



# Peshawar Prosperity Five Years Plan (PP5P) 2023



## Peshawar Prosperity Plan for Five Years (PP5P)

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## Peshawar Prosperity Plan for Five Years (PP5P)

# OVERVIEW:

Peshawar, located in northwest Pakistan, is a historic city that has been a center for trade for centuries, connecting South and Central Asia and the Middle East. The city continues to function as a hub for trade with modern amenities including business development and regulatory organizations, industrial estates, and respected educational and vocational institutes.

Peshawar's industrial estates are home to diverse industries such as marble, leather, shoes, garments, ghee, hosiery and matchboxes.

To bolster the economic development of Peshawar, the Peshawar Prosperity Plan for Five Years (PP5P) has been meticulously drafted with the systematic and methodical participation of stakeholders in both the planning as well as implementation phases. The PP5P, a collaboration between the Centre for Governance and Public Accountability (CGPA) and the Small Medium Enterprises Development Authority (SMEDA), is part of The Center for International Private Enterprise's (CIPE) project: "Mobilizing Economic Reformers to Keep Critical Civic Space Open in Khyber Pakhtunkhwa Province." Its aim is to provide a roadmap for governments, private enterprises, and development partners to make significant interventions towards the economic development of Peshawar and Khyber Pakhtunkhwa.

To improve the business ecosystem in Peshawar, CIPE-CGPA organized Eleven Public Private Dialogues (PPDs). Through intense stakeholders' engagement, recommendations were solicited from various sectors, including Chambers of Commerce and Industries, Women Chambers of Commerce and Industries, business associations, academia, banks, SMEs from potential sectors, civil society organizations, and public sector representatives.

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During these dialogues, ten key areas of interventions for improvement of Peshawar's entrepreneurial ecosystem were identified:

1. Conducive entrepreneurship ecosystem
2. Adequate industrial infrastructure
3. Regulatory awareness and compliance
4. Simplification of laws, rules and regulations
5. Marketing and linkages development
6. Capacity building of SMEs and entrepreneurs
7. Access to finance, micro-loans and value chain financing
8. Acquisition of licenses, NOCs and one stop shop for business registration
9. Modern technology, technical and vocational skills
10. Business ecosystem for women entrepreneurs

Provision of enabling business environment is a prerequisite for the development of entrepreneurial ecosystem. Successful economies are constantly evolving and transforming their knowledge base, technological advancement, research & innovation and environment & legal compliance to maintain their competitiveness both locally and internationally over time. The aforementioned points highlight challenges faced by SMEs starting new or maintaining their existing businesses. Improvement in these areas will have significant impact on the overall ecosystem of Peshawar city and its surroundings.

To achieve these goals, this PP5P has been designed to identify critical challenges, rational and experimental expectations, stake-holder engagement strategies for each thematic area, essential actions required by stake-holders, and actionable targets for the next five years. This approach is aimed at providing a comprehensive plan for stakeholders to contribute towards the economic growth of the region.

## Proposed Interventions

### i. Legal Facilitation Clinics for SMEs

#### Description:

There is a strong need to educate the SMEs regarding the prevailing laws and regulations pertaining to business development in the region. For this purpose, extensive series of awareness campaigns, consultative sessions and seminars for SMEs shall be conducted to broaden their understanding of legal environment and equip them with the knowledge of existing laws and regulations. It is proposed that Government with the support of local chamber/associations should organize legal Clinics on consistent basis to enhance the understanding of legal system in the province.

#### Rationale:

It will create SMEs legal understanding that will in turn enable them to carry out their businesses effectively within the scope of rules and regulations and will get maximum facilitation from the services of supporting institutions.

#### Responsibility:

FBR, KPRA, and SMEDA to lead at least one legal facilitation clinic per month at business clusters.

#### Impacts:

Awareness regarding regulatory procedures will be created that will in turn lead to better understanding as well as compliance of the laws.

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### ii. Women Business Development Center (WBDC)

#### Description:

In order to eradicate the issues pertaining to women entrepreneurship in the region, there should be women business development centers (WBDCs) established at district level. WBDC will provide business development services to women entrepreneurs in the form of incubation center, display facility, logistic support, access to technology and market linkages. The project will be executed by dedicated project staff. WBDCs established by SMEDA at Peshawar and Swat in the past were highly successful projects. Women entrepreneurs of KP have been requesting for the similar projects which will provide them with all-encompassing facilities in women entrepreneurship ecosystem.

#### Rationale:

WBDCs will enhance the capacities of WEs in their business relevant activities. This initiative will enable women to conduct their business activities in a secure environment that will result in growing their businesses and startups.

#### Responsibility:

SMEDA in collaboration with Government of KP and/or the donor agencies can establish these centers.

#### Impacts:

This will lead to the ease of doing business, financial independence and promotion of women entrepreneurs with ultimate result of women economic empowerment.

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### iii. Legal Framework for Supporting Startups

#### Description:

Under this initiative provincial government will formulate legal framework to support the startup businesses in the province. Equity based schemes and policies will be devised to recognize and support the startup businesses in terms of finance, capacity building and market linkages. Incentives will be given under the proposed legal framework for the startups for a minimum of five years of their business establishment.

#### Rationale:

Startups face several issues in the initial stages of their business ventures. Thus, support from the government is crucial for their establishment and sustainable growth. They need incentives from the business supporting institutions on continuous basis.

#### Responsibility:

Provincial Government KP, Industries department KP, SMEDA, KPBOIT, EPB, FBR

#### Impacts:

This initiative will lead to establishment of sustainable enterprises contributing towards wider base for employment generation, investment mobilization and poverty eradication.

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### iv. Decentralization of Commercial banks for Enhanced Outreach and Value-Chain Lending

#### Description:

There is a dire need for advocacy to the State Bank of Pakistan regarding the decentralization of banking institutions to improve their outreach to the under-served SMEs and cottage industries. Further, the banks should devise value chain based lending schemes to address the financing needs of businesses that are interconnected within a supply chain, thereby enhancing the overall efficiency and competitiveness of the entire chain.

#### Rationale:

Financing needs of the businesses differ from sector to sector as well as on the basis of their business size and region. With a decentralized structure, banks can design financial products and services specifically suited according to the unique regional needs and challenges of SMEs and cottage industries. Designing targeted, value chain-based lending schemes will empower banks to uplift SMEs while concurrently nurturing comprehensive value chain development.

#### Responsibility:

State Bank of Pakistan, Commercial Banks and SMEDA (for awareness raising at clusters level)

#### Impact:

By strengthening SMEs and integrating them effectively into value chains, this approach will not only benefit the SMEs themselves but also bolster the resilience and self-sufficiency of the entire value chain. It will enable them to become reliable suppliers of inputs for large manufacturing units, thereby reducing the reliance on imports and contribute positively towards local production ecosystems.

