

Years	Production Capacity	Capacity Utilization (%)	Local Dispatches	Exports	Total Dispatches
2006-07	30.50	79.23	21.03	3.23	24.26
2007-08	37.68	80.14	22.58	7.72	30.30
2008-09	42.28	74.05	20.33	10.98	31.31
2009-10	45.34	75.46	23.57	10.65	34.22
2010-11	42.37	74.17	22.00	9.43	31.43
2011-12	44.64	72.83	23.95	8.57	32.52
2012-13	44.64	74.89	25.06	8.37	33.43
2013-14	44.64	76.79	26.15	8.14	34.28
2014-15	45.62	77.60	28.20	7.20	35.40
2015-16	45.62	85.21	33.00	5.87	38.87
2016-17	46.39	86.90	35.65	4.66	40.32
2017-18	48.66	94.31	41.15	4.75	45.89
2018-19	59.74	78.48	40.34	6.54	46.88
2019-20	63.63	75.14	39.97	7.85	47.81
2020-21	69.26	82.93	48.12	9.31	57.43
July-March					
2020-21	69.26	83.41	36.18	7.15	43.32
2021-22	51.94	78.58	36.17	4.64	40.82

Source: All Pakistan Cement Manufacturers Association (APCMA)

3.5 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) are indispensable to the progress of the nation as it contributes significantly to the economic and social development of the country in a myriad way: create employment opportunities, foster human resource development and stimulate value addition to the economy.

To support SMEs to play their due role in economic development, Small and Medium Enterprises Development Authority (SMEDA) has taken various initiatives. The organization has an all-encompassing mandate of fostering growth of the SME sector through its portfolio of services including business development services, infrastructure development through establishing common facility centers, industry support for productivity enhancement and energy efficiency, human capital development through its training programs, and SME related projects with national and international development partners. Key activities / achievements of SMEDA during July-March FY2022 are shown in Table 3.10.

Sr. No.	Initiatives	July-March FY2022
1.	SME Facilitation	4,314
2.	Pre-feasibility Studies Development (New & Updated)	68
3.	Investment Facilitation (RS million)	579.5
4.	Business Plans	15
5.	Training Programs	203
6.	Theme Specific Helpdesks	74
7.	Cluster / District Profiles (New and Updated), Diagnostic / Value Chain Studies	16
8.	SMEDA Web Portal (Download Statistics)	366,995
9.	SME Observer	1 Issue
10.	SMEDA Newsletter	3 Issues

Source: SMEDA

National SME Policy 2021

Rapidly changing economic environment requires policy and institutional focus that can make SME sector of Pakistan competitive in international markets and fulfill the multiple agenda of employment creation, new enterprise development, increased exports, and enhanced contribution to GDP. In this regard, approval and launch of National SME Policy 2021 (Box-III) is an important milestone to revitalize and rejuvenate SME sector to realize the target of inclusive economic growth.

Box-III: National SME Policy 2021

Government has launched the National SME Policy 2021 in January 2022, underlining the importance of supporting small businesses and startups with **key performance targets** to be achieved by 2025 includes:

- Increasing the economic contribution of SMEs via sustaining a growth rate of small scale manufacturing by 9 percent, services sector SMEs by 10 percent, average employment by 5 percent and exports by 10 percent per annum.
- Making SMEs more competitive & productive via increasing credit to Rs 800 billion and number of borrowers from 172,893 to 700,000
- Number of registered businesses to grow by 10 percent per year.

Policy envisions to introduce following initiatives under key thematic areas:

1. **SME Definition:** Adoption of single definition for SMEs across Pakistan:

Enterprise Category	Criteria
Small Enterprise (SE)	Annual Sales Turnover Up to Rs 150 million
Medium Enterprise (ME)	Above Rs 150 million to Rs 800 million
Start-up	A small enterprise or medium enterprise up to 5 years old will be considered as Start-up SE or Start-up ME

The SME Definition enunciated in National SME Policy 2021 has been adopted by the State Bank of Pakistan through amendment in SME Prudential Regulations vide IH&SMEFD Circular No. 05 of 2022 dated March 29, 2022.

2. **Regulatory & Tax Environment**

- i. **SME Regulatory Reforms:** A total of 167 reform proposals have been identified and within a short span of time, 112 reform proposals have been implemented. Furthermore, no NOC regime for SMEs & Start-ups, BMR through a Risk Based Assessment Model, Self Declaration, Time Bound Approvals regime, E-inspection Portal and Sample Based Audits shall be instituted to simply regulatory regime for SMEs.
3. **Simplified Taxation Regime:** SMEs falling under particular size thresholds have been provided an option to opt for a presumptive tax regime and or normal tax regime with reduce taxation rates, minimal audit and reduced interface with the government. Other incentives include, single point collection of taxes and levies, progressive reduction in Withholding Tax with corresponding increase in formalization and Sales/ Income Tax receipts, no audit under presumptive regime, minimal audits under normal tax regime and Single Sales Tax Portal launched by the FBR to file single monthly Sales Tax returns instead of multiple returns.
4. **SMEs Access to Finance:** SBP's SME Aasan Finance Scheme (SAAF) scheme has been launched that provides, loans up to Rs 10 million for 3-year tenure with 40-60 percent Credit Risk Guarantee to SMEs. Other measures included in SME policy are to design, financing incentives for SMEs with tax

history, undertake specialized lending for micro and small enterprises, operationalization of Venture Capital and Credit Guarantee Company and such initiatives for promoting financial inclusion in the country.

