



FINAL REPORT 2023

Peshawar Prosperity
Plan for Five Years (PP5P)

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 created with the systematic and methodical participation of stakeholders in both the planning and 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. Entrepreneurship development
2. Lack of adequate industrial infrastructure
3. Lack of awareness regarding laws, rules, and regulations pertinent to starting small and medium enterprises (SMEs)
4. Simplification of laws, rules, and regulations
5. Demand for marketing and linkages development between SMEs, regional and local trade organizations, and industrial enterprises
6. Capacity building of SMEs and entrepreneurs
7. Ease of access to finance, micro-loans, and building relationships with financial institutions
8. Ease of licensing, obtaining No Objection Certificates (NOCs), and business registration
9. Introduction of modern technology, technical and vocational skills workshops for entrepreneurs and the SME community
10. Improving the business ecosystem for women entrepreneurs in KP.

Improvement in the aforementioned areas has potential to significantly enhance the overall business ecosystem and facilitate economic development within the region. Improvement in these areas has the potential to significantly enhance the overall business ecosystem and facilitate economic development within the region. To achieve this, the PP5P has been designed to identify critical challenges, rational and experimental expectations, stakeholder engagement strategies for each thematic area, essential actions required by stakeholders, 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.

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i. Legal Facilitation Clinics for SMEs – Districts Level Proposed Interventions

Description:

There is dire need for educating the SMEs about the rules & regulations, policies and laws pertaining to business development in the region. For this purpose, intensive series of awareness raising sessions need to be conducted on districts level. The project named Legal Facilitation Clinics for SMEs need to be organized on regular basis. This will enhance the SMEs legal understanding about the laws and service providing institutes.

Rationale:

It will boost 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 institutes

Responsibility:

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

Impacts:

Awareness regarding regulatory procedures will be created that will in turn lead to better implementation of law.

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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 were established by SMEDA at Peshawar and Swat which were highly successful projects. Women entrepreneurs of KP have been requesting for the same projects at district levels which provide them with all-encompassing facilities in women-oriented environment.

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 flourishing their businesses.

Responsibility:

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

Impacts:

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

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iii. Government 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, export etc. Incentives will be given under the proposed legal framework for the startups for minimum five years of their business establishment.

Rationale:

Startups face issues in initial stages of their business ventures. Therefore, support from the government is crucial for their establishment and growth. They need incentives services from the supporting institutes keeping in view the nature of their scope of work.

Responsibility:

Provincial Government KP, Industries department KP

Impacts:

This initiative will lead to startup sustainability at the initial stages which will lead to investment mobilization, job creation and economic prosperity of the region.

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iv. Decentralization of Commercial Banks for Equity Based Lending

Description:

There is dire need for advocacy to the State Bank of Pakistan regarding the decentralization of commercial banks in terms of devising customized loaning schemes for SMEs on regional basis. If SMEs working at different clusters are facilitated as per their business needs, cottage industry will flourish leading towards the economic development of the region.

Rationale:

Financing needs of the businesses are different from sector to sector and also on the basis of their business levels. If banks provide equity-based lending to SMEs, they will get maximum benefit from the financing services and will be able to invest and grow their businesses.

Responsibility:

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

Impacts:

This initiative will lead towards more investment mobilization, businesses growth and more jobs creation.

V. Up gradation of Existing Industrial Estates & Easy Procedures by New Economic Zones

Description:

This is highly recommended that the established industrial estates in KP should be upgraded in terms of infrastructure development, power and energy with all the other allied facilities be made available. With regards to the establishment of new economic zones, easy procedures should be introduced for the beneficiaries specially in terms of payment schedules, plots allocation facilities etc.

Rationale:

This initiative will ensure the utilization of the already existing resources and better planning and execution of the new interventions that will lead towards more investments, revenue generation and creation of employment opportunities.

Impacts:

The utilization of already existing resources (i.e., existing industrial estates) with better facilities and easy procedures for new economic zones will boost economic condition of the area as this will pool investments from across the country.