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### v. Setting up of New and Up-gradation of Existing Industrial Estates

#### Description:

There is a strong need to setup new industrial estates to cope up with the existing high demand. Further, existing industrial estates need up-gradation (utilities, waste management, renewable energy, access roads, labour colonies, research & development facility, parks, IT enabled smart IE etc). Most SMEs demand small industrial plots and easy & transparent allotment procedure. The application, payment intervals and allotment procedure should be IT based, with plots reasonably priced and allotted only to genuine entrepreneurs. In addition, the Khyber Pakhtunkhwa Industrial Policy 2020 should be implemented in true spirit with the consultation of concerned stakeholders.

#### Rationale:

The business community in Khyber Pakhtunkhwa is facing severe shortages of industrial plots which has severely diminished its ability to expand, thus, is compelled to setup industry within housing societies and rural areas. Most of the business clusters (Furniture, Arms, Carpet, Footwear etc) are located in congested areas lacking basic infrastructure and required amenities. They are facing continuous power break-downs and shortages which adversely affect their productivity. Therefore, there is huge demand for new industrial estate within Peshawar. Further, the existing industrial estates are required to be revamped and modernized to make them at par with SMEs' requirements.

#### Responsibility:

Industries Department KP, KPEZDMC, SIDB, Export Processing Zones Authority.

#### Impacts:

The new industrial estate equipped with modern facilities will attract new investment, generate employment and boost economic activities in and around Peshawar. The ease in plot allotment procedure and easy payment schedule will further encourage the new and existing SMEs.

## Peshawar Prosperity Plan for Five Years (PP5P)

## 2. Methodology

Following methodology was followed for the development of PP5P:

### a) Literature Review of National SME Policy (2021), Identification of Barriers to Access to Finance and Policy Recommendations:

Before consulting key stakeholders through PPDs, CIPE-CGPA research team reviewed the National SME Policy 2021 by SMEDA and the Federal Ministry of Industries and Production. SMEDA is the institutional organ mandated for promoting and facilitating SMEs across the country. The purpose of reviewing the policy document on the SME ecosystem was to identify the broader thematic areas that would be brought under discussion in CIPE-CGPA's proposed PPDs during the next phase of the methodology.

The National SME Policy 2021 conducted a situation analysis by surveying over 200 SMEs across four provinces of Pakistan, coupled with Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) with key stakeholders. The research team concluded that the policy review classified the following key pillars:

**Pillar 1: Reforming the Policy and Regulatory Environment for SMEs**

**Pillar 2: Addressing Demand and Supply Side Market Constraints faced by SMEs**

As per the situation analysis conducted for the National SME Policy, key barriers for SMEs in general, and women-owned SMEs in particular, were identified for the SME sector in Pakistan are as follows:

- i Access to finance issues, especially for women-owned SMEs
- ii Issues related to the lack of skilled labor, especially for women-owned SMEs
- iii Non-availability of adequate industrial space
- iv Access issues to modern machinery & technology
- v Issues in R&D and product development
- vi Insignificant linkages of the SME sector with universities & TVET institutions
- vii Disproportionally higher costs of regulatory and tax compliance

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- viii Non-cooperative attitude of government departments
- ix Lack of diversification in manufacturing-related SMEs
- x Inadequate infrastructure facilities for the SME sector (industrial estates, roads, electricity, natural gas, etc.), i.e. limited for the SME sector
- xi SMEs operate in congested residential places without suitable infrastructure, thus limiting the growth of the SMEs

Other independent research outputs were also reviewed and confirmed the above as key constraints. Given the above situation analysis, the national SME policy document proposed the following broad contours of the policy framework as policy prescriptions:

- i Improving Macro Policy and Regulatory Environment
- ii Supply Side Challenges
- iii Demand Side Challenges
- iv Institutional Mechanism for Implementation

Based on the above four broad categories, the SME policy then came up with recommendations on the following key policy areas:

- a. SME definition and application
- b. Regulatory & tax environment around SMEs
- c. Addressing SME Supply Side Challenges
  - SMEs Access to Finance; Access for finance for women-owned SMEs
  - Skills, Human Resources, and Technology
  - Development of infrastructure
  - Entrepreneurship, Innovation, and Incubation
  - Business Development Services
  - Women Entrepreneurship Development
- d. Addressing SME Demand Side Challenges
  - Market Access
  - Public Procurement
  - Institutional Framework
  - National Coordination Committee on SMEs Development
  - SMEDA Institutional Strengthening, Capacity Enhancement, and Reforms

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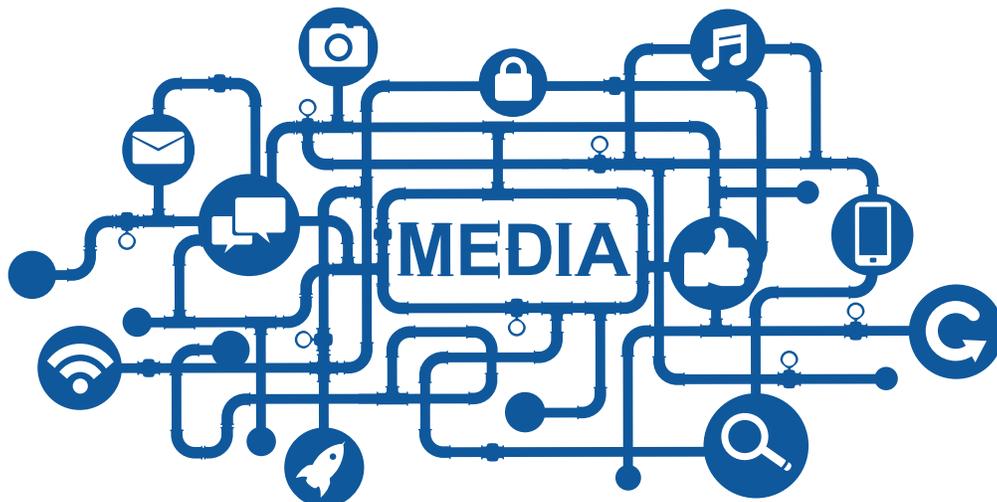
Most of the barriers and policy prescriptions identified in the National SME Policy were discussed during the eleven PPDs and consultation on PP5P conducted in Peshawar.

### b) Public Private Dialogue (PPD) as a Participatory Information Gathering Tool

The Public-Private Dialogue (PPD) methodology was utilized for the development of the PP5P. PPD is an inclusive and participatory approach that fosters trust between the government and the business community. This trust can lead to improved collaboration and better policy outcomes. Additionally, PPDs can enhance governance by promoting transparency in the policy-making process, thereby increasing public trust in government institutions.

Although the effectiveness of PPD depends on how it is conducted, the benefits it offers make it a valuable approach to policy development. By prioritizing transparency and collaboration, PPDs can help governments develop policies that are aligned with the needs of the business community while promoting the common good.

