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Small business flourishing in the Golden Triangle

The Stainless Steel Cutlery Cluster of Wazirabad, Pakistan

Stainless Steel Cutlery is a century old craft in Pakistan. Production is concentrated in the Golden Triangle (Sialkot-Gujranwala-Gujrat) and in the neighbouring areas of the Punjab, where 60% of the country's SMEs are located.

The cluster of Wazirabad is home to **300 cutlery firms** accounting for 10,000 jobs and a contribution to export estimated in USD 40 million (2008). The birth of the cluster dates back to the invasions of 'Alexander the Great', when local craftsmen started forging and repairing metal-based weapons. Over time, driven by historical events, the cluster has shifted away from weapons manufacturing and has specialized in stainless steel cutlery.

While production continued to thrive, in recent years the cluster faced **increasing difficulties to access markets**.

To address this challenge, in 2001, UNIDO launched a cluster development program in partnership with the Trade Development Authority of Pakistan (TDAP) and with the support of the Small and Medium Enterprise Development Authority (SMEDA), SME Bank and National Productivity Organization (NPO).

A diagnostic study revealed that **outdated technology and low productivity** were the main factors hampering product quality, driving up prices and jeopardizing sales. Thus, efforts focused on enhancing technology and improving marketing practices.

Yet, the investments required to improve the performance of the cluster were evidently out of reach for individual, small-scale, enterprises. To overcome this constraint, the project focused on **revitalizing support institutions and promoting the establishment of business networks** as means to facilitate inter-firm collaboration.





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Entrepreneurs were initially brought together on low-risk activities such as joint hiring of technical experts, joint use of infrastructure and participation in trainings. The resulting interaction led them to identify common problems and opportunities and laid the ground for the establishment of 10 business networks. These were then engaged in more challenging activities such as joint production for export.

Once the networks had achieved certain degree of consolidation, they become the springboards to address technology and marketing issues.

First, networks were supported to **meet the requirement set by the Montreal Protocol** of Pakistan to obtain a grant for the acquisition of environmentally friendly degreasing/cleaning machines. As a result, seven machines, for a total value of USD 600,000, were installed in the cluster. This equipment replaces ozone depleting and carcinogenic substances by safe substances, thus reducing the impact of cutlery production on environment and human health.

Further, a business network comprising of four entrepreneurs, the 'Pak Cutlery Consortium', has established a network-owned **Common Facility Centre** in order to acquire new polishing machinery. Firms have pooled efforts to acquire the land and set up shared premises, while requesting a matching grant for the purchase of technological equipment that would, otherwise, be out of reach for small-scale firms.

The success of these initiatives and the demonstration effect generated by the consortium encouraged firms to

expand collaborative efforts and jointly seek the support of specialized institutions. In this framework, two service centres were linked to the clusters to undertake an assessment of its main technological and skill requirements. Based on their findings, the centres were helped to **purchase up-to-date equipment**, tailored on the needs of the SMEs.



Display of a network's products, in preparation for the visit of buyers.

A key role to sustain collaboration in the cluster is now played by the Pakistan Cutlery & Stainless Utensils Manufacturers & Exporters Association (PCSUMEA). At the onset of the initiative, this was a dormant organization, mainly engaged in lobbying on public



authorities on behalf of a narrow segment of the cluster producers. In spite of its mandate to promote export, its activity had been slack on this front and information was filtered only to a few members.

Widespread awareness raising and **institutional capacity building** initiatives allowed a re-engineering of the role of the Association. Today, it has turned into a supportive institution, attentive of the needs of the cluster and acting as an impartial broker between producers, their suppliers and buyers. The Association has also considerably expanded its service portfolio and has become an active promoter of the business networking approach.



UNIDO consultant visiting the cluster

On the market access front, the project linked the cluster to a range of agencies specialized in the provision of market information. In particular, the Trade Development Authority of Pakistan (TDAP) and Ministry of Commerce (MOC) have taken on a dynamic role in fostering **the penetration of the cluster in new markets**. To this end they have developed promotional material such as websites, brochures and catalogues, organized exposure visits to new markets (among which Sweden and South Africa), and sponsored the participation of the cluster in fairs.

The demand for such services by cluster firms is on the rise and bodes well for the establishment of a sustained public-private partnership.

As a result of UNIDO assistance, the cluster has upgraded its technological base and achieved a stable presence on the national and, increasingly, export market. The most significant achievements include:

- Domestic sales grown by approx.10-15%
- Exports increased by approx.10%
- Productivity increased by 5%

Finally, the approach has been taken on board by the TDAP as a strategy to promote private sector development and **policy incentives** are being introduced **to foster its replication** beyond the Cutlery Cluster of Wazirabad.