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2. Methodology

Following methodology was followed for 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 which was published in 2020 by SMEDA and the Federal Ministry of Industries and Production. SMEDA is the institutional organ mandated for promoting and facilitating SMEs in 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 on 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 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 Uncooperative behavior attitude of government departments
- ix Lack of diversification in manufacturing-related SMEs
- xi Inadequate infrastructure facilities for the SME sector (industrial estates, roads, electricity, natural gas, etc.), i.e., limited for the SME sector
- x xSMEs 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
- v Based on the above four broad categories, the SME policy then came up with recommendations on the following key policy areas:
- vi SME definition and application
- vii Regulatory & tax environment around SMEs
- viii Addressing SME Supply Side Challenges
- ix SMEs Access to Finance; Access for finance for women-owned SMEs
- x Skills, Human Resources, and Technology
- xi Development of infrastructure
- xii Entrepreneurship, Innovation, and Incubation
- xiii Business Development Services
- xiv Women Entrepreneurship Development
- xv Addressing SME Demand Side Challenges
- xvi Market Access
- xvii Public Procurement
- xviii Institutional Framework
- xix National Coordination Committee on SMEs Development
- xx SMEDA Institutional Strengthening, Capacity Enhancement, and Reforms

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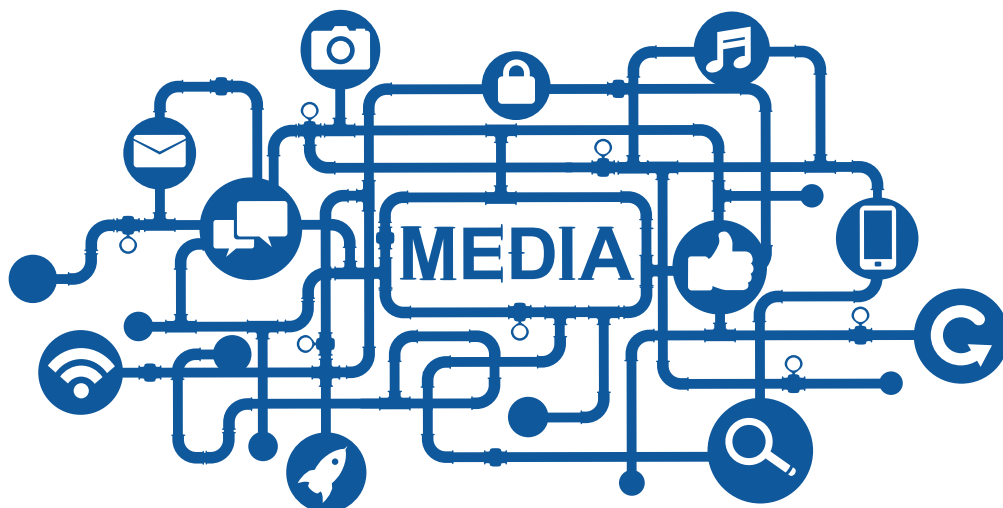
Most of the barriers and policy prescriptions identified in the National SME Policy were discussed during the eleven PPDs and consultation on PP5P conducted in Peshawar.

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 to the improvement of the MSME ecosystem in KP. The series of PPDs were finalized and conducted under five thematic areas:

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

After launching the report/study, SMEDA, along with CGPA, intends to launch an advocacy campaign that will be shared with key stakeholders.