5. **Skills, Human Resource & Technology:** A special focus has been placed on human resource development such as establishing National Skills Fund, undertaking skills mapping, support technology acquisition and research & development for technology upgradation, and developing model of labour market data management.
6. **Infrastructure:** Allocation of land in existing industrial estates on a land lease-based model is one of the pillars of the National SME Policy. For the purpose, 4,200 acres of land has been identified for SMEs with access to 19,500 plots to set-up business. Similarly, it is envisaged that identified plug and play infrastructure facilities will be made available to SMEs.
7. **Entrepreneurship, Innovation & Incubation:** To spur entrepreneurial activities, Policy focuses on creation and strengthening of legal frameworks for venture capital, equity financing, crowd-funding and other such avenues, scale-up incubation and acceleration programs and initiate entrepreneurship boot camps.
8. **Business Development Services:** Linking SMEs with Business Development Service Providers (BDSPs) on cost share basis and undertaking focused development initiatives for high growth SME sub-sectors will catalyze sectoral and cluster-based support for SMEs.
9. **Women Entrepreneurship Development:** A simplified taxation regime with 25 percent tax reduction in tax liability for income from business of women entrepreneurs has already been announced. Enhancing women's access to finance shall be ensured through implementation of State Bank of Pakistan's Banking on Equality Policy.
10. **Market Access:**
 - i. Participation of SMEs shall be supported in trade fairs, exhibitions & trade delegations. Furthermore, capacity of SMEs will be enhanced to make them export ready and for adopting digitization to capitalize upon the opportunities of a growing E-commerce market. In this regard, E - Tijarat Platform has been launched on February 21st, 2022 to facilitate SMEs.
 - ii. **Public Procurement:** Reservation in public procurement from SMEs, review of requirement of performance guarantees, bid bonds, securities and turnover restrictions, as well as Supplier/Contactors being bound to purchase a fixed percentage of business orders from SMEs are initiatives envisaged to be undertaken as part of implementation of the National SME Policy.
11. **Institutional Framework**
 - i. **National Coordination Committee (NCC) on SMEs Development:** NCC has been constituted to lead the agenda of SME development and ensure effective implementation of the National SME Policy 2021. The NCC is supported by **Provincial Working Groups** set up in each of the provinces.
 - ii. **Institutional Strengthening of SMEDA**
 - a. **Institutional Reform of SMEDA:** SMEDA will be further strengthened to transform its organizational potential.
 - b. **SME Registration Portal (SMERP)- Single Point Access to all Incentives:** An SME Registration Portal has been developed, which is integrated with NADRA, FBR, SECP and over time, other data gathering agencies. SMEs may register at the SME Registration Portal and apply for SME Size Certificate.
 - c. **SME Development Fund:** An SME Development Fund to the tune of PKR 30 billion shall be established.
 - d. **Census of Economic Establishments / SME Census:** Pakistan Bureau of Statistics (PBS) shall conduct Census of Economic Establishments.

- e. **Advocacy:** SMEDA shall continue to take a central role in SME advocacy and coordination of SME related efforts across the country.
- f. **Presence of SMEDA in Key Regulatory Arenas** as a voice of SMEs

Source: SMEDA

National Business Development Program for SMEs (NBDP):

NBDP has been developed, for providing SME start-up support & business improvement through practical, on-ground services to SMEs. The project provides support in establishing new enterprises and building the capacity of existing enterprises through provision of Business Development Services, such as; marketing, technology, incubation, research & development and organizational development services. The program envisages to facilitate 314,901 SMEs, over a period of five years. The total cost of project is Rs 1,954.978 million out of which an allocation of Rs 400 million has been made for FY2022.

In addition, Early-Stage Start-up (ESS) grant has been launched in October 2021 under which ESS grants up to Rs 500,000 will be provided to support SMEs & Start-ups. During July-March FY2022, 1600 applications were received and are under evaluation process. Furthermore, SMEDA's largest capacity building initiative comprising of 3,800 training programs during 5 years across Pakistan including Federal Capital, AJK & GB has also been launched under NBDP. Over 180 Theme & Sector-Specific training programs have been conducted with over 7,400 SME's participants. In addition, Demand-Based Training and On-Premises Training Programs for SMEs are also executed at their business locations. Certification Program for the capacity building of Individual Business Development Service Provider (IBDSPs) by offering subsidy to cover up to the 80 percent of the program cost per IBDSP has also been initiated during the period.

1000 Industrial Stitching Units, All Over Pakistan

SMEDA is executing PSDP project sponsored by the Ministry of Commerce and Textile (Textile Division) to boost value addition in the field of textile garments by establishing industrial stitching units across the country. Financial assistance through Matching Grants is provided for establishing "Industrial Stitching Units (ISUs)". Under this project, 60 percent of grant in the form of machinery is funded by the project and 40 percent cost is borne by the owner/entrepreneur of the stitching unit. The total cost of project is Rs 350.54 million out of which Rs 100 million has been allocated for FY2022. The target for the current Fiscal Year is to establish 50 ISUs. Grants application cycle has already been launched. Out of the total target of establishing 50 ISUs, 20 ISUs have been successfully established till 31st March, 2022 and the remaining ISUs are under process for completion.

UNDP-Small Business Interventions to Support Development of Clusters through CFCs

To develop clusters by establishing Common Facility Centers (CFCs), SMEDA and UNDP are jointly implementing Small Business Interventions Project. During the period, 4 and 3 CFCs were established at Khyber Pakhtunkhwa and Sindh respectively.