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Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 15-Apr-2019 | Report No: PIDC26712

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Pakistan	P170271		Pakistan Goes Global: An Initiative for a Global & Technology-Driven Pakistan (P170271)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
SOUTH ASIA	Jul 09, 2019	Sep 26, 2019	Macroeconomics, Trade and Investment
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Islamic Republic of Pakistan	Ministry of Commerce	

Proposed Development Objective(s)

To enhance the effectiveness of policy reforms in trade and investment and improve firms' access to export markets.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	350.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	350.00
IDA Credit	350.00

Environmental and Social Risk Classification	Concept Review Decision

Moderate	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Pakistan is a lower-middle income country with a population of 208 million. Pakistan's economy has grown by an average of 4.8 percent in the past five years, with GDP growth accelerating in the past two years to reach 5.8 percent in FY2017/18 (up from 5.4 percent in FY2016/17). Pakistan's growth in recent years has been consumption-driven, and it came at the cost of high fiscal and current account deficits. The current account and the fiscal deficits rose to 6.1 and 6.6 percent respectively. The widening in current account deficit was led by soaring trade deficit as import growth outpaced export growth. Pakistan's relatively poor export performance over the past decade reflects the worsening competitiveness of its economy. Nonetheless, the observed economic expansion has been matched by substantial poverty reduction. According to the latest Household Integrated Income and Expenditure Survey of 2016, the overall poverty rate declined to 24.3 percent of the population from 29.5 percent in 2014, albeit with significant geographical disparities in poverty levels and the pace of poverty reduction. In FY2016/17 Pakistan had a per capita GDP of US$1,504.

Pakistan's growth is projected to decelerate to 3.4 percent in FY2018/19 and further to 2.7 percent in FY2019/20, as the government tightens fiscal and monetary policies. While domestic demand growth will slow down immediately, net exports will only increase gradually. As macroeconomic conditions improve, and a package of structural reforms in fiscal management and competitiveness is implemented, growth is expected to recover to 4.0 percent in FY2020/21. This baseline scenario assumes stable international oil prices and reduced political and security risks. Inflation is expected to rise to 7.1 percent (average) in FY2018/19 and projected to reach to 13.5 percent in FY2019/20, a result of further exchange rate depreciation pass through. The trade deficit is projected to remain elevated during FY2018/19, but to narrow in FY2019/20 and FY2020/21 as the impact of currency depreciation, domestic demand compression, and other regulatory measures to curb imports set in. Remittances should continue to partly finance the trade deficit. FDI, multilateral and bilateral debt-creating flows as well as financing from international markets are expected to be the main financing sources in the near to medium term. The fiscal deficit is projected to increase to 6.9 percent in FY2018/19 and to remain high during FY2020-2021, a result of large interest payments and a slow increase in domestic revenues. Public debt to GDP is expected to cross 80 percent in FY2018/19 and to remain elevated in the next two years, increasing Pakistan's exposure to debt-related shocks.

Pakistan is facing an all too familiar boom and bust cycle—with a period of high growth followed by a slowdown as macroeconomic imbalances are addressed. Pakistan's macroeconomic challenges are structural in nature. These are related to the structural fiscal deficit, energy sector inefficiencies, low public and private investment rates, inadequate exposure to competition, and lack of trade integration into the global marketplace. These structural issues have not only impacted the macroeconomic environment but also impacted Pakistan's long-term competitiveness.

Sectoral and Institutional Context

Pakistan has been losing export competitiveness in world markets for more than a decade. While China's share in world trade doubled and Vietnam's more than tripled since 2005, Pakistan's share dropped from 0.15 percent in 2005 to 0.12 percent in 2018. This number is put in perspective when further broken down by markets and products. During 2014-17, Pakistan increased its export share of goods in only 11 of its 20 largest export destinations. At the product level, of the 16 categories exported by Pakistan, the country had a revealed comparative advantage in only four: live animals, minerals, hides and skin, and textile cloth. All four categories are classified as low-tech manufactures or natural resource-based with low value added or knowledge content.

