SME Development Report (2010 – 11)

Programmes & Initiatives

Small and Medium Enterprise Development Authority

Government of Pakistan

www.smeda.org.pk

HEAD OFFICE

6th Floor, LDA Plaza, Egerton Road, Lahore.

Tel: (042) 111-111-456, Fax: (042) , 6304926, 6304927

Helpdesk@smeda.org.pk

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SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AUTHORITY (SMEDA)

Abbreviations

Foreword

SMEs are the backbone of our economy. The potential of SMEs to promote domestic-led growth in new and existing industries and to strengthen the resilience of the economy in a competitive and challenging environment are inarguable. Due to their sheer number, size and nature of operations, this segment of the economy promotes endogenous sources of growth and strengthens the infrastructure for accelerated economic expansion and development. While the government has been making strides in developing an environment that promotes small and medium enterprise growth, a sustained endeavor is needed for achieving the vision of a globally competitive SME sector in Pakistan.

Over the past few years SMEs have figured up prominently on Government of Pakistan's development agenda, in the pursuit of twin aims of industrial growth and employment generation. Important initiatives with direct and indirect effects on the SME sector have been launched during this period. Thanks to these, we now have an agreed policy framework for conceiving, coordinating and pursuing SME development initiatives both in public and private sectors and at different tiers of the government. More importantly, a tradition of consultation between public and private sectors on SME issues has been established and institutionalized in the form of a National Committee on SMEs linked with similar Committees at Provincial levels.

This Report, as part of SME Policy Implementation Plan, takes into account the various initiatives launched by the Federal and Provincial Governments between 2010-11 to catalyze growth of this vital segment of the economy. Notwithstanding differences in data collection, reporting and interventions, SMEs remain the recipient of government support in areas of business development and infrastructure. In the absence of a uniform categorization and a common understanding of the nomenclature of SMEs across policy makers and regulatory authorities, evaluating results remains a tenous task. Nonetheless, this Report is a compilation of the development initiatives undertaken by the Government during 2010-11 for SMEs in Pakistan. The Report is based on information solicited from various government organizations regarding their SME development initiatives. It is an attempt to initiate a monitoring mechanism of SME development, to take stock of what has been done with a view to assess and evaluate past interventions and align

future course of strategy in pursuit of making SMEs the engine of sustainable growth for the national economy.

Yousaf Naseem Khokhar

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Introduction

Developing economies around the world face a host of challenges in their pursuit for economic growth. While every developing economy may experience its own variant of problems, most economies face challenges of equitable income distribution, employment creation, widespread poverty and infrastructure & institutional deficit. In this scenario, the role of the SME sector becomes extremely crucial as it contributes towards greater output, equitable income distribution, employment and exports. The sector also adds dynamism to the economy.

The importance of the SME sector can be gauged from its contribution to the world's leading and emerging economies. Countries such as Japan, China, Brazil, Malaysia and India, among others have heavily relied on SME development to fuel economic growth, through adoption of intensive policies and strategies for private sector development

SME sector[1] is the backbone of Pakistan's economy. The significance of their role is clearly indicated by various statistics. They contribute 40 percent to the GDP[2]. Estimates show that the manufacturing sector employs 70.49 percent of the total non-agriculture labour force[3].

In order to sustain a healthy SME sector, it is imperative to support SME development in a well coordinated manner as the central pillar of growth. Promotion of SMEs has rightly been the center piece of Government's strategy for economic revival, poverty alleviation and employment generation. To this end, the logical first step was the formulation of a comprehensive SME Policy reflecting the viewpoints of multiple stakeholders.

SME Policy was approved by the Federal Cabinet in 2007 and addresses the following core issues:

1. ***Business Environment*** - Creating a favorable business environment for SMEs in Pakistan's economy and eliminating unnecessary obstacles for reducing cost of doing business.

[1] SMEs are defined as economic establishments with employment size up to 250, annual sales up to Rs. 250 million and Paid up Capital up to Rs. 25 million

[2] Economic Survey of Pakistan 2010-11

[3] Labour Force Survey 2009-10.

