</td><td>• Total USD invested, reinvested, and saved per IPI staff
• Total USD invested, reinvested, and saved per USD of IPI budget</td><td>• Total USD invested, reinvested, and saved per IPI staff
• Total USD invested, reinvested, and saved per USD of IPI budget</td></tr>
</table>

Recognizing that a new strategy will probably represent a significant departure from the status quo, PBIT's strategy should clearly spell out which of its current activities and orientations will be modified or dropped. For example, event organization and travel funding are responsibilities that can and should be reassigned to the specialized government departments that drive those sector-specific agendas, so that PBIT may focus on the harder-to-identify opportunities with broader benefits to sector development, economic diversification, value addition, and market internationalization. Under such circumstances, PBIT could still act as a provincial coordinator on public-private dialogue, branding, and the application of promotional tools and standards.

Once the strategy has been adopted, PBIT should adjust the organizational structure as necessary, ensure that all staff understand their roles in implementation, establish individual performance indicators, get the training and support they need to perform well, and, very importantly, stay on focus day to day.

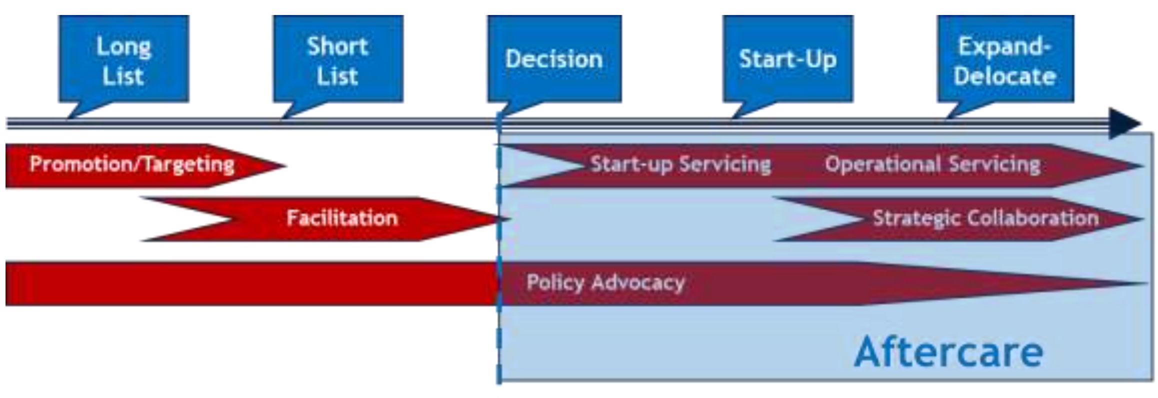
2.3 Investment promotion activities

2.3.1 Best practice

Day-to-day investment promotion activities are the link between investors and an IPI's strategic objectives. The full set of activities undertaken by most best-practice IPIs ensures that the IPIs take ownership of investor leads, nurture them until they become announced projects, shepherd them through the start-up process, and then work with companies and local stakeholders to extract maximum benefits. The right promotional activities and tools applied at each stage, ensure that everything possible is done to get the investor to the next stage.

The stages of an investment project are illustrated in blue in Figure 3, with the arrows indicating the flow of time. In, red are the standard IPI functions which correspond to each stage of the investment project's life.

Figure 3. The investment promotion activities suited to each stage in the life of an investment project



These activities are usually categorized under five essential functions:

1. **Investor targeting** (a.k.a., investor outreach and proactive promotion) is proactively targeting investors identified as being desirable and likely to invest, in order to present them with tailored business cases for selecting a given location.

2. **Investment facilitation** attempts to convert investor interest into a decision to invest, through the provision of information and assistance during the site selection process.
3. **Investor servicing** (both start-up and post-establishment) then helps convert that decision into an operational project.
4. Even after a company becomes operational, it remains a potential source for new investment, often called “reinvestment” when it comes from an existing investor. Identifying potential for reinvestment and facilitating its realization is a dimension of **investor aftercare**.
5. As IPIs are not generally policymakers, their investment climate reform efforts fall into the category of **policy advocacy**, whereby they identify obstacles to competitiveness and support relevant decision-makers and stakeholders with the formulation and implementation of solutions.

Best-practice IPIs design their implementation of these activities for maximum effect in achieving their strategic objectives and review them, at least annually, for effectiveness.

2.3.2 Assessment of PBIT

PBIT’s activities and priorities are well represented on the home page of its web site, the top half of which is used for a rotating banner with top news. Of the 11 articles in rotation, seven of the first eight publicize investor conferences and forums in Russia, Belarus, Azerbaijan, Turkey, and two at home.

PBIT’s day-to-day investment promotion activities are, to a large extent, driven by outside influences. PBIT is most active in organizing 2-3 road shows per year oriented around a given country, where the government’s saleable projects are presented to investors from that country. Road shows are typically organized in cooperation with the government of the host country. The government invites private companies in the promoted sectors to participate, many of which are identified by the government itself. This represents a degree of investor lead generation and qualification akin to that in investor-targeting, but PBIT must rely more than is ideal on the judgment and initiative of the host government.