The structure of the PPDs used for the development of the PP5P involved multiple rounds of discussions on specific themes. In the first PPD, jointly facilitated by SMEDA and CGPA, participants were consulted to finalize the areas/themes that would be discussed in upcoming PPDs. A list of themes based on a literature review of the barriers for conducting business in Khyber Pakhtunkhwa province, particularly in Peshawar city, was shared with the participants. Participants suggested the inclusion of areas that maintained geostrategic importance due to shared trade routes with Afghanistan, and barriers faced by local traders in exports and imports.



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For a specific theme, two rounds of PPDs were conducted jointly by SMEDA and CGPA representatives. In the first round, stakeholders from various clusters of industry and businesses operating in Peshawar were invited to bring the key challenges and barriers to the table for their respective clusters on ease of doing business. Specific examples were shared to highlight the practical issues faced by each industry cluster while operating their businesses.

In the second round of the PPD on the same theme, key stakeholders from the concerned government departments were also invited to clarify the government's stance on those bottlenecks and highlight the actions already being taken or under review. This round of PPD brought out a consensus on the recommendations to be put in the final report to be submitted to the concerned government departments and policy makers.

Representatives from the MSME business community and government officials were invited to discuss and formulate regulatory solutions for the improvement of the MSME ecosystem in KP. The series of PPDs were finalized and conducted under five thematic areas:

- i Infrastructure
- ii Trade and Exports
- iii Entrepreneurship
- iv Access to finance
- v Legal Challenges faced by MSMEs

After publishing the Peshawar Prosperity Plan for Five Years, SMEDA, along with CGPA, plans to initiate an advocacy campaign to prompt key stakeholders to take actions as identified in the report.

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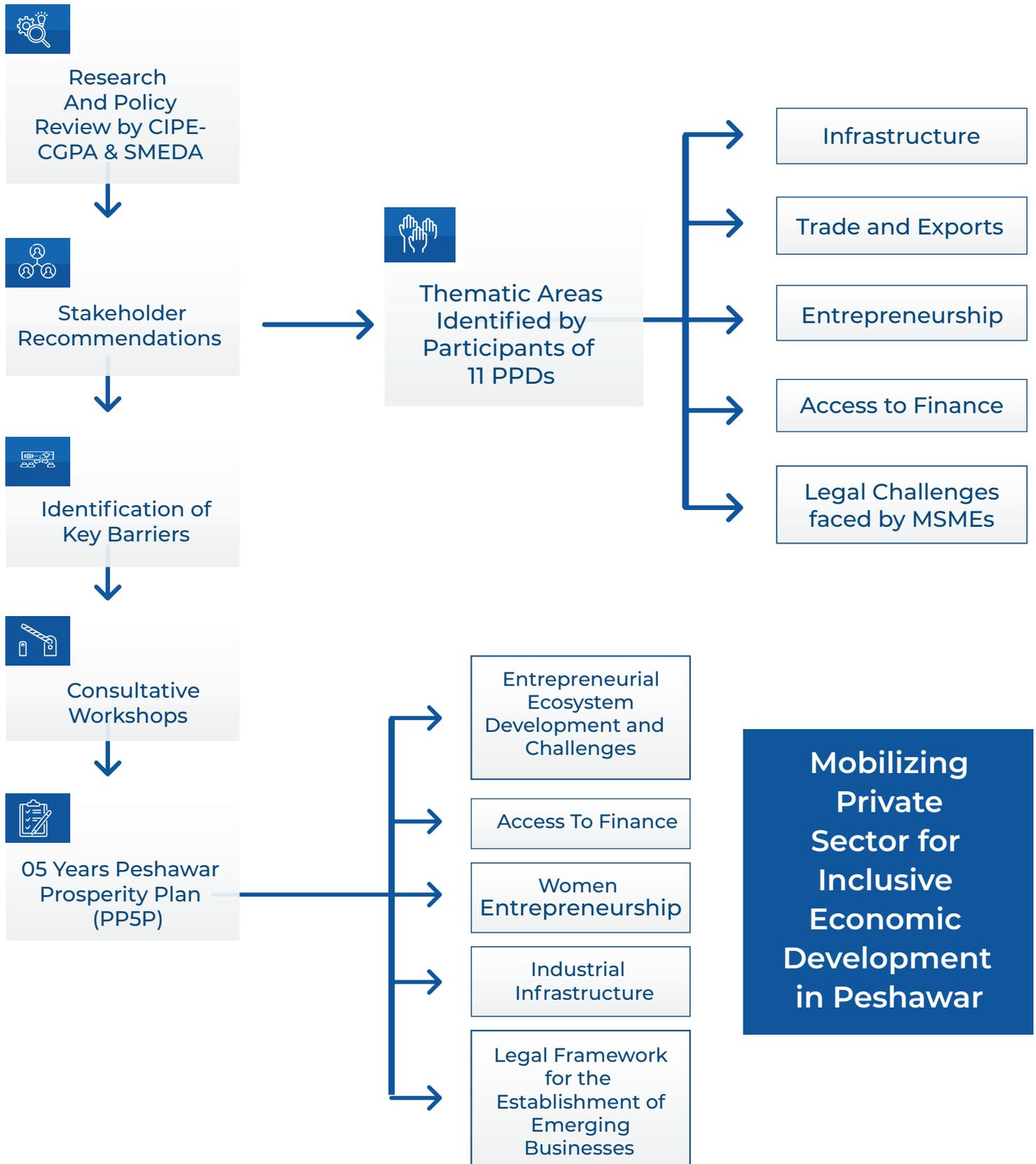
### c) Technology of Participation Action Planning Tool

For the development of the PP5P, action planning method of the Technology of Participation has been utilized. The method required systematic and methodological involvement of the stakeholders not only in the planning stages, but will also be required in the implementation stages. Therefore, key milestones needed to be identified by the stakeholders themselves.

Technology of Participation is a group facilitation tool developed by the Institute of Cultural Affairs in the 1980s. It is in use in over 50 countries.



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### 3. Findings & Recommendations of PPDs

Micro, Small and Medium Enterprises (MSMEs) have become an essential part of economies worldwide, contributing to about 50% of employment. In Pakistan, MSMEs have a vital role in the country's economy in employment creation, GDP contribution, and overall business growth. The revitalization of the MSME sector in Khyber Pakhtunkhwa (KP) province is crucial for generating economic activity in Peshawar, the capital of KP province which also serves as a hub of economic activities and shares a major trading route with Afghanistan. Presently, the economy of Peshawar has been severely affected by insurgency since it was a front-line city in the War on Terror. The financial and human capital of the city has suffered due to terrorism-related incidents, and the overall precarious law and order situation has impeded business activities in the city.