2. ***Access to Finance*** - Increasing SMEs' access to formal finance including equity financing while addressing the question of SMEs' bankability and technical capability of the banking sector.
3. ***Access to Resources & Services*** - Improving the delivery mechanisms for assistance and access to resources for SMEs in Pakistan, inter alia business development services, qualified human resources, marketing and technology, so as to improve their competitiveness, productivity and capacity for employment generation.
4. ***SME Definition, Feedback, Monitoring & Evaluation Mechanism -*** Establishing appropriate and harmonized definition for Pakistan of what are to be categorized as small and medium enterprises. Furthermore, the establishment of a sound mechanism by which development of the SME sector and effectiveness of assistance provided to SMEs can be monitored.

The approval of SME Policy 2007 has been a manifestation of the government's commitment towards developing a macro-economic growth framework that facilitates SME growth. In line with this strategy a number of programmes and projects have been initiated.

Federal Government Initiatives

Given below is a brief account of some of the key interventions made to fuel SME growth in the country.

Draft SME Bill 2009

Need for an SME Bill was articulated unanimously by stakeholders during the consultative process of SME Policy formulation. Subsequently, a stipulation was made in the principles and recommendations contained in SME Policy approved by Federal Cabinet in January 2007. A Draft SME Bill prepared by SMEDA was submitted for consideration of the Federal Cabinet in November 2009, which remained under deliberation. Amendments/improvements suggested by Cabinet and Law Divisions which were incorporated in due course. The draft Bill, currently under review by a Cabinet Committee chaired by the Minister for Finance, once cleared will be presented to the Federal Cabinet for approval and subsequently to the Parliament.

State Bank of Pakistan (SBP)

i. Credit Guarantee Scheme

The Credit Guarantee Scheme for Small & Rural Enterprises was introduced in March 2010 with initial seed money of 10 million Pounds by Department for International Development (DFID) under the Financial Inclusion Program (FPI). The scheme aims to endorse accessibility of financing for low-end fresh and collateral deficient SMEs. Out of an allocation of Rs. 2.5 billion in the Federal budget 2009-10 for SME Credit Guarantee Fund, Rs. 300 million were transferred by GoP to SBP in December, 2010. Based on the available seed money and the requests of banks, Credit Guarantee limits of Rs. 3,832 /- million were allocated to 11 banks in April, 2011 for utilization during the calendar year ending on December 31, 2011 for investment in the SME sector.

ii. Refinancing Scheme

SBP has undertaken a number of initiatives for SME financing under its refinance

window. The facility supports increasing bank exposure to SMEs. These include:

- The scheme for revitalization of SMEs in KPK, Gilgit- Baltistan and FATA introduced in March, 2010 allows banks to provide all types of financing facilities of up to a maximum tenor of seven years including a 6 month grace period to the SMEs in target areas. Short term financing is available for one year at 8.5% and long to medium term financing of up to 3, 5 & 7 years at 9.20%, 9.70% and 10.25% respectively. Limits to other banks have also been provided under this scheme.
- Financing facility for Storage of Agricultural Produce (FFSAP) was launched in June, 2010 with the objective to develop agricultural produce marketing and encourage private sector to establish Silos, Cold Storages and Warehouses. The financing is available – at subsidized rates of 8-10% for maximum period of seven years, including a 6 month grace period - for establishment, expansion and balancing, modernization and replacement of Steel/ Metal/ Concrete Silos, Cold Storages and Warehouses.
- The scope of Scheme for Modernization of SMEs was expanded to cover a wide range of SME clusters/ sectors in May, 2010. Financing is available for purchase of new imported/ local Plant & Machinery for BMR of existing and setting up of new plants including new generators up to 500 KVA. Rate of financing is available between 8-10% for a period up to 10 years.
- Refinance scheme for revival of SMEs & agricultural activities in Flood affected areas was introduced in November, 2010 in line with the government policy for revival of agriculture and SBP measures of improving access to finance in flood affected areas. The mark up rate for borrowers under this scheme is 8% and it is valid for one year up till November, 2011.

iii. SME Sector Profiling

SBP in collaboration with IFC launched a joint research project to provide credible information on key SME clusters / sub-sectors of economic importance. The broad objective of this research project is to create information sources that can be used by lending institutions for identifying

priority segments and targeting them through appropriate banking products and marketing /distribution strategies. Under the project, a study of the following 10 SME sectors was completed during the year 2010-2011:

- Glass & Ceramics Industry
- Bakery & other confectionary products
- Auto parts manufacturing
- Meat, fruit, vegetables, oils & fats
- Education
- Health and Social Work – Private Sector Hospitals
- Land Transport (Logistics & Passenger Traffic)
- Sale, maintenance and repair of motor vehicles and motorcycles
- Grain mill products and animal feeds
- Textile Fabric
- Fans Cluster – Gujrat/ Gujranwala[4]