The selection of host countries and sectors to be promoted, therefore, appear to be driven more by the Punjab provincial department developing the projects promoted and the government hosting the road show. In this sense, PBIT does not engage in full-fledged investor-targeting.

PBIT facilitates investment to the extent that it provides inquiring investors with information and assistance as requested, but the information which PBIT has on hand is little, suggesting that its information provision may sometimes be slow, incomplete, or a combination of the two. Once an investor has had a question answered or problem resolved, there appears to be little follow-up by PBIT, in the interest of encouraging the investor to take the next step.

There is no database of existing investors and no regular efforts to engage them through aftercare, as a way of encouraging retention, expansion, linkages, and diversification.

One of the top, filled positions at PBIT is the directorship for policy research, an excellent focal point for PBIT efforts to identify and advocate remedies to investment climate obstacles. However, like PBIT as a whole, the director for policy research is so fully occupied with an externally set agenda of short-term tasks that he is unable to advance any meaningful policy advocacy.

2.3.3 Recommendations

With implementation of this report's recommendations for a clarified mandate, a good strategy, and an improved structure, PBIT's activities will come more naturally. The strategy will make provisions for appropriate activities in investor-targeting, investment facilitation, investor aftercare, and policy advocacy.

The design and delivery of high quality staff training and the design and implementation of staff standard operating procedures are strongly recommended.

3 Management and Support Systems

3.1 Organizational structure

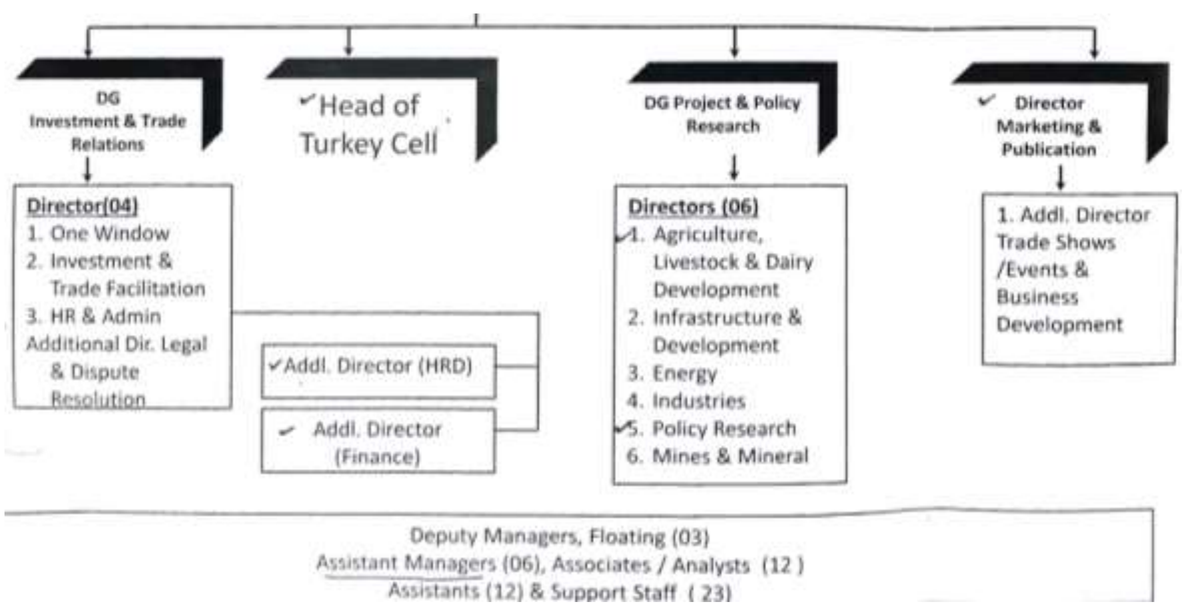
3.1.1 Best practice

Organizational structures vary considerably among best practice IPIs, reflecting differences in mandate, strategy, target sectors, and service delivery. However, there are a number of shared characteristics. They all allow for sector specialists, account managers, research staff, strong points of contact with partners and stakeholders, and transfer of client accounts in a way that is seamless from the investor's perspective, for example from a "promotion unit" to an "aftercare unit." If the IPIs are responsible for both investment and trade, the two are well segregated.

3.1.2 Assessment of PBIT

PBIT has 24 professional staff, 18 support staff, and an annual budget of approximately US$4 million. All professional staff are ostensibly responsible for both investment and trade. As of December 2015, the CEO oversaw four departments and cells, as shown in Figure 4.