CIPE-CGPA and SMEDA evaluated the business ecosystem of Peshawar through a comprehensive literature review, engaged key stakeholders in Public Private Dialogues (PPDs) and drafted the PP5P. CGPA and SMEDA ensured the participation of academia to share the latest research insights with PPD participants, creating a link between academia, the business community, and business industries. Additionally, representatives from women-owned businesses were invited to discuss gender-specific issues and suggest possible solutions. The discussions and probable solutions of each PPD session were recorded to ensure transparency and accountability in the policy-making process that benefits the business ecosystem. CGPA and SMEDA utilized the PPD method to ensure that the government and private sector collaborate effectively, develop policies that benefit the business ecosystem while ensuring transparency and accountability.



## Peshawar Prosperity Plan for Five Years (PP5P)

The PP5P includes stakeholder recommendations, concerns, and demands that emerged from the eleven PPDs. Following, are the ten policy recommendations identified during the PPDs:

### **i. Conducive Entrepreneurship Ecosystem**

In KP, entrepreneurship is hindered by the lack of collaboration between industry, academia, research institutions, and government departments. To address this issue, the government should introduce a joint platform that allows responsible government institutions, industry, academia, and research institutes to combine their synergies to boost business innovation through research & development and joint collaboration. This platform can serve as a place where participants can discuss their problems and propose financially viable projects. The government should also arrange boot camps for new entrepreneurs and link them with investors for seed funding.

Additionally, the government should create an online repository with the help of academia to connect aspiring entrepreneurs and investors for collaboration. This platform can serve as a learning center for students to develop and work on their projects.

To improve the actual performance of the industry and various products developed by the industry, there is a need for academic research. Academia should undertake demand-driven action research, with the demand emanating from the practical issues being faced by the industry. Experienced entrepreneurs and the government should encourage and handhold aspiring entrepreneurs.

Furthermore, the government should introduce internship programs for students. These programs will provide students with entrepreneurial experience and equip them with regulatory, technical knowledge and business management skills.

In conclusion, the government of KP should take measures to foster collaboration between industry, academia, research institutions, and government departments to encourage entrepreneurship. Such measures will create opportunities for aspiring entrepreneurs and contribute to the overall economic development of the province.

## ii. Availability of Adequate Industrial Infrastructure

The availability of adequate industrial infrastructure is a major challenge for entrepreneurs venturing to establish new businesses in Peshawar. Industrial plots in Peshawar's existing industrial estates are insufficient, forcing business owners to operate their businesses within housing localities, which creates difficulties for local residents and is not commercially viable for entrepreneurs due to the lack of basic business amenities like infrastructure, utilities, and market access. Additionally, long hours of electricity breakdown and high tariffs negatively affect business operations.

To address this issue, there is a dire need to establish new state-of-the-art industrial zones around Peshawar to cater to the growing demand for industrial plots. These zones should include dedicated areas for different sectors like marble and granite, furniture, leather footwear, honey processing & packaging, carpet weaving, and gemstones clusters. Common facility centers should be made available for training and the use of modern machinery, as well as common display and other facilities. The government should also offer small plots to facilitate the MSME sector and ensure the establishment of environment friendly green industrial areas with proper waste disposal arrangements.

There is a strong perception that real estate investors are buying & holding industrial plots for investment purposes, discouraging industrialists. To address this, the government should introduce and enforce strict compliance measures to filter out real estate investors and encourage real businesses. The current industrial zones are outdated and need to be revamped, with improvements made to facilities such as roads, electricity, water, and telecommunication. New connections of electricity and gas should be made available with ease to new businesses at a reasonable cost. The industrial zones should be exempted from load-shedding/shortages of electricity and natural gas. This will help to facilitate the SME sector investors and promote growth of the industrial sector in Peshawar.



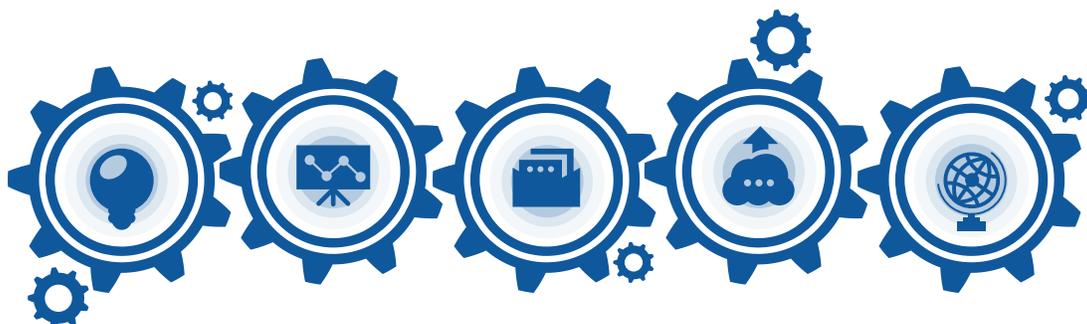
### iii. Improving Regulatory Awareness and Compliance

One of the significant problems faced by the business community is a lack of knowledge regarding laws, rules/regulations, and incentives schemes offered by the government. Small and Medium-sized Enterprises (SMEs) have limited access to information communication channels and struggle to comply with labor, environmental and social laws. Although successive governments have introduced different laws, rules/regulations, and Statutory Regulatory Orders (SROs), business communities' lack of understanding of them affects their performance.

To address this issue, government departments should organize awareness seminars/workshops for business communities and investors from the MSME sectors. Different forums and help desks must be established to educate the business community about the relevant laws, rules, and regulations. The Chambers of Commerce and Industry should also be included in the drive to create awareness among the business community.

Print, electronic, and digital media should be effectively utilized to circulate information regarding laws, rules/regulations, and incentives schemes introduced by the government. In addition, a joint working group consisting of both the business community and government officials should be formed to discuss and resolve issues regarding various government procedures and policies. The group should hold regular meetings with a clear time-bound agenda to resolve the issues faced by the business community.

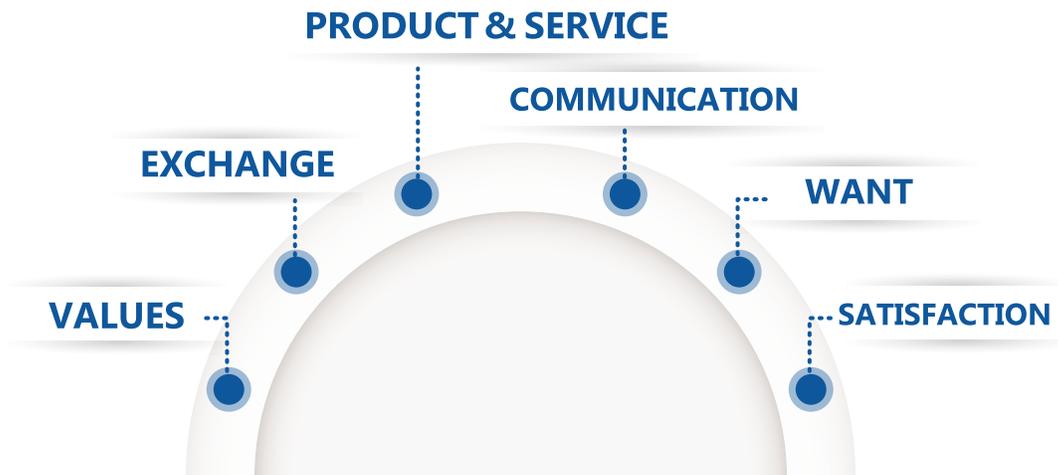
Furthermore, stakeholders from the business community should be encouraged to participate in the group and share their feedback and concerns. With improved awareness and understanding of relevant laws, rules, and regulations, the business community can ensure compliance and work towards achieving sustainable growth.