The export bundle lacks sophistication. This is particularly evident in Pakistan's textiles sector, where production is primarily cotton based, despite the global shift toward apparel made of synthetic material. Synthetic fibers, increasingly in demand for high performance garments such as sports uniforms or protective gear, require more technological sophistication than products with traditional fibers. However, Pakistan's textiles and apparel sector is heavily tilted toward cotton, which constitutes 84 percent of its apparel exports. In comparison, world exports of cotton apparel accounted for only 46 percent of total apparel exports.

Exporters in Pakistan struggle to sustain export flows and to grow. Global experience shows that the persistence of trading relationships is a sign of economic maturity and dynamism. However, persistence of trade relationships is a challenge in Pakistan. During 2010-15, exporters in Pakistan succeeded in maintaining only 35 percent of export relationships; that is, of the 419 new export relationships started (new products exported/new destinations reached) in 2010, only 166 remained active in 2015. This contrasts the experience of India or Vietnam that maintained 45.7 and 50.3 percent of their new export relationships. The significant rate at which Pakistan's exports fail to survive past five years points to the riskiness of the export business in the country. Furthermore, at the firm level, evidence suggests that exporters in Pakistan remain relatively small, when compared exporters in other countries at a similar level of development.

Pakistan has not been able to capitalize on international investors' appetite for high-return investments in developing countries. While other countries in the region have used FDI as seed capital to support high-potential and high-growth industries within their export sector, Pakistan has not attracted meaningful FDI. FDI has also been more volatile compared to other countries in the region. In 2017, for example, Pakistan drew FDI equivalent to 0.9 percent of GDP, comparable to Bangladesh, but considerably lower than Vietnam at 6.31 percent in the same year.

The observed lack of integration into the global marketplace underlies the challenges that Pakistan faces to achieve growth in the short and long-term. In the short term, lagging competitiveness – both in the trade and investment fronts – translated in low contributions of exports and investment to GDP growth. During 2018, investment and exports combined contributed to about 20 percent of growth in aggregate demand, while it was consumption – both private and public, that contributed the lion-share of 80 percent. In addition, the share of investment in GDP remains low at about 15 percent (a third of which is public), half of the regional average. Lagging export competitiveness also translated into a large current account deficit, while low FDI inflows (below 1.5 percent of GDP on average during 2005-2018) translated into additional challenges to secure stable sources of financing for that deficit. In the long term, lagging competitiveness leading to lack of integration reduces the scope for productivity-led growth, and the exposure to competition and to new ideas. Turning this around is crucial for Pakistan to overcome the barriers to structural transformation and return to the successful

development path that characterized its first 30 years of existence as an independent nation.

Evidence points to three drivers of lagging competitiveness in trade and investment. First, weak institutions, reflected in high fragmentation in their reform initiatives to support the agenda of trade and investment competitiveness, which is also apparent in the lack of effective coordination between federal and provincial governments. This reduces efficiency and effectiveness of interventions to support trade and investment competitiveness in the country. It is further coupled with lack of transparency and accountability around public financial support provided to firms. Second, the rules of the game under which firms operate do not encourage internationalization, making integration not profitable for firms. High tariffs overall, and in particular high levels of tariff escalation encourage firms to focus on domestic, rather than on export markets, coupled with ambiguities in the legal framework around foreign investment that discourage FDI inflows. Third, firms display, on average, low capabilities, and lack effective support to upgrade them and be better placed to gain from integration. Rather than focusing on upgrading firms' capabilities, existing support systems focus on subsidy schemes that do not have performance conditionalities or sunset clauses and that reduce incentives to invest in innovation. These three drivers are discussed in detail below.