Figure 4. PBIT departments and cells under the CEO



Investment and Trade Relations Department. HR &, Admin, Legal, and Finance would officially report to the CEO in most IPIs, as these are cross-cutting concerns critical to the operation of the institution itself and not in the pursuit of a strategy. In practice, these sections (5-6 people) do report to the CEO, as the director-general position meant to lead this department is vacant. In fact, this entire department is mostly vacant. The One Window has yet to be designed, and there are only two junior staff members in the investment and trade facilitation department. On the face of the organizational chart, this section is the one which should be at the core of PBIT's promotional activities. Its under-staffing accurately reflects PBIT's operational orientation.

Turkey Cell. Consisting of three people, this unit is the first to focus on identifying and developing potential investments from a specific country. However, most of PBIT's road shows have been focused on specific countries, and this represents a deeper focus on a country which PBIT believes to have FDI potential. The creation of a China Cell is under consideration.

Projects and policy research. On paper, this department has five sector-specific sections and one dedicated to policy research. The department has more junior staff than any other department, but only one of the sector-specific sections and the policy section have directors. In practice, these staff work to promote all off the sectors listed, in coordination with the provincial government departments that develop projects in and regulate those sectors.

Marketing and publications. This department is dedicated to organizing events and, sometimes in connection to the theme of an event, preparing publications on investment opportunities in particular sectors (e.g., coal-fired power projects, grain silos, and slaughterhouses), as well as general economic information for Punjab.

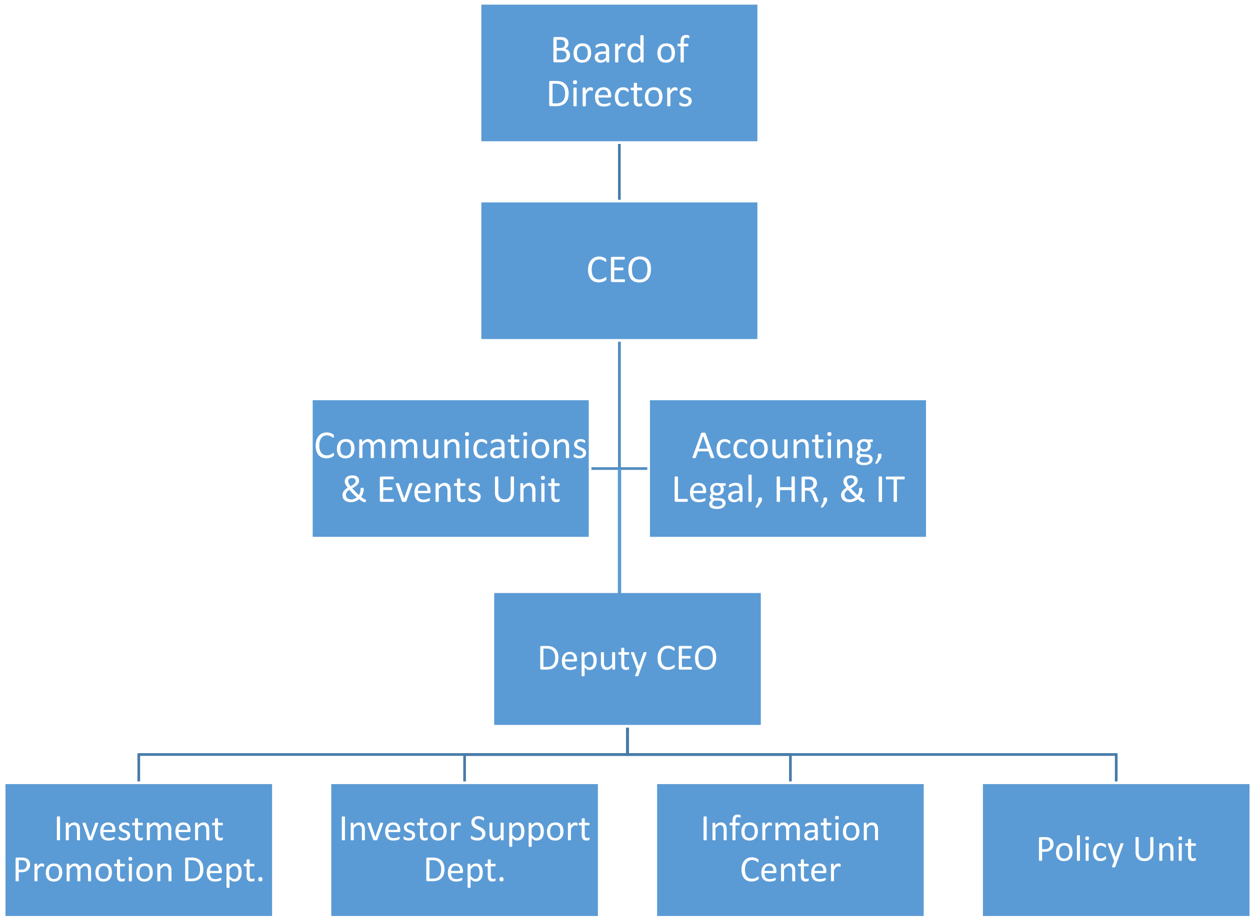
PBIT's junior professional staff members are given the title "research associate," although they are not necessarily researchers. There are six in PBIT, and the two in this department do, in fact, provide research and organizational support. The other four research associates are spread out equally among the projects and policy research department, the Turkey Cell, the one-person legal department, and the office of the chairman.