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## iv. Simplification of Laws, Rules and Regulations

The business community faces major challenges in complying with the laws, rules and regulations set by government departments while registering and sustaining new as well as existing businesses. SMEs, in particular, have limited resources and often struggle to meet minimum requirements for tax filings, labor laws, environmental regulations, and other legal obligations. This hinders their ability to focus on core business functions, as the majority of their social capital is spent on compliance and filing complicated documentation and going through processes with the government entities.



To address these challenges, stakeholders have proposed simplifying laws, rules and regulations. They suggested introducing a unified tax regime to eliminate the need for dealing with multiple departments, as well as rationalizing taxes on business name boards, and taxes on property. The business community has also called for simplifying the procedure for tax filing so that self-filing can be promoted, without the need for hiring expensive financial consultants.

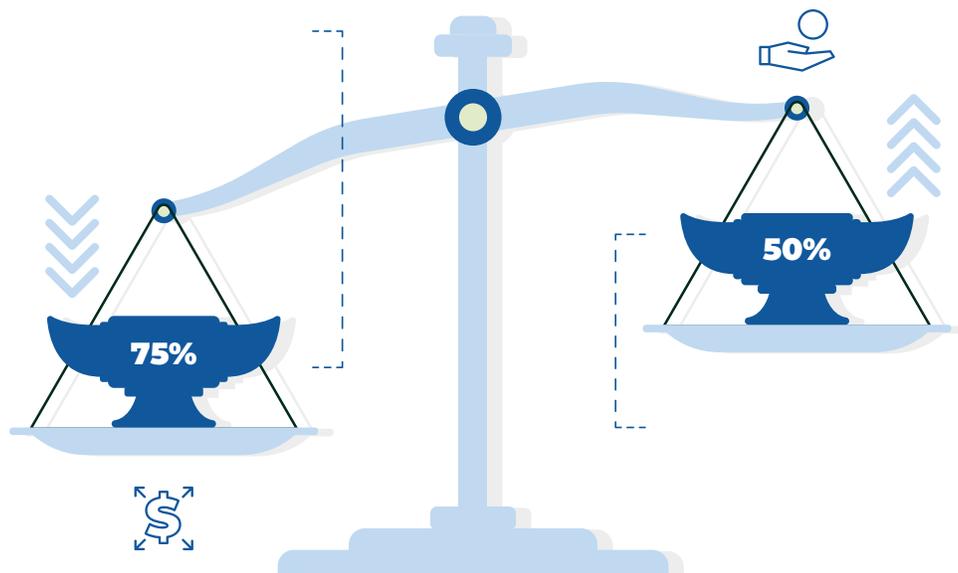
In addition to simplification of laws, stakeholders propose that the government should provide incentives to businesses that are registered and are paying taxes regularly. This will encourage tax culture in the country and bridge the trust gap between the government and the business community. Stakeholders also suggested that the government should provide tax exemptions to new start-ups and women-owned businesses for incubation periods.

To promote the ease of doing business and encourage cooperation between SMEs and

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Government entities, stakeholders suggested that the government should sensitize and train their officials on how to address challenges and roadblocks faced by SMEs, business associations, and local trade bodies. A Standard of Procedure (SOP) with consultation of business community should be designed and implemented to ensure compliance is handled fairly and efficiently.

Participants and stakeholders also recommended digitizing the submission of property tax; they highlighted the need for establishing an online portal to reduce bureaucracy and limit the discriminatory powers of the tax officials. This initiative aims to to promote a supportive environment for the growth of new businesses, MSMEs and entrepreneurs.



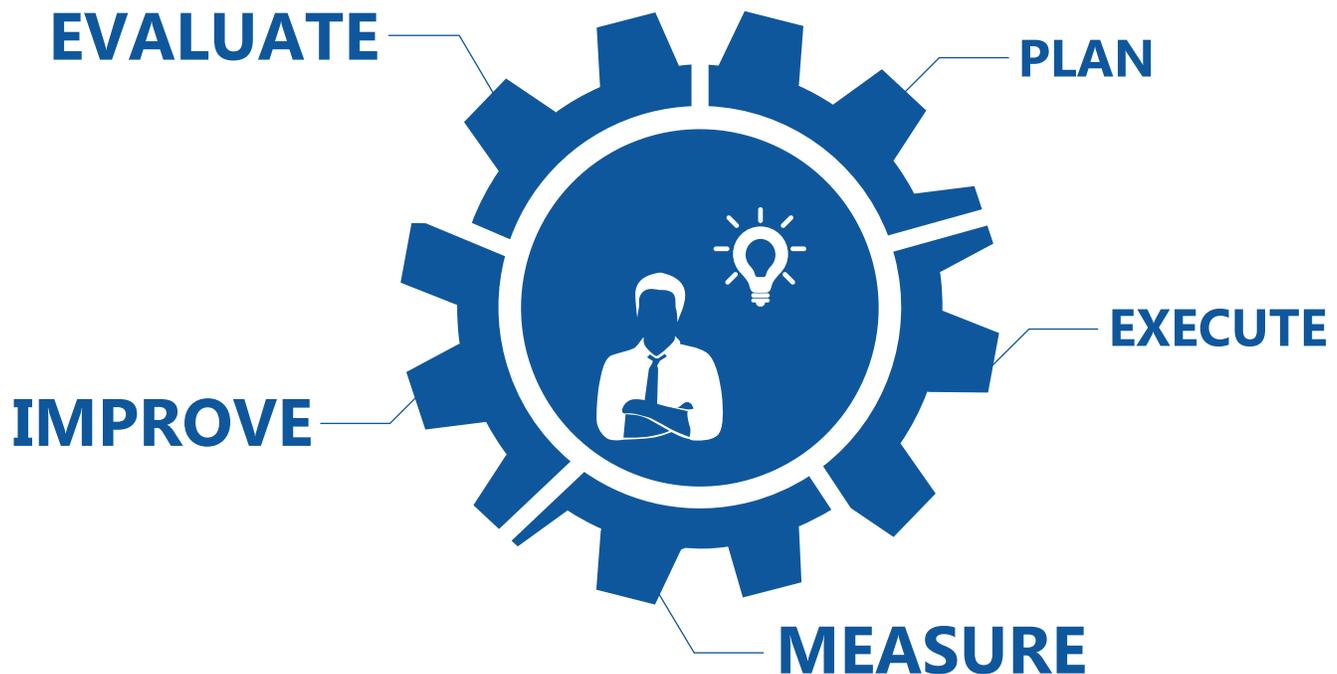
### v. Marketing and Linkages Development

SMEs in Peshawar lack marketing strategies to promote their products to the rest of country and the international market. A consensus between the governmental departments, training institutes, and businesses is necessary to develop capacity-building programs for trade and business-oriented SMEs in marketing and packaging products. The government of KP should establish a Business Market Development Unit (BMD) to encourage product promotion and resolve roadblocks faced by manufacturers and traders. Additionally, regular exhibitions and workshops should be held to promote, advertise, and support local products.