This information is expected to assist banks in developing new customized banking products for SMEs and effective lending strategies that improve SME sectors access to finance. It will also facilitate SBP in realigning its regulatory framework to facilitate adequate fulfillment of SME sector credit needs. An example of this is the revised prudential regulations that have come into effect this year, with a special focus on Micro Finance banks.

iv. Awareness Seminars

A series of seminars to disseminate information about Credit Guarantee Scheme/ SBP Refinance Schemes were held at almost all major SME centres across the country, and attended by members of trade associations, chambers, farmers association, SMEDA, SMEs and banks.

v. SME Training Programs

SBP has adopted a two pronged strategy of improving the skill set of credit/loan officers at the grass root level and equipping the middle and senior management of banks with requisite tools being utilized in SME finance globally. Under the Grass Root Program in 2010-11, SBP conducted training programs in 7 major cities (Karachi, Lahore, Multan, Faisalabad, Hyderabad, Gujranwala and Islamabad) in which around 200 credit officers were provided training on SME finance. Under the Middle Tier Program

[4] Primary research survey conducted by the Lahore University of Management Sciences (LUMS)

two trainings were conducted in Lahore and Karachi.

Furthermore, State Bank also collaborated with European Commission funded SCI- Pak Project and organized a Roundtable meeting at SBP Karachi to identify strategies to foster communication between Financial institutions and SMEs, in facilitating access to finance to upgrade energy and resource efficient production.

Securities and Exchange Commission of Pakistan (SECP)

SECP has undertaken many reforms that foster SME growth by facilitating creation of a hassle free business environment resulting in increase in incorporated SMEs. During FY 2010-11 a total of 3,056 private companies and 213 single member companies were registered, which are mostly small concerns. The following other initiatives were undertaken to stimulate SME growth:

i. **E-Services:** These were launched to facilitate the functions of availability of name, incorporation of companies and filing of statutory returns through online services. Registration through online services has also increased by 50%. This is of significant benefit for SMEs when it comes to registration of companies.

ii. **Registration Fee:** There has been a reduction in fee for physical submission of documents for incorporating a company with nominal capital up to Rs. 10 million. This will encourage SMEs to become documented.

iii. **Awareness Seminars:** SECP has made efforts to disseminate the benefits of corporatization of SMEs through its seminars on e-services and corporate compliance in various cities.

Board of Investment (BoI)

BOI was established with the vision of garnering and promoting investment in all sectors of the economy. It is entrusted with the task of enhancing Pakistan's competitiveness and facilitating foreign and domestic investors for implementation of projects that contribute to social and economic development. Its vast portfolio of services includes granting work visas to foreign nationals, assisting foreign offices in opening branches in Pakistan, assisting entrepreneurs in incorporating their businesses and facilitating business matchmaking between foreign and

domestic investors. The organization frequently collaborates with foreign agencies for promoting investment to Pakistan, manifested by the numerous Memoranda of Understanding (MoUs) signed with international countries such as China, Czech Republic, Iran, Turkey, Jordan, Kenya, Kuwait and many more. These MoUs have facilitated investment to a multitude of sectors in Pakistan, including tourism, real estate, oil refinery and horticulture among others.

BOI conducted a conference, "Doing Business in Pakistan" in London in February 2011. The event was jointly organized by the UK Department of Trade & Investment and the Pakistan High Commission, London wherin prospects of investment in Pakistan were highlighted. More than 80 business representatives from Pakistan and UK participated in the conference.

In addition to this BOI along with Malaysian Industrial Development Authority (MIDA) organized a seminar in Kuala Lumpur, Malaysia in which 250 Malaysian companies participated in order to engage in Business to Business (B to B) meetings with Pakistani delegates and discuss investment and venture possibilities in Pakistan. During the Forum, the following sectors were focused upon:

- Halal Food
- Agri-business & Agro-Processing
- Infrastructure (Housing & Construction, Energy & Power
- Information Technology & Education

Trade Development Authority of Pakistan (TDAP)

TDAP works for the development and promotion of exports of goods and services. On the demand side, TDAP helps large as well as small and medium sized exporters to participate in exhibitions abroad and sends delegations to export markets with a view to explore new markets and develop traditional markets. On supply side, TDAP has established over 32 training institutes and projects in various export sectors to train necessary manpower that can manage export trade and industry, by fulfilling the requirements of export markets. SMEs across various clusters benefit from the training services provided by the organization.