Weak institutions and fragmentation

Institutional fragmentation within the public sector negatively affects competitiveness. At present, trade, investment and SME policy and promotion functions largely remain fragmented and uncoordinated, and often performed in isolation from each other. Inter-ministerial and federal-provincial collaboration in these areas is neither formal nor target- and result-oriented. The Ministry of Commerce (MOC), Ministry of Industries and Production (MIP) and Board of Investment (BOI) have no unified and strategic roadmap for driving Pakistan's global standing as a competitive trading and business hub. Trade, investment and SME policy and promotion frameworks are not formally endorsed by provinces. The consolidation and improvement in coordination of relevant institutional and organizational layers across federal and provincial boundaries would help Pakistan tackle growing challenges to the country's trade, investment and SMEs' integration globally.

Opportunities created by devolution under the 18th Amendment to the Constitution of Pakistan in 2010 also demand greater coordination and collaboration for the promotion of trade and investment and improving SMEs' capabilities. In addition to coordinating investment promotion, devolution also calls for the integration of existing institutional structures for enhancing export orientation and SMEs' capabilities. However, federal and provincial governments have responded to devolution in a varying manner which in effect has created five different markets and jurisdictions (four provinces plus the capital) with somewhat differing policy, legal and regulatory implications. The provinces are slow to adjust with their pronounced role and autonomy in improving the quality of their respective business support systems and regulatory governance to reduce its compliance cost to SMEs. Both the federal and provincial governments in Pakistan perform investment promotion functions with distinct and uncoordinated approaches. The nature and quality of investment incentives and facilitation (along the life cycle of investment, i.e.: before and after the investment is carried out) vary across layers of governments. It dampens the confidence of local and foreign investors. In addition to coordinating investment promotion, devolution also calls for the integration of existing institutional structures for enhancing export orientation and SMEs' capabilities.

The institutionalization of coordination and collaboration between relevant federal and provincial authorities to strengthen trade, investment and SMEs' capabilities require a sustainable National Competitiveness Council (NCC). Both the federal and provincial government in Pakistan have yet to adopt competitiveness as an overarching approach to promote trade, investment and SMEs' capabilities to harness the potential of integrating with global supply and value chains. The NCC, supported by provincial working groups along the lines of institutional model developed for

implementing Doing Business (DB) reforms, can become a vital institutional driver of Pakistan's trade, investment and SMEs performance in the international market place complementing the Pakistan@100 initiative. Furthermore, the Council of Common Interests (CCI) – a constitutional body for promoting inter-provincial consensus and coordination – could be leveraged to provide the needed platform to embed competitiveness across all levels of governments in Pakistan. The CCI as a unique forum for fostering collective reform action is increasingly taking keen interest in addressing private sector development constraints in Pakistan. It can adopt competitiveness as part of its mandate to ensure a nationwide approach to institutional and policy reforms which are essential for building robust export capabilities of firms in Pakistan.

Existing rules of the game makes integration unprofitable for firms

Pakistan's inward oriented trade policies have had the effect of stalling integration into regional and global value chains. Modern day production networks rely on components of final products being able to move quickly and cost efficiently among multiple countries. To facilitate integration into these networks, countries have made efforts to reduce trade costs. Pakistan has not. Rather, trade policies have reverted to protectionism. In recent years, to reduce the trade deficit, duties (predominantly regulatory duties) have been increased, leading to shelter incumbent firms from international competition, and encouraging them to focus on the domestic market. Average tariffs on final goods are 50 percent higher than the average for South Asia, and almost three times as high as the average for East Asia. On intermediate inputs, in turn, tariffs can be up to four times higher than in East Asia. Effectively, tariffs and other duties on imports have acted as tax on exports. Schemes for accessing imported inputs at world prices for exporters are mostly ineffective. For example, only between 1 and 2 percent of textile and apparel exporters in Pakistan access duty suspension schemes such as the Duty and tax Remission scheme (DTRE) and Manufacturing under Bond (MUB) for their imported intermediates, compared to 90 percent in competitor countries such as Bangladesh.