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### vi. Capacity Building of SMEs and Entrepreneurs

SMEs in KP lack necessary business management skills and expertise. The absence of vocational education, limited opportunities for knowledge sharing and management, and the lack of financial resources allocated to developing these skills has further impaired the SME and entrepreneurial landscape of KP. Stakeholders reflected on the government's role in facilitating capacity-building programs for SMEs to provide them with a profitable market opportunity. Stakeholders suggested that the Technical Education and Vocational Training Authority (TEVTA) should be revitalized with diligent marketing and information campaigns to enlist the workforce and aspiring businesses. SMEs should be trained in e-commerce to fully avail online business opportunities, and successful e-commerce traders should be supported by the government to conduct trainings regarding online selling platforms/portals.



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### vii. Ease in Access to Finance

Access to finance is critical for the growth and profitability of small and medium-sized enterprises (SMEs). However, banks in KP are hesitant to lend business loans to SMEs because they fear that the SMEs may not be able to repay the loan. Consequently, SMEs are forced to seek loans from the informal sector at higher interest rates. To address this issue, stakeholders have demanded that the State Bank of Pakistan (SBP) and government entities should instruct commercial banks to offer at least 25% of deposits collected in Khyber Pakhtunkhwa to SMEs. Additionally, stakeholders recommended that the provincial government, SMEDA, and the Federal Government should create customized grant/loan schemes for start-ups and women-owned businesses that are contextualized to the local area. Chambers of Commerce should be consulted in designing such schemes, and the schemes should include training and guidance components. Discussions should be held with banks and micro-financing institutions to introduce cluster/association-based lending schemes that involve personal guarantees of office bearers in the absence of collateral. Communication gaps between banks and the private sector should be removed, and commercial banks should improve customer outreach and awareness about bank schemes. They should train their staff in customer care and facilitation, and customers should be able to track their loan application status online.

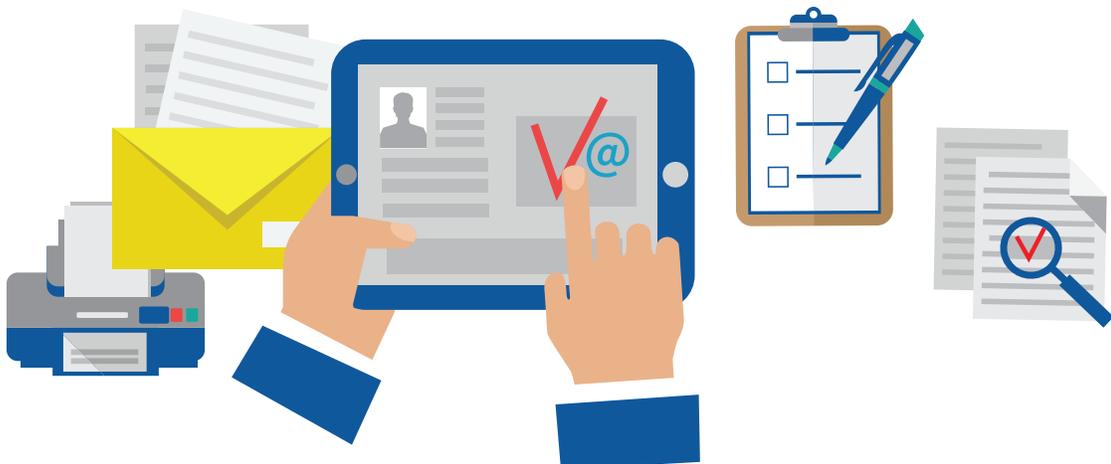


## viii. Acquisition of Licenses, NOCs and one stop shop for Business Registration

For SMEs to start, remain functional and expand, cooperation & support of the Government is instrumental. Stakeholders expressed the need to reduce the regulatory burden on them. The current process for obtaining licenses, NOCs, and registration is time-consuming and complex, which discourages SMEs from starting or expanding their businesses. To address this issue, the SME policy 2021 includes several incentives to streamline the process, including a maximum of 30-day time-bound approval for medium/high-risk SMEs, self-declaration of regulatory compliance by SMEs, and establishment of e-inspection portal for self-verification of on-site inspection visits.

Additionally, some SMEs face challenges with overlapping inspections from government departments, which can be addressed by creating a single online window for all Government departments to avoid these. The terms and requirement for Social Security and Employees' Old-Age Benefits Institution (EOBI) payments should also be simplified to make it easier for SMEs to comply with them.

To further support SMEs, the government should initiate a "One Window Operation Facility" that offers business concierge, professional, and technical services to reduce start-up costs and increase time efficiency. By taking these steps, the government can help SMEs navigate the regulatory landscape and grow their businesses more easily.

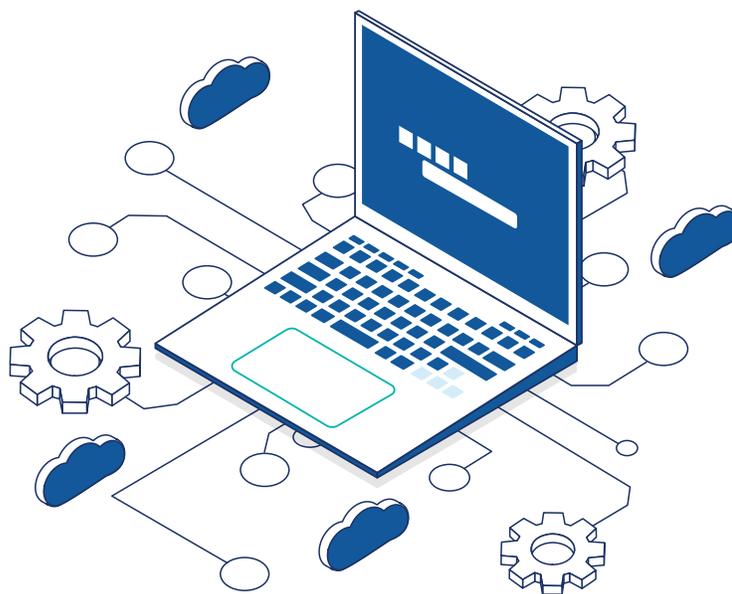


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### ix. Introduction of Modern Technology, Technical and Vocational Skills

The introduction of modern technology has revolutionized business concepts and models, leading to tremendous growth in trade and commerce. Technology offers faster, more convenient and efficient ways of performing business transactions. Business owners can benefit from modern machinery, accounting systems, management information systems, point of sales systems, and other tools supporting business function. The government can support SMEs by introducing grant schemes and common facility centers to help with the implementation of technology. Additionally, SMEs should be provided with inter-provincial and international exposure visits to learn about the best practices. To reduce physical interaction with officials of various departments and prevent corruption, the government should digitize processes related to registration, self-evaluation, self-assessment, and payments of fees and taxes.