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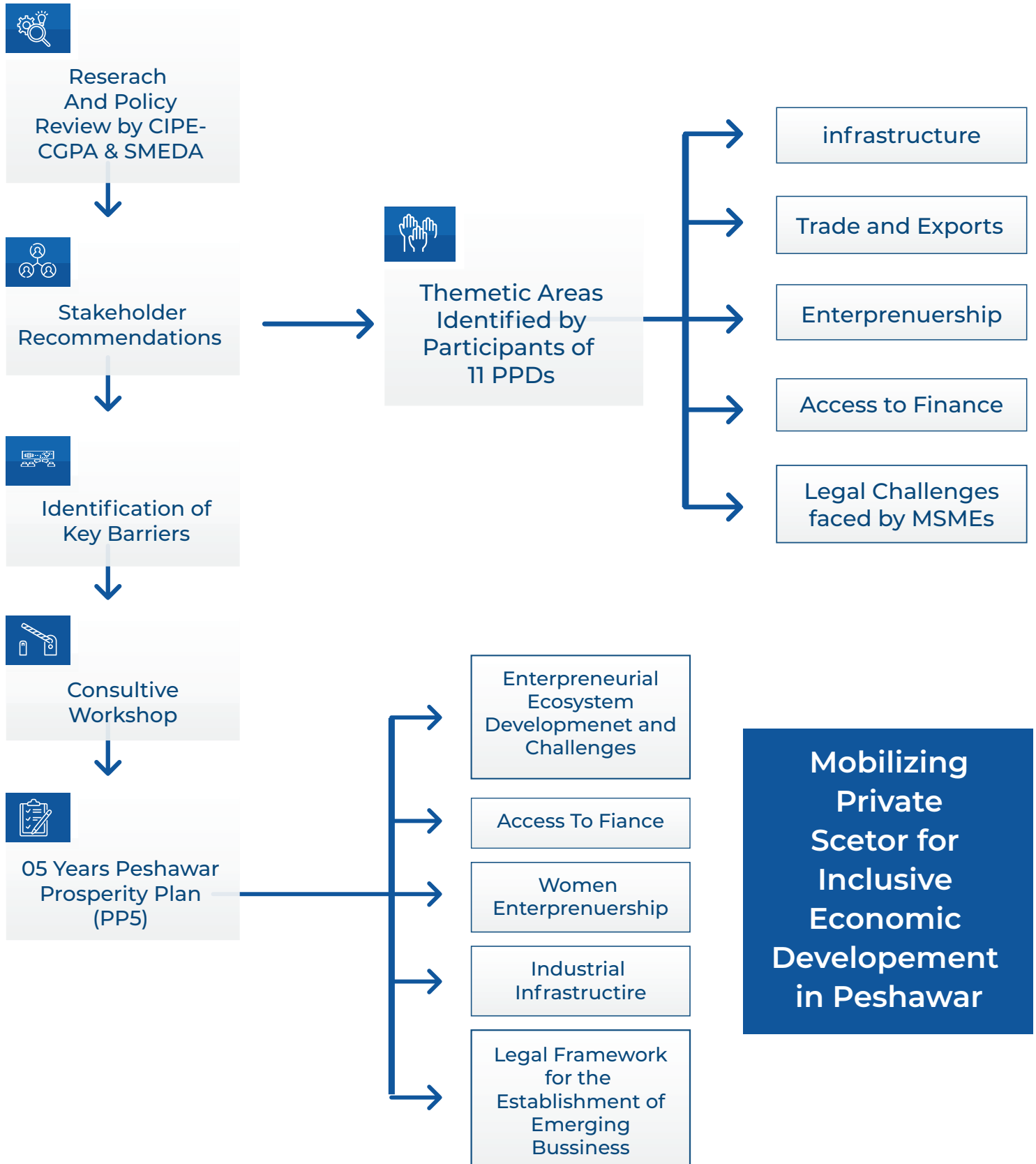
c) Technology of Participation Action Planning Tool

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 for Cultural Affairs in the 1980s. It is in use in over 50 countries.



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3. Findings & Recommendations of PPDs Conducted

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 terrorist incidents 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.



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

i. Entrepreneurship Development

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 innovations. This platform can serve as a place where participants can discuss their problems and arrange 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 faced by the industry. Experienced entrepreneurs and the government should encourage and handhold aspiring entrepreneurs.

Furthermore, the government should introduce internship programs for students. This program will provide students with entrepreneurial experience and equip them with regulatory, evaluation skills, and technical knowledge.

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

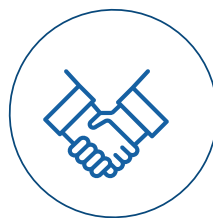
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ii. Availability of Adequate Industrial Infrastructure

The availability of adequate industrial infrastructure is a major challenge for entrepreneurs venturing to establish new businesses in Peshawar. Industrial plots in the city'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 marble and granite, furniture, leather footwear, honey processing and packaging, carpet weaving, and gems 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 holding industrial plots for investment purposes, discouraging serious investors. To address this, the government should introduce and enforce strict compliance measures to filter out non-serious 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 to new businesses at a reasonable cost, and the industrial zones should be exempted from load-shedding and shortages of electricity and natural gas. This will help to facilitate the SME sector investors and promote growth of the industrial sector in Peshawar.