Floating managers. PBIT has three "floating managers," who by definition have non-permanent remits and are suited to a structure built for special projects and fire-fighting, but not for long-term, strategic action.

3.1.3 Recommendations

Assuming that PBIT formally moves away from trade promotion and regulatory functions and moves toward the promotion of market-driven, investor-developed projects, PBIT's structure should be modified along the following lines:

Figure 5. Proposed organizational restructuring for PBIT's investment promotion



- The Investment Promotion Department would have the largest number of professional staff. It would be organized according to sector and would consist of account managers responsible for all investor-facing activities with their assigned investors. For a given investor, an account manager would be responsible for investor-targeting, investment facilitation, acting as a contact point for the PBIT department responsible for tracking and following up with government procedures, and investor aftercare. In the beginning, the number of sectors should be only the three or four identified as priority sectors in the strategy.
    - The department should be divided into two-person teams, one senior and one junior, specializing in a given sector. These teams would be tasked with becoming knowledgeable about their assigned sectors, starting with a sector mapping and providing aftercare to companies already operating in those sectors. Each team would act as account managers, the single point of contact, for investors in that sector throughout the life of their projects. This would make each team responsible for targeting, facilitating, and providing aftercare to each company. This would put sector teams in the best position to foster strong relationships and accumulate sector knowledge.
- The Investor Support Department would act as a sort of back-office support for the investment promotion team with individuals receiving requests for procedural assistance, not directly from

investors but through their PBIT account managers. Individuals in this department would also work in two-person teams, specializing in all the government procedures located within one or two government bodies (e.g. immigration, customs, electric utility, construction permits). These operational level staff would have well-established relationships and regular contact with similarly ranked counterparts in their assigned government bodies.

- The policy unit would consult regularly with the investor service department to gather intelligence on policy options for unlocking sector potential. It would also consult with the procedural facilitation department to collect information on recurring problems, their effects, and possible solutions. The policy unit would lead on PBIT-driven policy advocacy and represent PBIT in public-private fora. It would be responsible for publishing an annual report on the state of the Punjabi investment climate, which would set PBIT's public agenda for investment-related reforms for the year.
- The information center would be staffed by researchers that proactively build and maintain an investor information system, including taking raw data, adding promotional value to it, and putting it into a useful format for dissemination among investors. Information priorities and useful formats would be suggested by sector teams, who would also give guidance on promotional language to be used. However, information center staff would be expected to promote uniformity of branding, style, and tone across all publicly disseminated materials.
  - Staff should maintain a physical space, where staff from other departments and investors themselves could come and consult with one of the center's "librarians" about what information was available and where a visitor might search for missing data.
  - This team would manage the web site content, in collaboration with the investor services and procedural tracking departments, and coordinate with the IT unit's manager of the web site itself.
  - Where important information gaps are identified by sector teams, the head of the investor service department could request that the information center do the necessary research to fill it. And, any new, valuable data uncovered by promotional staff in the course of their duties would be forwarded to the information center for cataloguing and, possibly, further development.
- The communications and events unit would support sector teams in organizing events, framing policy advocacy, branding informational packets for dissemination, and oversee the content of the web site.
- Human resources (including an M&E officer), accounting, legal, and IT would all report directly to the CEO.

At the time of this assessment's fact-finding mission, there were 24 professional staff members at PBIT, with another 10 being advertised. The same 34 people would be sufficient to implement the structure described above.

3.2 Investment promotion support systems

3.2.1 Best practice

The three most important internal systems for an IPI to have are an investor information system, an investor-tracking system, and (covered under Section 3.3) a system for monitoring and evaluation

(M&E). Information allows an IPI to do its job, investor-tracking increases the conversion of investment leads into actual investments, and M&E keeps everyone focused and rewards success.

Investor information system (IIS)

Instead of working with an IPI, an investor could go it alone or hire a firm to do its site selection homework and facilitate start-up. But, in working with a good IPI, an investor can enjoy good, free information and assistance, which has the effect of reducing the investor's costs, time spent, and perception of risk in the location. In order to provide that kind of value to an investor, an IPI should have much of the information needed before any investor asks for it. An IPI should seek to be an expert resource on what it means to do business in its priority sectors at home and in competing locations, including by being familiar with the value chain and having relationships with existing companies. These are companies that have already faced the information and decisions that now confront potential investors. Understanding why they made the decisions they made and how things have turned out is very useful to making persuasive arguments for a location.