The investment policy regime increases perceived risks to foreign firms. The investment regulatory framework shows inconsistencies between the Investment Law of 1976 (relatively protectionist), and the Investment Policy of 2013 (relatively more market friendly, although without the rank of a 'law'), thus creating uncertainty among foreign investors, reducing their incentives to incur substantial largely irreversible investments. This is coupled with the perception of security challenges in Pakistan, which further discourages FDI inflows into the economy. A recent study on the off-shore services value chain in Pakistan, for example, showed that an important challenge in attracting investments was associated with difficulties of attracting clients or senior management from abroad to visit the premises in Pakistan.

Overall, low incentives to integrate led to lower productivity growth. Lack of competition helped by the lack of integration into global markets resulted in a high level of resource misallocation within sectors. Sharma (2017) show that in Pakistan's manufacturing and services sectors, there are too many resources trapped in low-productivity firms, which acts as a barrier for aggregate productivity growth. In a similar vein, studies have shown that effective protection through high tariffs on final goods has reduced total factor productivity growth in the country.

Lack of effective support to firms' capabilities

Low firms' capabilities among Pakistan's producers have also reduced the scope for productivity growth and of tapping into gains from integration. On average, Pakistani firms lack the capacities to take advantage of trade opportunities. The average young firm (less than five years old) has just one employee, and the average 15-year-old firm still has two to three employees. Management practices are an important factor in explaining differences in firms' growth patterns as well as firms' productivity. However, recent fieldwork conducted in Punjab and Islamabad revealed low adoption of structured management practices – typically associated with high productivity. Impact evaluations on women entrepreneurship

programs in Sindh also pointed to the importance of raising managerial quality to stimulate firms' growth.

Firms in Pakistan lack an adequate support system to improve their business, managerial and technical skills. Although the Small and Medium Enterprise Development Agency (SMEDA) was created at the federal level with the objective to foster SME development, it is inadequately resourced, and its outreach capacity is limited. With an annual budget of approximately US$2million per year (253 million Pakistani rupees) and 127 staff in its headquarters and regional centres, SMEDA aims to be the information and support hub for SMEs in Pakistan. It compiles and provides online and on-site information on financial, legal services to its target beneficiaries and organizes annual training programs for SMEs in all four provinces (Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa). Given its large range of training topics and geographical coverage, the agency uses a network of private business development providers to deliver most of its training and capacity building activities aimed at improving firms' knowledge, skills and competencies. It is not however able to respond to the private sector demand and to be recognised as a relevant partner. At the provincial level, SME support systems have not been established in a way that would address sufficiently businesses' needs. Consequently, the Government of Punjab has created its own SME development Agency, SMECorp to support local firms in Punjab and bridge the gap not covered by SMEDA. Support to firms in Pakistan has instead focused on subsidies to specific sectors that reduce rather than increase incentives to innovate. In this respect, evidence collected through focus groups among exporters in Punjab and Sindh revealed that widely used schemes such as the 'Duty Drawback Mechanism', that should in principle be used as a rebate to exporters for duties paid on imported intermediates, are in practice a subsidy to exporters in specific sectors, with flat rates that are independent of performance thus not rewarding efforts to secure new markets, introduce new products, or increase export shipments.

Export intelligence provision to firms is incipient and requires increased efforts for improvement. Evidence collected through private sector consultations in Punjab, Sindh, Islamabad and Khyber Pakhtunkhwa also revealed that exporters lack support in terms of provision of export intelligence, which in other countries has effectively reduced the information frictions that new and small exporters face and that substantially increase their trade costs. This has been validated by a recent assessment of the main export promotion agency in Pakistan, the Trade Development Authority (TDAP), conducted by the International Trade Center (ITC). ITC assesses the performance of TDAP at 'below average' in its latest benchmarking exercise of 2017, pointing to several challenges, including lack of support to value chain development, lack of client datasets, and client management systems, as well as lack of monitoring and evaluation frameworks for its interventions.