Small & Medium Enterprises Development Authority (SMEDA)

SMEDA was established to catalyze SME growth in Pakistan. Over the years a number of initiatives have been undertaken to boost sustainable development and growth of the sector.

Following is a snapshot of facilitation provided by SMEDA to SMEs over the counter and through virtual platforms during 2010-11.

i. Policy & Regulatory Environment

Policy and regulations play an important role for all businesses. Important initiatives towards creating an enabling and conducive environment for a thriving SME sector were initiated during the said period. To ensure greater adherence to implementation of policies for SME promotion, an SME Development Bill is under consideration for legislation by the Federal Government. Simultaneously, the Government is in the process of developing the 10th Five Year People's Plan for Pakistan, for which, a separate plan for the SME sector has been proposed for inclusion in the five year planning process.

The factors that impede development of SME sector in Pakistan are well-known but lack the support of concrete data and quantifiable research, making the task of securing attention of policy makers and key government stakeholders difficult. SMEDA has taken the initiative of bridging this information gap through the publication of its first Research Journal. SMEDA Research Journal is a collection of insightful research articles that focus on the multifarious aspects of SME development and economic growth. During the year, SMEDA furnished SME related Policy inputs to the following key policies and initiatives of various Ministries and Departments: *Federal Budget and Trade Policy, Industrial Policy, Investment Policy, New Growth Framework, Punjab Competitiveness Report, National Economic Agenda, Foreign Direct Investment Strategy, Pakistan Innovation Strategy, Report of the Task Force on Private Sector Development, Vision Document for Industries and Manufacturing Sector in Khyber PakhtunKhwa.*

ii. Infrastructure Development and Productivity Enhancement Projects for SMEs

SMEDA stepped into the foray of infrastructure development for SMEs in 2006-07. Various development projects in

SME clusters to catalyze induction of new technologies and provision of business development services in the private sector were initiated. In this regard, common facilities like design and prototype development are provided to SMEs. Under the Public Sector Development Programme (PSDP), SMEDA is implementing as many as 26 projects amounting to Rs. 2,374.157 million in major SME clusters. Some of the prominent projects including Agro Food Processing Facilities in Multan, Gujranwala Business Centres, SME Subcontracting Exchange in Gujranwala, Women Development Centres at Lahore and Peshawar, Cutlery Institute of Pakistan in Wazirabad, Glass Products Design and Manufacturing Centre, Revival of Hyderabad Leather Footwear Centre, Washing & Pressing Matta Mughal Khel are operational and are providing services to SMEs. These projects have been established keeping in view the specific needs of the SME clusters and are being implemented by SMEDA in collaboration with both the public and private sector stakeholders.

Besides developing SME clusters of economic importance, SMEDA also works at the micro level through provision of technical assistance to SMEs in important industrial clusters to upgrade their skills and improve systems. During the FY 2010-2011, JICA placed a Productivity Expert, at SMEDA for a period of one year during which 14 manufacturing concerns were provided with technical guidance at their production floors by the Expert along with Industry Support Cell (ISC) team. Similarly, 32 Energy Efficiency Projects in light engineering, textiles and marble sectors were implemented during the period. Furthermore, based on the findings and learning of field activities performed with international and local experts on production floors of industrial units in different sectors, Industry Support Cell regularly conducts training workshops, awareness seminars with industry and academia so that useful knowledge could also be shared with relevant stakeholders on a more broader level. ISC organized 42 training workshops of varying durations ranging from one day to five days. 34 Training workshops were organized related to Productivity and Quality Improvement initiatives whereas 8 training programs were conducted under the Energy Efficiency initiative during the FY 2010-11.

iii. Business Development Support

SMEDA conducts a range of seminars, workshops and training programs for managerial and technical up gradation of SMEs. During the period, a total of 236 training programs and seminars were organized by SMEDA where 8,457 persons were provided training across the country. In terms of investment facilitation, 18 pre-feasibilities and 28 business plans were developed in various business sectors. SMEDA's Legal Services Cell, through its helpdesks at SMEDA regional offices, assists SMEs in resolving their legal issues. In this regard, SMEDA has set up a network of Third Party Facilitation Centers (TPFCs) across the country to provide expert legal advice and consultation to SMEs, members of chambers and commerce and trade associations. During the period, five TPFCs were established for providing legal advice to SMEs. To facilitate SMEs in terms of legal documentation, 12 new commercial contract templates were uploaded on SMEDA website bringing the total number to 50.