The "system" in IIS refers to content, a storage-sharing platform, and procedures for their use. The content of an IIS is a set of documents containing all the information an investor would need to make a well-informed decision about whether to invest in a location or not. The information should be up-to-date, concise, and presented in a standard, branded format. For consistency, mutual validation, and coordination, IIS documents should be shared by a national IPI and provincial ones, with each contributing information in its area of responsibility. The IIS platform should be easily accessed electronically so that all responders to investor inquiries may provide quick and complete responses, and so that investors may access much of the information themselves. As soon as information is collected, it begins to get old. Maintaining the most current and relevant information demands a formal process for assigned staff to maintain informational currency at predetermined intervals from predetermined contacts (see Section 1.3 on institutional partnerships).

When well-organized and augmented with promotional features, IIS documents should be made widely available, including in/on/through:

- Individual inquiry responses & investor-targeting
- Web sites: downloads, databases, interactive graphics
- Internal digital library with index
- Accessibility of information to investors and partners, especially other IPAs
    - A state IPA that feeds good information to its national IPA is likely to get more attention and investor referrals

Customer relationship management (CRM) and investor-tracking systems

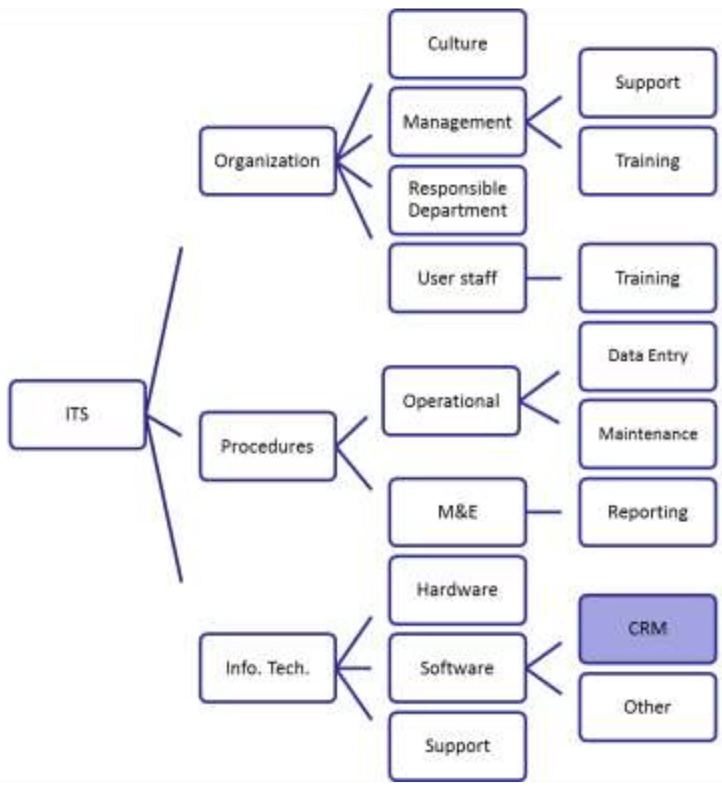
Customer relationship management refers to the body of tools and techniques used to ensure that an IPA keeps track of vital investor information. The sort of information typically collected in a CRM software would include:

- Company profile
    - Basic contact information
    - Basic company characteristics

  - Company and sector intelligence
- Place in the processes of site selection, start-up, and operations
- Pending issues, including history and next steps
- Contact history
  - Individuals contacted
  - Rapport-building information, perhaps on family, hobbies, birthday, etc.

Customer relationship management typically involves assigning each customer a dedicated account manager and is a business practice used to ensure optimal personalization and speed of customer service delivery, as well as institutional memory. The purchase of a CRM software, alone, does not guarantee that an IPI will do what is needed to track investors, provide better service, get better impact data, or maximize FDI and its benefits from each investor. All of the information technology, staff, and procedures coordinated to do that constitute an investor-tracking system, as illustrated in Figure 6.

Figure 6. Elements of an investor-tracking system



3.2.2 *Assessment of PBIT*

PBIT has no IIS or ITS. Its largest cache of economic and sector information is a series of about a dozen publications prepared by the three people in the Marketing and Publications Department. Available on the PBIT web site, these present investment opportunities in particular sectors (e.g., coal-fired power projects, grain silos, and slaughterhouses), as well as general economic information for Punjab. Individual staff members, who have prepared documents for investors in the past may retain that information and be asked to share it by their colleagues, when similar needs arise.

Information on investors is not centrally collected. Individual staff members who have come in contact with investors may retain some personal record of it, but it is very difficult for PBIT to ensure systematic follow-up with potential investors or to reach out to existing investors with such patchy information. When an individual staff member leaves PBIT, much of the information may be effectively lost, since there is no inventory.

Without an ITS, conversion of investor leads, good customer service follow-up, and spillover development cannot be implemented systematically and opportunities will be lost.

3.2.3 Recommendations

PBIT should immediately set about designing and implementing both an investor-tracking system and an investor information system. The implementing steps to be jointly taken by PBIT and the Bank Group are:

1. Assigning a staff focal point within PBIT
2. Jointly analyzing information needs
3. The Bank Group presenting software options
4. Jointly agreeing critical fields and functionality
5. PBIT selecting and approving a CRM software to serve as an investor database and core of the investor-tracking system
6. Agreeing on a work plan to populate the investor database
7. PBIT populates the database

After PBIT's mandate has been revised, its strategy formulated, and its structure reorganized, the establishment of an IIS should be the first major project of the information center. The Bank Group may advise on this effort.