Relationship to CPF

The proposed project is a core element of the latest Country Partnership Framework (CPF, FY2015-2019), as it stands after the Performance and Learning Review (PLR) conducted in 2017.

It directly supports the second and fourth Results Areas (RA) on "Private Sector Development" and "Service Delivery", and indirectly, the third, on "Inclusion". Specifically, RA 2.1: "Improved Business Environment for Private Sector", and 2.4 "Improved Trade Tariff and Ports/Borders Logistics" by supporting reforms conducive to (i) reduce trade and investment costs for firms, and (ii) implement an effective system of support to firms grounded in international good practices. It also contributes to RA 4.4: "Adoption of Performance and Transparency Mechanisms in Selected Institutions" by supporting the implementation of monitoring and evaluation systems for public support interventions to firms. Indirectly, it supports RA 3.2: "Reduced Vulnerability for Groups at Risk", by supporting trade reforms that are expected to increase job creation and wages in specific industries and in rural areas among the unskilled. Both expected effects benefit women in relative terms, according to empirical evidence. It is also aligned with the recommendations of the flagship "Pakistan @100", which point to the importance of nurturing competition, accessing to markets, and securing higher investments and

gaining from them (Reform Focus 4: Trade Openness), as well as with improvement in public sector management (Reform Focus 8: Accountability).

The project also aligns with the World Bank Group's (WBG) twin goals of ending extreme poverty and boosting shared prosperity. Increased integration is associated with reductions in global poverty headcounts and increases in real incomes of the bottom 40 percent of the population because it reduces the cost of what the poor buy and raise the price of what they sell: farmers and manufacturing workers earn more income when their products can reach overseas markets. For Pakistan, specifically, it is expected that that trade reforms as those proposed in this project would significantly raise household incomes without increasing income inequality.

The proposed project contributes directly to the efforts of the Government of Pakistan in grounding economic growth in productivity, trade and investment. It does so by supporting (i) the strengthening of institutions, to ensure effective service delivery; (ii) reforms to make integration profitable for firms, to create incentives for the most productive to thrive and grow; and (iii) interventions to support firms' internationalization, to maximize firms' gains from integration into the global marketplace.

C. Proposed Development Objective(s)

To enhance the effectiveness of policy reforms in trade and investment and improve firms' access to export markets.

Key Results (From PCN)

The key indicators to measure progress towards the achievement of the Project Development Objective are proposed below and will be finalized during project preparation:

1. Increased number of exporters;
2. Increased number of export markets reached;

Increased number of product varieties exported.

D. Concept Description

The operation will have the following three main components: 1) Strengthening institutions for trade and investment competitiveness, 2) Making integration profitable for firms, 3) Supporting firms' internationalization. Each of the three main components will contribute in synergy to strengthen trade and investment competitiveness in Pakistan, by redesigning the institutional set up and increasing transparency and accountability of government funded support programs (component 1), improving the incentive schemes so that trade and investment costs are reduced (component 2), and upgrading firms' capabilities and increasing the stock of information on export intelligence available for firms to tap into export market opportunities (component 3). The operation will finance both direct expenditures procured under specific activities, as well as expenditure programs associated with DLIs aimed at achieving results under the different components.

Component 1: Strengthening Institutions. This component will support the establishment a consolidated institutional and organizational framework to enhance the competitiveness of Pakistan's export-oriented firms at a global level. The new framework will reinforce the competitiveness mandate of the existing support systems through enhanced coordination and integration both at the federal and provincial level, as well as through increased transparency and accountability by

setting up monitoring and evaluation systems. A preliminary estimation of direct expenditures and DLIs for this component is at 95M US$.