While Information Technology has made a significant impact on businesses in Pakistan, there is still room for improvement. Businesses need to fully embrace technology to benefit from its impact. As a result, information technology institutes and training centers must be strengthened and supported by government entities to accommodate the growing demands.



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### x. Business Ecosystem for Women Entrepreneurs in Peshawar

To support women entrepreneurs, SMEDA, Trade Development Authority of Pakistan (TDAP), and KP Department of Industries and Commerce should provide continuous support and guidance for women SMEs. Establishing business incubation centers and display facilities for products made by female entrepreneurs can promote their businesses. Women entrepreneurs should be given opportunities to showcase their products nationally and internationally. The provincial government should engage international donor organizations to facilitate small grants for women entrepreneurs. Priority should be given to technical training and skill development of women entrepreneurs, particularly those in handicrafts and other home-based businesses. Women entrepreneurs should also be prioritized in loan and grant schemes.

### 4. Consultative Workshop on Recommendations for the Development of the PP5P

CIPE-CGPA in collaboration with SMEDA held a consultative workshop on 16th March, 2023 at Serena Hotel to review and finalize recommendations and findings of the PP5P. Stakeholders representing the public sector, academia, SMEs, Chambers of Commerce & Industry, NGOs, banks, and civil society participated and provided their inputs in drafting the PP5P. During the workshop, five FGDs were conducted on the topics of:

- i Access to Finance
- ii Industrial Infrastructure
- iii Entrepreneurial Ecosystem Development and Challenges
- iv Legal Framework for the Establishment of Emerging Businesses
- v Women Entrepreneurship

The findings and recommendations of these FGDs are summarized below:  
(Key: Short Term = 6 Months- 1 year; Mid-Term – 1-3 Years; Long Term= 3-5 Years)

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**Access to Finance**

Issues	Interventions	Rationale	Designated Departments	Intervention Duration
Lack of need-based loans schemes for SMEs	SMEs' lending schemes need to be demand driven and preferably based on Business sector and clusters approach.	This initiative will lead to upscaling the businesses of SMEs with the provision of increased financing requirements.	State Bank of Pakistan (SBP), Commercial Banks, SMEDA (for technical support)	Short to Medium Term
Lack of Collateral free lending by Commercial Banks	Banks should introduce collateral free lending schemes to ease and simplify lending requirements.	Due to lack of documented land record, commercial banks find it hard to extend loans to SMEs, therefore, collateral free lending will ease the process for getting loans and may address SMEs requirements.	SBP, Commercial Banks, SMEDA (Facilitation)	Short to Medium Term
Lack of Accounting, Financial Management, and Documentation skills which are basic requirements for loans.	SMEs must be properly guided regarding the importance of maintaining financial records. There must be a comprehensive plan to create awareness among the SMEs	Proper accounting records enable banks and other authorities to carry out their due diligence on the loan and grant scheme requirement on merit.	Banks, SMEDA, Private Consultants Chambers/ Associations	Short to Medium-term

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	seminars-backed by proper training with respect to accounting, tax returns, and banking.	The financial reports/ records also empower SMEs for better decision making in their day-to-day business		
Inadequate Customer facilitation service by Banks	Banks should enhance the capacity of its staff and train them in SME facilitation. Only those staff should be assigned to handle SMEs who have good track record and experience of customer service. Bank should organize broad awareness campaigns from time to time for SMEs sensitization regarding the lending schemes introduced and their requirements.	SME specialized human resource shall be trained and deputed and SMEs shall be encouraged to use banking channels to settle their business transactions rather than using informal channels.	SBP, Commercial Banks, SMEDA	Short-Term

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<p>Lack of Lending Programs for Youth / Startups</p>	<p>Government and SBP should encourage commercial banks for introduction of easy financing schemes for youth with innovative business ideas. Special emphasis should be placed on new startups to nurture budding business ideas especially put forth by youth to promote entrepreneurial culture in the region.</p>	<p>The initiative will lead to establishment of new &amp; innovative business ideas, encouragement of youth, job creation and investment mobilization resulting in economic development.</p>	<p>Federal and Provincial Governments, SBP and Commercial Banks</p>	<p>Medium Term</p>
<p>Hindrances in availing agriculture loans</p>	<p>The loan process for the agriculture sector needs to be improved by eliminating the passbook requirements and the process needs to be streamlined using IT-based solutions.</p>	<p>Agriculture is back bone of Pakistan economy and the largest sector of the country, therefore easing the loan process will lead to agriculture productivity enhancement.</p>	<p>SBP, Agriculture Development Bank of Pakistan (ADBP) Commercial Banks, KP Revenue Department.</p>	<p>Short to Medium Term</p>

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**Industrial Infrastructure**

Issues	Interventions	Rationale	Designated Departments	Intervention Duration
Problems faced by sick industrial units	Revitalization of closed units by incentivizing the SMEs (i.e., tax holidays, subsidized services).	This will ensure the utilization of the already existing resources, leading to more revenue generation, tax collections and employment generation opportunities.	SIDB, KPEZDMC, KPBOIT, Industries Department KP	Medium-Term
Non-availability of Small Plots for MSMEs in the Industrial Estates	The government should focus on to provide small plots (1-2 Kanal) to cater to the needs of MSMEs in the industrial zones.	Provision of small plots to the MSMEs will encourage establishment of industry in economic zones/ estates where all basic infrastructure is available. This will promote small scale SMEs investments and reduce the SMEs capital cost.	SIDB, KPEZDMC, KPBOIT, Industries Department KP	Medium to long Term
Double Taxation and excessive checks by Govt. Departments. e.g. FBR, KPRA, labor & Environment and PDA etc.	Development of single window for all departments which can ease the taxation process, filing of documents and inspection requirements.	SMEs are finding it difficult to cope with so many implementing departments performing overlapping activities. The	Federal & Provincial Governments, FBR, KPRA, IT Board and other relevant departments.	Short to Medium-Term

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	Implementa- tion of IT based checks instead of physical checks and avoid unnecessary involvement of government officials.	introduction of IT enabled system will reduce unnecessary physical inspection and harassment by government authorities.		
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### Entrepreneurial Ecosystem Development and Challenges