3.3 Monitoring and evaluating performance

3.3.1 Best practice

One of the biggest obstacles to effective investment promotion is that most IPIs are public institutions that operate on a different "wavelength" from its customers in the private sector. Private companies, businesses, have a clear bottom line, and they are outcome-oriented. If they fail to meet goals, they may go out of business. Businesses understand each other, because they have the same motives and operate in the same environment. A business providing service to another knows exactly what the customer expects and the costs of failing to provide it.

Public institutions, on the other hand, have monopolies on their particular services. They have captive markets and do not need to turn a profit. They may be kept open for political reasons or even out of simple inertia, and they tend to provide services much less satisfactorily than a private firm. Monitoring and evaluation (M&E) of IPI performance, constantly and conscientiously, is essential to closing this gap.

Furthermore, as a government entity that is funded by taxpayers for the purpose of promoting economic development, PBIT is obligated to justify that funding. It does this by demonstrating that:

1. Its annual strategic goals are achieved;

2. Achievement of its annual strategic goals leads to the desired economic development impact; and
3. Each year's goals are adjusted for maximum impact according to analysis of the previous year's results.

Demonstrating results is itself a complex activity which demands careful planning and dedicated resources. Many organizations neglect to account specifically for the monitoring and evaluation of results, risking misdirection and inefficiency. Even if an agency has performed well and had a big impact, poor M&E may mean that it's good work goes unnoticed or misunderstood. Public IPIs operate in political environments, and M&E reporting provides them with the ammunition of facts needed to secure funding and autonomy of decision-making. An IPI with poor M&E, therefore, surrenders ground in debates on whether it has been successful and even on how to define IPI success.

A successful M&E program will have three core elements:

1. A result framework linking goals, activities, outcomes, and impacts, where possible, through rigorous measurement (see Table 1 in section 2.2.2 for an example)
2. Plans, staff, and tools for collecting evidence of results, and
3. Reporting plans that convincingly inform critical stakeholders of the facts the IPI wants them to have.

In this way, a good strategy provides the focus for all of an IPI's day-to-day activities and a frame of reference for determining success or failure. With strategies and results made public, an IPI's results can be valued against its results. The annual reports of well-respected IPIs, such as PRONicaragua, IDA Ireland, and Invest in Hong Kong, can be found on their public web sites and include performance figures such as the investment promotion cost per job created. This objective assessment provides a strong rationale for their continued or expanded funding and promotes cooperation from other stakeholders who see the IPIs as effective agencies.

A simple cost-benefit analysis of investment promotion efforts will report the costs of investment promotion against the amount of investment implemented and jobs created, as in Figure 6's example from PRONicaragua.

Figure 7. Cost-benefit indicators for PRONicaragua's investment promotion (2003-2012)

Attracted investment	$879,654,810.50
Companies attracted	130
Direct employment created	57,378
IPI resources spent	$9,515,166.25
Return on investment	$92.45
Cost per job	$165.84

Source: PRONicaragua

IDA Ireland publishes a similar cost-benefit analysis, but its analysis is done over a running seven-year period to ensure that expenditures correspond to the timeline on which investment projects were fully implemented. This is made possible by investor-specified project implementation plans collected in IDA Ireland's exceptionally detailed ITS database.

Figure 8. IDA Ireland cost per job sustained (constant 2013 prices)

	2000-2006	2001-2007	2002-2008	2003-2009	2004-2010	2005-2011	2006-2012	2007-2013
IDA IRELAND (€)	13,531	13,527	13,103	14,450	14,581	14,516	13,541	12,608

Source: Forfás Annual Employment Survey 2013

Note: The cost per job sustained is calculated by taking into account IDA Ireland grant expenditure to all firms in the period of calculation. Only jobs created during and sustained to the end of each seven year period are credited in the calculations.

Source: IDA Ireland

When professionally executed and adequately funded, investment promotion should pay for itself in the medium-to-long term, bringing more jobs, more exports, more local expenditure in the economy and, usually, more tax revenues. Furthermore, FDI can bring a host country new technology, modern management techniques, Beneficial linkages with local suppliers, and increased international competitiveness. Increased competitiveness itself helps to attract even more investment, triggering a virtuous cycle. Government expenditures that boost this cycle are eventually paid for in higher tax revenues that allow higher levels of social expenditure and increased investment promotion expenditure to take place. However, these benefits are not automatic or immediately obvious, and so a mechanism is needed to show government where support is needed and to publicize successes when they are achieved.`

3.3.2 Assessment of PBIT

PBIT has no M&E system. It does not have key performance indicators (KPIs) as an organization or for individuals. The number of road shows held and the number of MoUs signed are frequently cited as results, although these are outputs with no recorded link to jobs created, investment facilitated, or spillovers. PBIT's activities have almost certainly facilitated some such impact, and the evidence of that impact may be scattered, particularly among the sector-focused provincial departments supported by PBIT, but PBIT's impact is not systematically monitored.