Specifically, it will focus on two sub-components:

Sub-Component 1: Establishing a National Competitiveness Council (NCC). This sub-component entails the establishment of a NCC having relevant federal, provincial and private sector representations with a dedicated secretariat attached to the Prime Minister's Office, with an overarching and cross cutting mandate for designing and implementing competitiveness interventions both at the federal and provincial level. The NCC would serve as the primary platform to ensure consistency and harmonization between the multitude of laws, regulations and policies which to a significant extent determine the competitiveness of Pakistani firms at a global level. While the mandate of the NCC will be greater than the scope of the proposed project, the NCC would also provide thought leadership and steer the implementation of the specific activities proposed to be undertaken through the project. In addition, this sub-component will work towards increasing transparency and accountability within the NCC, of the use of public funds used into support schemes to firms to boost trade and investment competitiveness through monitoring and evaluation systems. This sub-component will finance actions around the establishment of the NCC (through DLIs) plus expenditures related to the staffing and the needed IT equipment and capacity building for the NCC secretariat, as well as the setting up of systems to monitor and evaluate existing support schemes as well as those introduced by this operation.

Sub-Component 2: Merging of Commerce, Industry and Production and Investment under one Ministry. This sub-component entails the merger of the Ministry of Commerce (MoC), Ministry of Industries and Production (MIP) and Board of Investment (BoI). Beyond the establishment of the NCC, there is a need to consolidate and integrate existing institutions at the federal level with a mandate on trade and investment competitiveness. The objective is to foster design of policies and implementation of program which are more holistic in nature and account for the multifaceted nature of trade and competitiveness. The proposed merger of the three entities, which have a significant mandate over competitiveness, would also directly reinforce the mandate of the NCC. This sub-component will finance actions around the implementation of this merger (through DLIs) plus expenditures related to implementation support (technical and functional assessment for the institutional reform), as well as IT equipment and capacity building to specific areas of the newly formulated ministry.

Component 2: Making integration profitable for firms. This component will reduce trade and investment costs by (i) identifying gaps in the national quality infrastructure (NQI) system as well as strengthening it, with focus on standards and certification, (ii) harmonizing the investment policy framework and strengthening investment promotion strategies and practices, (iii) reducing the anti-export bias of the economy through tariff rationalization and streamlining of duty suspension schemes, and (iv) designing and promoting a country brand to increase visibility of Pakistan as a source of export goods and services and as a destination for investment. This component leverages reforms sponsored by Component 1. Specifically, the merger of Commerce, Industry and Production and Investment mandates will simplify processes to harmonize tariff and investment policies and promotion strategies conducive to attracting efficiency-seeking FDI. A preliminary estimation of direct expenditures and DLIs for this component is at 142M US$.

Specifically, it will focus on two sub-components:

Sub-component 1: Strengthening NQI systems oriented to exports, and alignment with international good practices. Consolidating export growth demands not only being price competitive, but also selling certified quality goods and services. A firm's ability to demonstrate quality and safety, and compliance with international standards requires a sound quality infrastructure ecosystem. This sub-component will finance a diagnostic on gaps in the NQI – particularly in the

area of certification and accreditation. It will also support reform actions to upgrade NQI (through DLIS), as well as their implementation.

Sub-component 2: Harmonizing investment policy framework and strengthening of investment promotion strategies and practices. This sub-component entails activities and government actions related to the harmonization of the policy framework to reduce current ambiguities that increase perceived risks by investors, as well as supporting the strengthening of investment promotion following international good practices. It will finance actions around the establishment of an investment promotion plan and the enactment of a harmonized investment policy framework (through DLIs).

Sub-component 3: Reducing the anti-export bias of trade policy. High tariffs on imported goods, coupled with regulatory and additional duties, shelter domestic firms from the threat of import competition but also from its benefits. By making the price paid in the domestic market artificially higher than that paid in export markets, import tariffs discourage Pakistani firms to go global. Implicitly, import tariffs act as taxes on exports. This sub-component will finance expenditures on capacity building activities on tariff reforms, as well as equipment for the technical teams in the relevant Ministry and NCC (including software and hardware necessary for evidence-based policymaking). It will also support reforms actions towards a reduction of the anti-export bias in trade policy through a reduction of tariff averages and tariff dispersion, and the streamlining the existing duty suspension scheme for exporters (through DLIs).

