

Improving Competitiveness



Mr. David Monkman, an American national, has more than 18 years of experience as an entrepreneur, SME finance specialist, venture capitalist and financial analyst. He has worked in South Africa, Zambia and Argentina as founder, CEO and Head of Business Development for AniCap Venture Partners. David has previously worked on USAID, DFID and different trade associations in other markets, concentrating on SME development. He has a Masters in Economics from the London School of Economics. What attracted him to this profession was the vigor of working in the public sector where there is a very diverse range of stakeholders and great exposure. Nearly as compelling is his impassioned belief in the catalytic role entrepreneurs can play in the development of an economy

TelecomPlus: Why was Business Support Fund created?

David Monkman: The SME Business Support Fund [BSF] has been established by the Government of Pakistan, Ministry of Finance, in collaboration with the Asian Development Bank [ADB]. BSF encourages the use of business development services by subsidizing the cost of these services by fifty percent. The overall program objective is to improve competitiveness of SMEs in Pakistan using external Business Development Services (BDS). BSF provides matching grants for the use of business development services. These may include technology upgrading, market and product development, compliance with international standards, business and financial planning, training and skills development, management development and general business strategy.

Do you also provide technical assistance or the support is purely financial?

BSF does not directly provide technical assistance. Instead it looks to third-party experts to deliver technical and business assistance. The financial assistance that we provide is purely in the form of a grant for BDS. BSF does not support capital expenditure, running finance or working capital because these are services offered by banks and non-bank financial institutions. In addition to providing grant funding, we can also help SMEs to: choose the right BDS provider; choose the right project; evaluate project price and scope; fill out relevant application forms; and otherwise help to third-party consultants to ensure they offer value to SMEs.

What is the criterion and mechanism of financial support?

BSF can only support SMEs. According to the government's recently announced SME Policy, an SME is defined as an enterprise employing up to 250 permanent employees and with a maximum turnover of Rs.250 million (Rs.25 crore). BSF also asks for SME applicants that have at least three years of operating history, formally registered as a sole proprietorship, partnership or a private limited company.

In order to acquire BSF's support, a client is to submit a formal application form available at www.bsf.org.pk, together with the project proposal and supporting documents to the BSF management team. Members of an Appraisal Panel—a subset of our Board of Directors—evaluate applicants and their proposals. Applicants must receive written approval from BSF on proposed projects before they begin work. Upon completion of the agreed activities and after review of the documentation provided, BSF will arrange for a refund of 50% of the total agreed costs.

Which business areas do you cover in Pakistan?

BSF works with all types of business concerns as long as they come under the definition of an SME. We do not categorically exclude

businesses from applying. However, we have said no in instances where projects seemed weak or poorly considered, SMEs seemed ambivalent about receiving technical assistance, or consultant seemed unlikely—given their experience—to deliver results.

What is the share of ICT sector?

Businesses in the ICT sector are in a unique position for approaching BSF because they can utilize the fund both as SMEs and BDS providers. As SMEs, ICT companies can acquire for example: training, system



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development, certification, product testing, marketing, and technology transfer. As BDS providers, BSF has supported projects in areas like financial systems development, ERP development, website development and software solution development. By the end of January 2008, over 25% of BSF projects were in the area of developing MIS for non-ICT clients.

How do you monitor fund utilization?

BSF disburses funds to SMEs only after a project has been successfully implemented by the BDS. This disbursement is subject to verification of financial transactions and submission of pre-agreed deliverables as evidence of completion of activity. Our internal controls ensure that SMEs and BDSs are evaluated and services are appropriately priced. The process involves background checks of each SME and consultant. Furthermore, facility visits are carried out to ascertain the suitability of support for a prospective beneficiary. All these checks are carried out prior to approval. During the project implementation phase, progress reports are regularly obtained from the SME to track the implementation of the project.

Are you satisfied with the performance of BSF and the supported businesses in Pakistan?

We – and more importantly, our clients – are satisfied with the impact we've been able to achieve in such a short period of time. To date, we've supported approximately 300 projects and allocated over Rs.60 million to beneficiaries. SMEs we've talked to experience impressive results after they undertake and complete their projects; some companies have seen their turnover grow by more than 30% after making investments in BDS. We are also encouraged that many of our previous beneficiaries return for additional support once their project is completed; this indicates in our view that firms see the value of BDS where perhaps before they did not.

How different do you find the business ethics & environs in Pakistan?

The business environment in Pakistan is similar to that in nearby regional markets. That is to say, it is often inefficient, inconsistent and opaque; it's hardly user-friendly. Corruption is widely practiced and this has tarnishes Pakistan's image abroad.

What are the weak areas?

Weaknesses include under developed human resources, backwardness in technology-inefficient process management, lack of internal controls, poor quality controls, lack of diversity in terms of value added products and lack of adequate infrastructure, law and order problems.

What do you suggest to improve the situation?

We can improve the situation by adopting international best practices, focus on value addition, and effective utilization of easily available resources, improving corporate governance to restore investors confidence. Socio political stability directly affects the



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economic activity in any country. In order for the industry to flourish, it is imperative that the government pays attention to the law and order situation. The government should undertake proactive measures to attract FDI since it stimulates competition and compels the domestic industry to improve its competitiveness.

How can you avoid the financial assistance becoming crutches rather than a launching pad?

Companies seek financial assistance mostly for running finance and working capital. Money spent in these areas does not lead

to long-term growth but rather acts as a temporary Band-Aid. Periodic capital injections in any business will ensure sustenance and profitability but it also means inefficient utilization of resources for this reason BSF does not support these activities but rather supports projects, which will have long term impact on the growth of the business. Projects such as quality improvement, production enhancement and process development provide long term sustainable benefits and are necessary to become globally competitive. BSF only supports one off activities therefore the company does not become dependent on financial assistance+