Staff may receive annual bonuses of up to 8 percent of their salaries, but the basis on which they are awarded is not uniform and objective. Job descriptions are not sufficiently detailed (see Section 3.4).

3.3.3 Recommendations

Results against organizational KPIs in PBIT's new strategy should be published in PBIT's annual report. They should also be translated into individual KPIs and linked, to the extent possible, to information in the investor-tracking system (e.g. how many new leads generated by a sector team or how much capital investment announced and implemented by their clients). An M&E officer would ensure compliance with data reporting and advise managers on its use in mandatory annual staff evaluations. Performance-based bonuses would be linked to data "in the system" as an incentive for full adoption of the investor-tracking and M&E systems.

3.4 Human resources

3.4.1 Best practice

The 2009 WBG study of best practices *Investment Promotion Essentials* found that well-performing IPIs cultivated private-sector mind-sets within their public-serving organizations. They did this by maintaining private sector standards for service delivery and adherence to KPIs and by recruiting staff with relevant experience, in marketing, account and project management, priority sectors, and government agencies. Invest Hong Kong's staff is intentionally balanced with a 2:1 ratio between people with private sector backgrounds and people with public sector backgrounds, giving the agency a more private sector feel but with strong connections to the public bodies it must partner with.

With operational autonomy, an IPI is better able to resist pressure to hire anyone on a basis other than their suitability to the job. From CEO to junior staff members, the hiring and firing process should be formalized and transparent, including detailed job descriptions, and strictly adhered to. IPIs can then systematically build sector expertise, research capacity, and marketing skills through new hires and training of existing staff. "Onboarding" manuals and regular training sessions allow new recruits to quickly be brought up to speed on the IPI's objectives, activities, and practices, as well as on the recruit's specific responsibilities. For example, the investment department of ApexBrasil, Brazil's national agency for export and investment promotion, used the WBG to deliver a multi-year, multi-faceted project, which included considerable training for its staff and those of the country's 27 state IPIs. ApexBrasil continues to use those materials, with its own updates, to train all new staff, and in 2016 ApexBrasil is launching a professionally produced 20-hour online training course available to all national and state investment promoters.

Most IPIs are unable to offer employees full pay equivalence with the private sector, but they may successfully appeal to the labor pool with bonuses, a culture of patriotism, or access to greater career opportunities. At CzechInvest, where staff salaries are closer to public-sector levels, the IPI attracts top young talent with an institutional reputation for excellence and for being a good career stepping stone. The afore-mentioned performance-based bonuses in Ireland and Bogota are a way to partially bridge a gap between public and private sector pay scales for top performers, while adding to the private sector feel of an IPI.

3.4.2 Assessment of PBIT

PBIT's CEO and directors are capable, motivated people with useful experience, albeit mostly not in marketing. However, staff turnover is high and recruitment is subject to strong external influences. PBIT has had 13 CEOS in 6 years, and a typical job tenure for professional staff is 1.5-2 years. The longest serving professional staff member is a director that has been with PBIT for 3.5 years. New CEOs tend to be selected by the Chief Minister and approved without due diligence on the part of the board. When staff vacancies are posted, although PBIT in principle may select anybody based on relevant skills and experience, there is considerable external pressure to select particular candidates.

PBIT staff report that the organization's pay scales are about two-thirds that of the private sector. More importantly, perhaps, there is a general sense that PBIT is not fulfilling its mandate and people who might be motivated by patriotism get little sense that they are doing any good for the province or the country.

3.4.3 Recommendations

Barring exceptional circumstances, PBIT's CEOs should be given at least a couple of years to turn the organization around. Frequent changes at the level of CEO preclude PBIT's improvement, as the formulation of a good strategy based on an objective assessment of sector competitiveness and global markets may take some months. The possibility of quickly being removed will have the tendency to focus CEOs on short-term objectives in what is a medium- to long-term game. Just as damaging, it presents investors with an image of extreme political instability in a jurisdiction where they are considering doing business.

From CEO to junior staff members, the hiring and firing process should be formalized, including through more detailed articulation of job descriptions, and strictly adhered to. This will require a stronger board commitment to fulfilling its fiduciary duties.

If pay can be set at levels competitive with the private sector it should be. But, staff performance should be objectively measured against agreed KPIs and chronically non-performing staff should be replaced.

The pool of human resources, in any country, with specific investment promotion experience is relatively small, requiring a considerable amount of learning for most new recruits. The Human Resources Department should develop an "onboarding" manual and periodically deliver a series of training sessions to quickly bring new recruits up to speed on PBIT's objectives, activities, and practices overall, as well as on those of the recruit's particular department.