Sub-component 4: Designing and promoting the country brand. This subcomponent will provide technical assistance and investment geared at improving Pakistan's country brand through an effective promotion design and campaign. For countries that have experienced conflict, investing in country branding is crucial to convey to global investors and clients that they are 'ready for businesses. This campaign will also be used to promote and highlight reforms instituted through sub-components 1, 2, and 3 described above. This sub-component will finance expenditures on design and launch of a country branding campaign.

Component 3: Supporting firms' capabilities. This component ensures that the end beneficiaries of the reforms i.e. firms, especially SMEs, and women-led SMEs, are equipped with the skills and information they require to benefit from institutional and policy reforms implemented through the first two components. A preliminary estimation of direct expenditures and DLIs for this component is at 113M US$.

Specifically, it will focus on two sub-components:

Subcomponent 1: Upgrading of capabilities through design and Implementation of an Export Development Program. The subcomponent will provide technical assistance in the design and investment for the implementation of a program aimed at boosting the capabilities of firms currently engaged or planning to engage in trade. The program, likely implemented by the Small and Medium Enterprise Development Authority (SMEDA), will support firms in the adoption of internationally recognized managerial practices, in addition to supporting local firms become accredited suppliers to international buyers. The program will be demand-led and will be conducted in its first phase as a sector agnostic pilot intervention targeting a select number of exporting firms. The export program will be structured as follows: (i) Each firm will receive a specialized analysis of its current situation, its management model, its commercial management, customer experience, current strategy, business model, pricing scheme, existing export markets/buyers to identify strengths and opportunities for improvement;(ii) an export development/improvement plan will be developed with recommendations and a timebound action plan; (iii) the firm will then receive specialized technical advice, training and other relevant support by experts Business Development Services (BDS) providers to improve its commercial strategies, increase its capabilities (training for management and workers), its compliance and certification standards with the aim to overcome gaps that prevent it

from entering new markets and/or becoming accredited supplier to international buyers. The pilot intervention will then be scaled-up to include a larger number of firms. This subcomponent will finance expenditures around the design and launch of the Export Development Program.

Subcomponent 2: Provisioning of export intelligence services. This subcomponent will work towards investments in the design of an export intelligence platform, likely to be implemented by TDAP, aiming at matching domestic potential sellers with foreign international buyers, the provision of information on requirements to export to specific markets, as well as information on market trends and opportunities, following international good practices in export promotion activities. The design and set up of the platform phase will be complemented with a communication campaign program for firms to utilize the system. This sub-component will finance expenditures around the design and launch of the export intelligence platform. It will also finance actions towards the launch of a matchmaking program to link domestic sellers with global buyers (through a DLI).

Legal Operational Policies	**Triggered?**
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The Project is not financing any civil works. The project will procure IT equipment; the quantity of IT equipment is estimated by MoC as 120 Laptops, 165 Switches, 11 Printers, 10 LED Screens, 4 Servers and 4 ACs for project entities. It is envisaged the overall quantity is not very substantial from E-Waste generation perspective. Since the quantity of the old IT equipment is less than 20% of the existing equipment, the old IT equipment will be redeployed instead of being disposed. The possibility of E-waste generation is likely very Low. There are no E-Waste Management policy and regulations in place at the national or provincial levels.

The Project will also provide advisory support to local firms to improve their working conditions and manufacturing by undertaking a technical gap analysis for business competitiveness. Environment and social indicators will be included in the gap analysis so as to offer recommendations to SMEs to be able to meet GIIP.

The project is expected to pose a moderate social risk owing to possible labor related impacts, the low capacity of the MoC and other project partners in conducting stakeholder consultations, the non-existence of experience in managing a GRM, and no prior experience of advising and building capacity of SMEs in E&S issues.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document**.**

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