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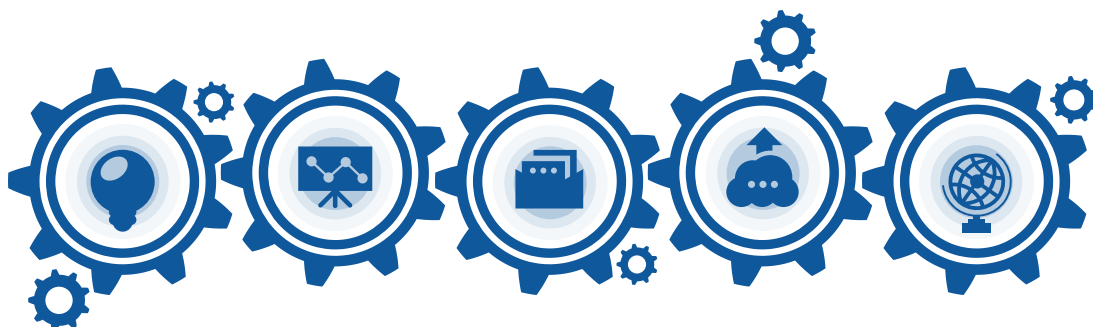
iii. Improving Awareness Regarding Relevant Laws, Rules, and Regulations

.One of the significant problems faced by the business community is a lack of knowledge regarding laws, rules/regulations, and incentives schemes introduced by the government. Small and Medium-sized Enterprises (SMEs) have limited access to information and 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 helpdesks 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.

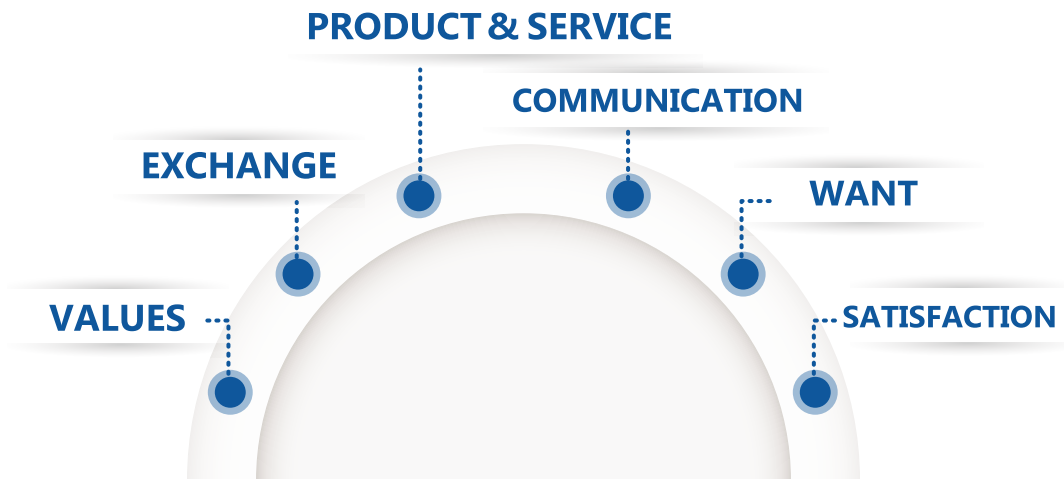
Print, electronic, and digital media should be effectively utilized to circulate information regarding laws, rules/regulations, and incentives schemes introduced by the government. In addition, a joint working group consisting of both the business community and government officials should be formed to 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.



iv. Simplified Laws, Rules, and Regulation

The business community faces major challenges in complying with the laws, rules, and regulations set by government departments while registering and sustaining new 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 complicated processes with government entities.