Issues	Interventions	Rationale	Designated Departments	Intervention Duration
Non-availability of consultative forum to combine synergies and share knowledge and experience among stakeholders.	The Government, Business community, research institutions and academia should introduce a joint forum to enhance collaboration and share learnings experiences for creating an effective entrepreneurial ecosystem.	Availability of a joint forum for the stakeholders will help them coordinate efforts for the developmenet of entrepreneurial ecosystem in the region.	Industries department KP, SMEDA, Academia, Industry, Chamber of Commerce, Business Associations	Short to Medium Term

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<p>Lack of entrepreneurial skills in SMEs</p>	<p>Entrepreneurship development centers (EDCs) should be established at universities level to provide technical knowledge and handholding support to startups.</p>	<p>EDCs can provide regular support to startups in terms of capacity building, market linkages, product development etc. which is necessary to promote entrepreneurial culture in the province.</p>	<p>HEC, Public and Private Universities, SMEDA Chambers and Associations</p>	<p>Short to Medium-Term</p>
<p>Lack of single information online window for SMEs</p>	<p>Web based information resource centers &amp; sites should be encouraged to cater the information needs of entrepreneurs.</p>	<p>The web portal will help in provision of updated information of local and international markets to SMEs for timely decision making.</p>	<p>SMEDA, Industries department KP, KPBOIT, Chambers of Commerce &amp; Industries, Local Associations</p>	<p>Short to Medium-Term</p>
<p>Lack of Digital skills in Industry</p>	<p>Projects should be designed and implemented for introducing digital skills for SMEs.</p>	<p>The world's economy is shifted towards digitalization, introducing and enhancing digital skills of SMEs will help them better compete in national and international markets.</p>	<p>KPITB, SMEDA, Chambers of Commerce &amp; Industry</p>	<p>Short to Medium-Term</p>

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**Legal Framework for the Establishment of Emerging Businesses**

Issues	Interventions	Rationale	Designated Departments	Intervention Duration
Lack of awareness regarding prevailing Laws, rules and regulations and laws pertaining to businesses	Schemes for legal awareness with prevailing Laws, rules, regulations & SROs should be organized by relevant authorities for the SMEs. Capacity building of public sector organizations and service providers for better service delivery to SMEs.	Organizing regular awareness sessions on legal aspects, rules & procedures and policies may help SMEs in better understanding the legal framework of doing business. Enhancing the capacity of service providers will help in better implementation of the regulatory procedures.	KPRA, FBR, Local Government, Cantonment Board, Industries Department KP, Business Associations, Chamber of Commerce & Industries etc.	Short to Medium Term
Issues in acquiring Licensing, NOCs, Registrations and Certifications etc	For acquiring licenses, NOCs, registrations, online platforms should be developed, so that SMEs can easily obtain said services with ease. The capacity of personnel in concerned government departments should be enhanced.	Provision of online platforms for registration, licensing, NOCs etc will help SMEs getting timely facilitation. Enhancing the capacities of personnel in concerned departments will also help provide better facilitation to SMEs.	FBR, KPRA, Local Government, Industries Department KP, KPBOIT	Long-Term

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<p>Trade issues in Pak-Afghan Trade</p>	<p>Ease of doing business with respect to trade with Afghanistan should be ensured. Relaxing of embargo on certain items like meat export to Afghanistan.</p>	<p>Trade with Afghanistan is crucial for the economic prosperity of the Peshawar. Removing unnecessary regulatory bottlenecks and easing trade procedures may lead to enhance Pak-Afghan trade which will encourage traders to explore new products &amp; markets.</p>	<p>Ministry of Foreign Affairs, Ministry of Commerce, SCCI, Customs Department.</p>	<p>Short-Term</p>
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### Women Entrepreneurship

Issues	Interventions	Rationale	Designated Departments	Intervention Duration
<p>Lack of Business Ecosystem for Women Entrepreneurs</p>	<p>The successful idea of establishment of Women business development Center(s) should be re-implemented to encourage Women Entrepreneurship.</p>	<p>The proposed interventions will enable women to conduct their business activities in a secure environment. This will ensure maximum participation of WEs in economic activities.</p>	<p>SMEDA, Industries Department Govt. of KP</p>	<p>Medium Term</p>

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	Implementa- tion of already allocated 5% quota of WEs in economic zones.			
Lack of entrepreneurial skills as per international standards	To scale-up small women owned businesses and make it internationally competitive, WEs should be trained and equipped with modern business techniques and international standards.	International exposure visits and training opportunities will enable WEs to explore new products & markets, standardize their business practices and procedures.	SMEDA, Federal & Provincial Government, and Donor's agencies.	Medium Term
Lack of Customized Grants & Loan Programs	Subsidized loans, micro level grants, equity-based financing schemes should be introduced for Wes.	Such schemes will ensure financial inclusion of women and will lead to economic prosperity of the region.	SMEDA, State Bank, Commercial Banks	Medium-Term
Lack of Women Representation at policy making forums	Taking women entrepreneurs on board in all the relevant boards and policy making forums of the Government.	This will highlight women relevant issues at policy level which in turn will give rise to more gender specific policies.	Federal and Provincial Government, Chamber of Commerce and Business Associations	Medium-Term

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Lack of Online Stores	An online store “Made in KP” should be launched for Women Entrepreneurs to showcase products made by WEs.	This platform will be an effective tool for showcasing & marketing of products and will boost local businesses.	Industries Department, KPITB, TDAP, SMEDA	Medium-Term
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## 5. Conclusion

The PP5P has been developed through focused group discussions and consultative workshops with stakeholders representing trade organizations, MSMEs, public, private, and civil society organizations.

The goal of this document is to adopt an inclusive approach to gather information and interventions for the economic development of Peshawar and the KP province.

To ensure the input of relevant stakeholders and foster a contextualized and bottom-up approach, SMEDA, CIPE-CGPA intentionally included them in the development process. The proposed interventions have been validated by experts, and they are expected to result in a meaningful economic impact for the province.

By identifying key issues and proposing interventions, this document aims to improve economic infrastructure, create jobs, and promote integrated growth in the district of Peshawar. The inclusion of relevant stakeholders in the development process ensures that the interventions are contextualized and responsive to the needs of the community.

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Annexure: Journey of Peshawar Prosperity Five Year Plan (PP5P)

Figure i: PPD Governance and Local Economic Development: Issue and Way Forward (17 FEB, 2022)



## Peshawar Prosperity Plan for Five Years (PP5P)

Figure ii: PPD on Access to Finance (18 MAY 2022)



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Figure iii: PPD on Trade and Export: 24 August 2022



Figure iv: PPD on Access to Finance (20TH October 2022)



## Peshawar Prosperity Plan for Five Years (PP5P)



Figure v: Launching Ceremony of Policy Study and Policy Brief (19 December 2022)



## Peshawar Prosperity Plan for Five Years (PP5P)

Figure vi: Group work on Consultative Workshop on PP5P (16 March 2023)



Figure vii: Launching ceremony of PP5P (06 September 2023)



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Figure vii: Launching ceremony of PP5P (06 September 2023)





## Turn potential into profit



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