In terms of one-on-one facilitation in all business related aspects, around **5,803 SMEs were facilitated through SMEDA helpdesks**. Keeping pace with the fast changing business environment of today, SMEDA's Industrial Information Network (IIN), the first Pakistani B2B information portal specifically caters to trade information needs of businesses. During the period, more than **600 companies and entrepreneurs** registered on the portal to avail trade leads and other information services. Similarly, SMEDA stepped up its information dissemination efforts through initiation of an electronic publication **'SME Observer'** comprising information on key economic indicators i.e. trade, sector trends etc. for greater outreach.

SMEDA continued its efforts to enhance capacity building of SMEs who are generally unable to access formal banking channels mostly due to lack of accounting systems. One of the salient initiatives in this regard is development of SMEDA Accounting Package (SMAP) that assists SMEs in maintaining cost effective accounting systems and increases their bankability. During the year, **1,601 SMEs installed SMAP** as the financial accounting system across the country.

iv. Sector Strategy Development

Leather Sector Development Strategy is currently being developed and a contract has been awarded to a consulting firm by the name of J.E Austin. Moreover, a Sports Sector Development Strategy has also been developed and aapproval for implementation has been granted by the Board of Directors (BOD) of PIDC.

v. Special Projects

Economic Revitalization of Khyber Pakhtunkhwa and FATA

The Economic Revitalization of Khyber Pakhtunkhwa and FATA (ERKF) is a Multi-donor Trust Funded project led by the World Bank that aims at the revitalization of flood affected remote areas of KP and FATA. The total cost of the project is US $20 Million. The SME Development Component of ERKF Project aims at providing direct support to local SMEs to accelerate economic recovery in the two regions affected by crisis and floods and is being implemented by SMEDA through a Project Unit worth US $14 million.

Supporting Pro-Poor Governance for Legal Empowerment of the Poor

UNDP, in collaboration with Economic Affairs Division, Government of Pakistan, is advancing the Legal Empowerment agenda, in Pakistan. Accordingly, a project document titled "Supporting Pro-Poor Governance for Legal Empowerment of the Poor" (Pro-Gole). One of the components of this project namely "Right to do Business" has been awarded to SMEDA for implementation. "Right to do Business" component will be implemented within a period of three years (Jan. 2011-Dec. 2013) with a total cost of US$ 1,653,000.

Early Recovery & Restoration of Flood Affected Communities in Pakistan

Pakistan witnessed a severe set back due to floods in 2010 that resulted in unprecedented damage and affected a population of about 20,184,550. An estimated total population of 310,000 small and medium enterprises (SMEs) has also been affected. The project, Early Recovery & Restoration of Flood Affected Communities in Pakistan is being undertaken by SMEDA in collaboration with UNDP at a cost of PKR 256 million. The objectives of the project are:

- Establishment and operations of 29 Business Support Centers in districts severely affected by the floods
- Legal empowerment/Formation and capacity building of Trade Associations and Farmer Cooperatives
- Engagement and capacity building of Social Enterprises & BDS
- Business development support for craftsmen, small farmers, micro entrepreneurs and cooperative projects
- Provision of cash grants for Enterprise rehabilitation and livelihood restoration

Supporting Pro-Poor Governance for Legal Empowerment of the Poor (Pro-Gole)

The size of the informal economy in Pakistan is considerable, estimated to be over 30% of GNP. Businesses, individuals, small entrepreneurs in the informal sector are more vulnerable to poor governance manifested in rent seeking, anti-encroachment drives, and other forms of official harassment. They are also faced with barriers in entering the formal economy including complex and lengthy procedures, lack of services and facilities for commerce, and lack of awareness of mechanisms and benefits of formalization. Under the "Right to do Business" pillar of Pro-Gole, legal services will be extended to women and marginalized stakeholders such as hawking/street vendors, small family owned businesses or small kiosk owners. Marginalized businesses will be mobilized to access business services. Alternative Dispute Resolution mechanisms will also be introduced and promoted for small businesses to minimize transaction costs. The project is spread over 3 years (Jan. 2011-Dec. 2013) at a cost of US$ 1,653,000.