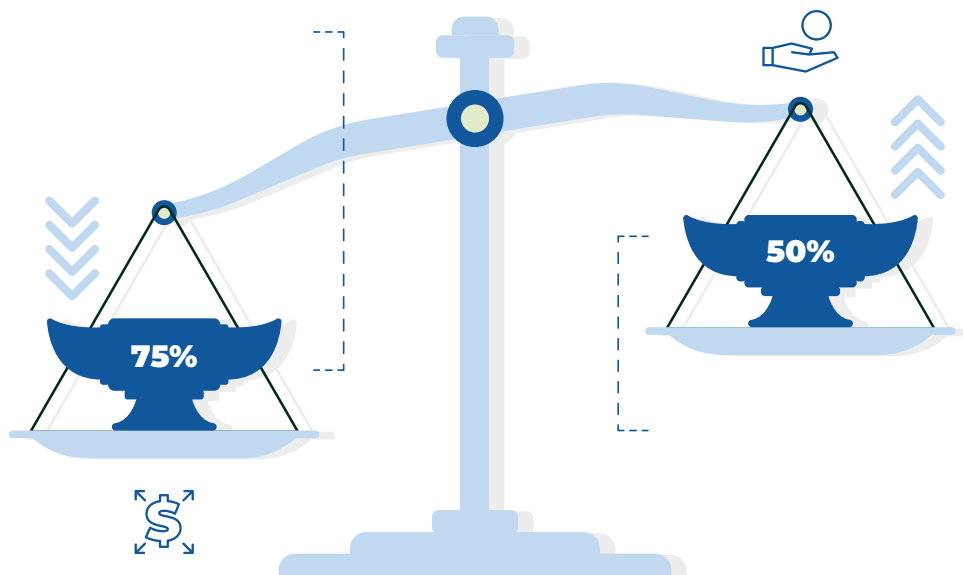
To address these challenges, stakeholders have proposed simplifying laws, rules, and regulations. They suggest introducing a unified tax regime to eliminate the need for dealing with multiple departments, as well as rationalizing taxes on business name boards, and additional taxes on property. The business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

In addition to simplification of laws, stakeholders propose that the government should provide incentives to businesses that are registered and paying taxes regularly. This can encourage tax culture in the country and bridge the trust deficit between the government and the business community. Stakeholders also suggest 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 suggest that the government should sensitize and train officials and staff 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 strictly implemented to ensure compliance is handled fairly and efficiently. Participants and stakeholders also recommended the submission of property tax be digitized. An online portal to minimize bureaucracy and reduce the discretionary powers of tax officials was highlighted by stakeholders to promote a supportive environment for new businesses, MSMEs, and entrepreneurs to thrive and grow.