Conclusion: A PBIT Institutional Strengthening Plan

In almost every respect, PBIT is not set up to succeed. However, it is led by capable, motivated people; it has critical political support; it has a substantial budget; and its mission is broadly valued by private and public stakeholders alike. Those things which PBIT must do to succeed are things within its control and the control of the Government of Punjab.

The following summary of recommendations constitutes a reform plan, which, if implemented, should allow PBIT to become a globally competitive and highly effective IPI, well-positioned to win the investment it seeks. The recommendations are presented in the broad order in which they should be undertaken.

1. PBIT's mandate should:
    a. Exclude regulatory and enforcement functions, including being a statutory one-stop shop and the monitoring of Pakistan's GSP+-related compliance, thereby allowing PBIT to focus and excel as a purely promotional body.
    b. Either elaborate the trade promotion function or formally strike it, with commensurate resources and structures being applied in PBIT.

2. PBIT should be given greater operational autonomy to prevent its daily agenda from being overloaded by requests from other governmental offices and to ensure its focus on long-term strategic objectives. This includes through:
    a. Revisiting its legal form and reporting lines, and
    b. Revising the formal duties and responsibilities of PBIT's board of directors in line with international best practice, as well as strengthening its governance capacity through training and expert guidance.

3. PBIT should immediately set about designing and implementing both a CRM-based investor-tracking system and an electronic investor information system.

4. A sector competitiveness scan should be conducted as soon as possible to map existing value chains and identify the most competitive subsectors and business activities therein. These should be weighed against the anticipated long-term benefits of increased investment and prioritized accordingly, with the top three or four being made the operational focus of a new PBIT strategy.

5. A stakeholder-wide strategy-setting workshop for PBIT should be held to agree on priority sectors, strategic objectives, and a service-level cooperation framework for procedural facilitation, information collection, and joint promotion. The final strategy should cover three to five years; spell out PBIT's objectives, activities, and key performance indicators; be clearly linked to government development goals; and include PBIT strategies for communication and

stakeholder outreach. It should be approved by a sufficiently probing and demanding board of directors, and be reviewed annually for progress and continued relevance to the circumstances.

6. PBIT's daily operations should be reoriented away from road shows and other support of sector-focused departments of the Government of Punjab and newly dedicated to the execution of investor aftercare, facilitation of site selection and start-up, and investor-targeting of investor-developed, market-driven projects in priority sectors. The operational details of each of these investment promotion functions should be elaborated as part of the new PBIT strategy.

7. PBIT should restructure its departments as recommended in Figure 5, with modifications to accommodate the details of its new strategy.

8. Organizational and individual performance evaluations should be conducted annually. PBIT's performance should be assessed against its stated strategic objectives and target impacts, with results being published in an annual report. Individual performance should be assessed against key performance indicators associated with each position and its role in achieving PBIT's strategic objectives and target impacts.

9. In terms of human resources, PBIT should:
    a. Use its new operational autonomy to resist pressure to hire anyone on any basis other than their suitability to the job. From CEO to junior staff members, the hiring and firing process should be formalized, including through more detailed articulation of job descriptions, and strictly adhered to.
    b. Systematically build sector expertise, research capacity, and marketing skills through new hires and training of existing staff.
    c. Develop an "onboarding" manual and periodically deliver a series of training sessions to quickly bring new recruits up to speed on PBIT's objectives, activities, and practices overall, as well as on those of the recruit's particular department.

10. A PBIT CEO actively making progress toward the institutional reforms recommended in this report should be given no less than two years to complete PBIT's transformation.

Many of these recommendations are addressed in the current World Bank Group PforR and advisory projects in support of the Government of {Punjab.

Appendix I. List of Meetings Held

PBIT:

- CEO (Amena Cheema)
- HR department
- Director for agriculture and livestock (Suhail Saleem, Director Projects)
- Turkey cell (Muhammad Haroon Shaukat, Head of Turkey Cell)
- Communications PR (Tayyba Kamal, director)
- Chairman (Abdul Basit)
- Policy Research (Khurram Afzal Malik, Director)
- Investor Relations
- Corporate affairs
- Board of directors (Seema Aziz; Shehryar Buksh)

Other Departments and Private Sector:

- SIKA (Swiss chemical company) (Ahmend Naveed Chaudry, CEO)
- METRO (Marek Minkiewicz, Managing Director; Pervaiz Akhtar, Director Corporate Affairs)
- Lahore Chamber of commerce (Shahid Khalil, Secretary General; Moneeb Akram, Deputy Director)Meat and agriculture exporters associations (Sardar Nadir Khan, Director Operations; Syed Hasan Raza, Chief Executive)
- PPDB (Maryam Sher Hassan, Manager PR)
- APTMA (Textile association) (Aamir Fayyaz Sheikh, Chairman; Anis Ul Haq, Secretary)
- Nihsat Group (Aftab Ahmad Khan, Group Director; Farid Fazal, Director Cement; Arif Bashir, Director Operations; Inayat Ullah, CFO)
- Industrial Estates