Engineering Development Board (EDB)

EDB is the technical arm of the Ministry of Industries and is mandated to uplift the engineering sector of Pakistan. EDB carried out the following initiatives during the year for improvement of engineering sector in Pakistan:

i. **Prospects of Local Manufacturing of Compact Fluorescent Lamps (CFLs):** A study was conducted to explore prospects for locally manufacturing Compact Fluorescent Lamps (CFL) to minimize costs and generate employment opportunity. The study concludes that local production is possible and rising demand of CFLs can

be met locally, if industry is afforded protection for at least 2-3 years.

ii. **Electric Capital Goods:** According to a comprehensive study conducted with DISCOS, GENCOS, NTDC and KESC it was found that 534 items of electrical capital goods are being imported or procured locally by these power entities. This has been instrumental for local manufacturing industry, as it has led to investments from entrepreneurs. Recently, PEL has invested Rs. 342 million in establishing a new industrial set up for manufacturing of distribution transformers.

iii. **Indigenous Manufacturing of Wind Turbines:** Tapping into wind energy potential can significantly reduce cost of wind turbines and also create new business avenues for local engineering sector. An international workshop is, therefore, being organized to promote local manufacturing of low tech bulky parts of wind turbines.

iv. **Energy Conservation Projects:** Promotion of local manufacturing of energy efficient home appliances such as air conditioners, refrigerators, fans, motors and pumps is being undertaken under BRESL project in collaboration with ENERCON. Energy efficiency project in the re-rolling sector is also being implemented in collaboration with NPO.

v. **Workshop on Surgical Industry:** During a study on local surgical industry, it was revealed that despite the existence of comparative advantage in the manufacturing of low tech components, the industry potential is not being exploited A workshop to create awareness amongst local manufactures to create an enabling environment for the entire industry was conducted in April, 2011. PSQCA, PCSIR, TEVTA and other government departments also participated in the workshop.

Planning Commission of Pakistan

The following steps and initiatives were under taken by the Planning Commission for SMEs development during the FY 2010-11:

i. Light Engineering Support Centres, Peshawar, Hyderabad and Balochistan:

The Light Engineering Support Centres at three locations shall provide engineering industry with modern design and

technical assistance in high precision manufacturing. These Centres will also act as a facility for skill development and training. The Centres are an initiative of TUSDEC.

ii. **Establishment of Common Facility and Training Centres:** The project is being established by the Pakistan Hunting and Sporting Arms Development Company (PHSADC). Budgeted at Rs. 57.694 million the project aims towards providing training to arms manufacturers in KPK by improving and upgrading their skills and know how.

National University of Science & Technology (NUST)

NUST focuses on enterprise development and research that aids SME development. In this regard various NUST students and faculty members have been regularly engaged in research projects which have been carefully developed after determining local industry needs and are providing financially feasible solutions for adding value to SMEs in Pakistan. A Centre for Innovation and Entrepreneurship has also been established by NUST.

COMSATS Institute of Information Technology (CIIT)

CIIT has aided SME development through establishment of a Technology Incubation Centre (TIC) which provides coordination and R&D expertise of its faculty to fresh graduates or new start ups with dynamic ideas. At present, firms such as TS Technologies, Agilitron, AAMSONS, Innovation and Technology Management Pvt. Ltd. and Auriga Group of Companies' Ltd are registered with CIIT. Other projects that have been taken up by CIIT include solar energy, telemetry, electronic data handling and mechanics agriculture.

Competitiveness Support Fund

The United States Agency for International Development (USAID) signed a Limited Scope Grant Agreement (LSGA) with the Ministry of Finance (MOF) in January 2006 to support an organization entrusted with supporting technology, innovation, and regulatory reform to increase the competitiveness of Pakistan's industries. CSF's policy studies have resulted in the GoP embracing competitiveness as a means to economic growth and poverty reduction. CSF is providing support to Pakistan's

economic growth through the following three major windows:

- Matching grants for innovative business ideas
- Technical assistance
- Financing through Venture Capital

Under the agreement between Government of Pakistan and USAID, the latter's funds are to be used for Technical Assistance (TA) while GoP's contribution is to be utilized for the other two windows.