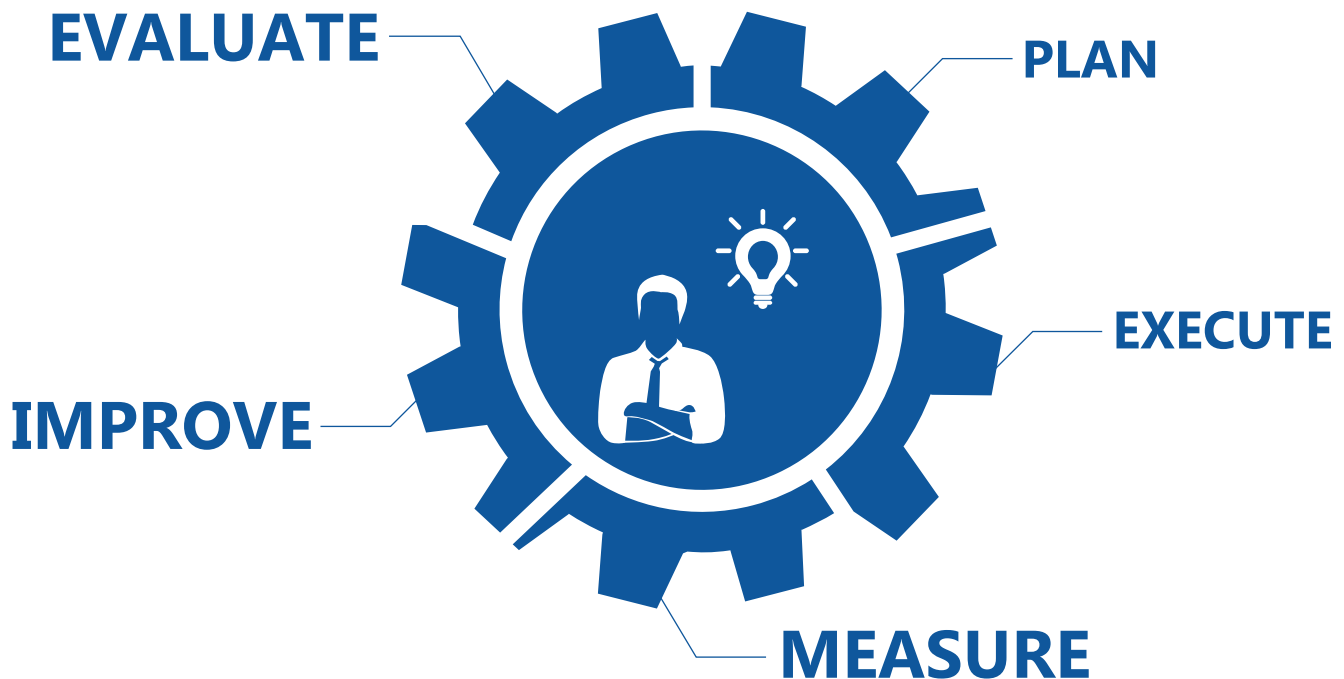
V. Marketing and Linkages Development

SMEs in Peshawar lack marketing strategies to promote their high-quality products to the rest of the country and the international market. A consensus between government 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 (PDM) 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

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 on 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 high interest rates. To address this issue, stakeholders have demanded that the State Bank of Pakistan (SBP) and government entities 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 without any 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.

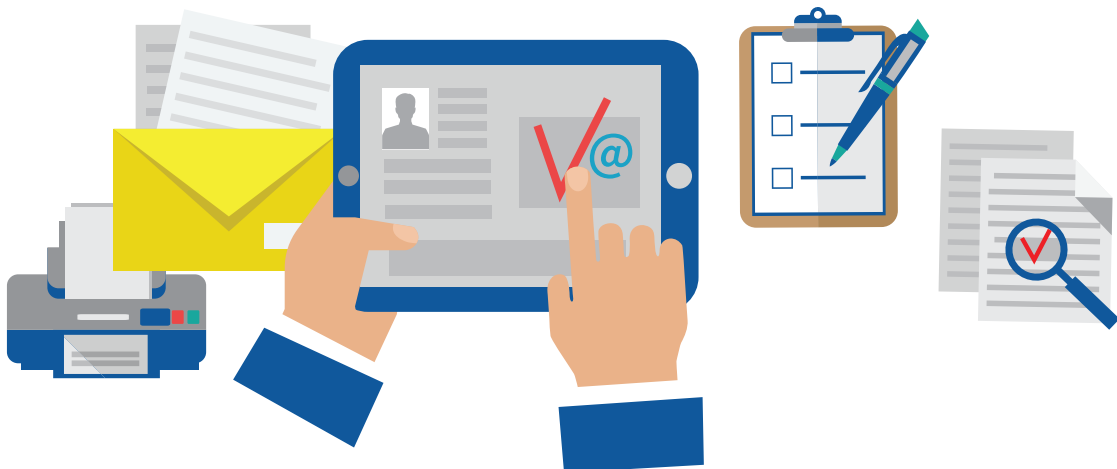


viii. Ease in Licensing, Obtaining No Objection Certificates, and Registration Documents

For SMEs to start, remain functional, operate their businesses, and expand, government cooperation is paramount. 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 an e-inspection portal for self-verification of onsite 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 overlapping inspections. 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.

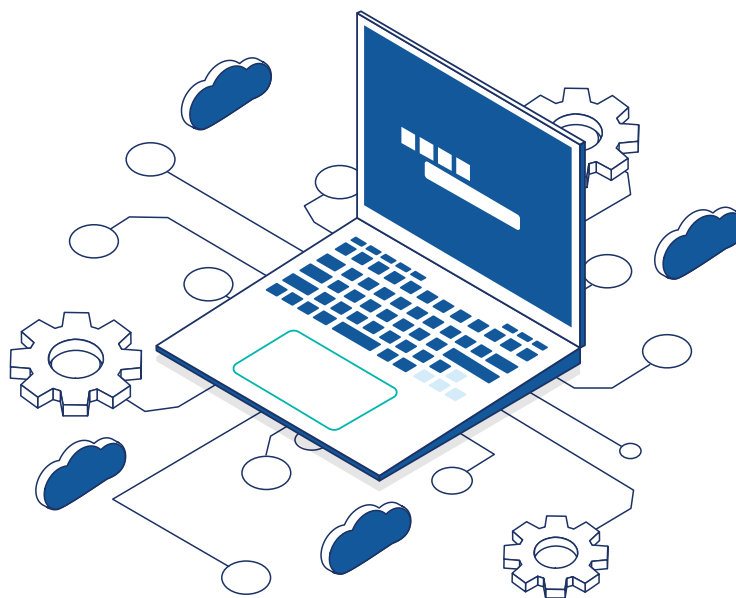
To further support SMEs, the government should initiate a "One Window Operation Facility" that offers business concierge, professional, and technical services to reduce start-up costs and increase time efficiency. By taking these steps, the government can help SMEs navigate the regulatory landscape and 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 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. Improving the Business Ecosystem for Women Entrepreneurs

To support women entrepreneurs, SMEDA, Trade Development Authority of Pakistan (TDAP), and KP Department of Industries and Commerce should provide continuous support and guidance in various trades. 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 handicraft and other home-based businesses. Women entrepreneurs should also be prioritized in loan and grant schemes.

4. Consultative Workshop and 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 input 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-1year; 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 developed 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-Term and Medium Term
Lack of Collateral free lending by Commercial Banks	Banks should introduce collateral free lending schemes to resolve the issue of SMEs' financing requirements.	Due to lack of documented land record, commercial banks find it hard to extend loans to SMEs, therefore, collateral free lending will lead to new avenues for the banks 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 of the lending banks.	SMEs must be properly guided regarding the importance of financial records. There must be a comprehensive plan to create awareness through the media,	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	Short to Medium-term

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	seminars-backed by proper training with respect to accounting, tax returns, and banking. Banks	scheme requirement on merit. 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 trained them in SME facilitation and guidance and depute only those who have good track record of customer handling with care. Bank should organize broad awareness campaigns from time to time for SMEs sensitization regarding the lending schemes available with banks.	SMEs 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 non-conventional 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 bank for introduction of easy financing schemes for youth with innovative business ideas and special emphasis should be placed on new startups to nurture budding businesses ideas especially put forth by youth to promote entrepreneurial culture in the region.</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>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>The initiative will lead to establishment of new & innovative business ideas, encouragement of youth, job creation and investment mobilization resulting flourishing markets and economic development.</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
Lack of 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 collection 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 arrange to provide small plots (1-2 Canal) 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. This will encourage investments. reduce the SME capital cost and encouraging	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 process of taxation, filling of documents and inspections.	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 for synergies and share knowledge and experience among stakeholders.	The Government, Business community, research institution 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-Term and Medium Term

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<p>Lack of entrepreneurial skills in SMEs.</p>	<p>Entrepreneurship development centers (EDCs) should be established at at-least universities level to provide technical knowledge and handholding support to start ups.</p>	<p>EDCs 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.</p>	<p>Short to Medium-Term</p>
<p>Lack of single information online window for SMEs</p>	<p>Web based information resource centers & 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 & 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 to 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 & 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 provider 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 businesses. 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, Documentation	For acquiring licenses, NOCs, registrations online platforms should be developed, so that SMEs can easily obtain they said services. 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, Town Municipal Administration, Industries Department KP, KPBIT	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 region. Removing unnecessary regulatory bottlenecks and easing trade procedures may lead to enhance Pak-Afghan trade which will encourage traders to explore new products & 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 Entrepreneurships.</p>	<p>The proposed interventions will enable women to conduct their business activities in a secure environment. This will lead to 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 and trainings opportunities will enable WEs to explore new products & markets, standardize their business practices and procedures.	SMEDA, Federal & Provincial Governments, and Donor's agencies.	Medium Term
Lack of Customized Grants & Loan Programs	Subsidies loans, micro level grants, equity-based financing schemes should be introduced for Wes.	Such schemes will ensure financial inclusion of women and will encourage the SMEs development in 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 practicable policies.	Federal and Provincial Governments, 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 province of KP. 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 ON ACCESS TO FINANCE (20TH OCTOBER 2022)



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Figure ii: PPD ON ACCESS TO FINANCE (18 MAY 2022)



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**Figure iii: PPD ON GOVERNANCE AND LOCAL ECONOMIC DEVELOPMENT:
ISSUES AND WAY FORWARD (17 FEB, 2022)**



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



v PPD on Trade and Export: 24 August 2022



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Figure vi: Launching Ceremony of Policy Study and Policy Brief (19 December 222)



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Figure VII Launching ceremony of PP5 (06 September 2023)





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