Highlights of Achievements

Technical Assistance has been provided to undertake Policy and Regulatory studies as well as developing sector competitiveness reports[5].Matching Grants have also been provided to cover 50% of project costs, up to $125,000. Six (6) projects in areas such as cutlery, pharmaceutical testing, dairy and marble processing have been approved. Furthermore, CSF in collaboration with Higher Education Commission (HEC) has established the first Business Incubation Centre at Agriculture University of Faisalabad. The aim of this incubator is to harness and promote entrepreneurship amongst students, faculty and general public. Currently this incubator hosts 16 incubate companies primarily from agriculture business sector

Business Support Fund

SME Business Support Fund (BSF) was launched as part of Asian Development Bank sponsored SME Sector Development Programme (SME SDP). With the closure of SME SDP, the Fund has now been incorporated as a not for profit company under the Ministry of Finance, to assist both SMEs and Business Development Service Providers (BDSPs). The objective of BSF is to assist in improvement of competitiveness of SMEs and to enhance the revenue-generating capacity and profitability of emerging businesses. Following are the key initiatives that BSF has undertaken during the year:

- Launching of PELP 2011 - The aim of Pakistan Entrepreneurs and Leaders Program (PELP) 2011 is to connect a young mass of current and potential entrepreneurs to leading industry experts, donors, financiers and government entities at an interactive workshop based and activity oriented weekend. The event is held periodically

[5] List of Studies annexed

in leading educational institutes throughout Pakistan with an audience comprising of people from different walks of life in large numbers. The first event of this program was held in April 2011 at University of Management and Technology (UMT), Lahore.

- Franchising Pakistan - Franchising industry in Pakistan is still in a nascent stage. It has, however, gained tremendous acceptance in this market. In this regard BSF has developed a portal by the name of **"Franchising Pakistan".** Interested franchisors and franchisees can enroll themselves on this portal. BSF not only helps to create a linkage between the two parties but also assists them in completion of all business formalities including legal issues, marketing and operational plans, trainings etc.
- BSF and Technical Education & Vocational Training Authority (TEVTA), Government of Punjab have joined hands to uplift the Gems and Jewellery sector of Pakistan. This joint initiative is aimed at providing trainings to entrepreneurs, craftsmen, cutters, designers and other people related to the sector, so as to further promote the sector in Punjab/Pakistan by inculcating modern technology and machinery at par with international standards as a value creation initiative.
- BSF and Engineering Development Board have joined hands for development and promotion of the engineering industry. Under this collaboration, both parties shall coordinate their facilitative activities to make the engineering sector more productive and competitive in the local as well as the international market. Through this initiative BSF and EDB will extend hand holding support to engineering SMEs through BSF's Enterprise Development Program.

Agribusiness Support Fund

Agribusiness Support Fund (ASF) was established in 2005 and has since made a significant contribution towards economic development in Pakistan. The current portfolio of ASF interventions includes 5,328 projects worth Rs. 1.145 billion, situated in Punjab, Sind, Balochistan, KPK Gilgit- Baltistan, AJK and FATA.

Target Based Achievements:

- Support to 471 existing agribusiness enterprises including 100 projects of acquisition of international certifications including: GlobalGAP, HACCP, British Retail Consortium (BRC), ISO 22000, IMC and Organic; and support to 84 farmers, agribusiness enterprises and other related stakeholders to participate in international exhibitions and trade shows for marketing visits to foreign markets.
- Support to 115 start up agribusiness enterprises which include 11 fresh produce cold storages, 27 on-farm mango washing, drying, grading and packing units, 10 screen houses for availability of true to type disease free fruit plants, 75 solar dryers for drying of fruits and vegetables.
- 713 training and capacity building initiatives organized that helped train more than 3,000 farmers, consultants and agribusiness professionals.
- 27 private sector services extension projects in Punjab, Sind, Balochistan, KP, FATA, AJK and Gilgit Baltistan including water conservation, preservation of pine nuts forests in Baluchistan as well as value addition and marketing, beef fattening, date palm sector development, buffalo breed conservation and feed management, benefitting more than 5,000 farmers.
- 11 R&D projects including: trial shipments of mango by sea under controlled atmosphere, essential oil extraction, Pakistan's first ever banana tissue culture lab, organic fertilizer manufacturing and bio fuel extraction from jatropha plat, use of peat moss to reclaim wastelands, summer cropping, and efficient use of drip irrigation to reclaim saline stricken land.
- 2,000 micro agribusiness enterprises established under ASF's grant were provided support for indulging in agribusiness initiatives through various programs such as establishment of 97 nurseries at KP, Gilgit Baltistan and AJK, 42 products for gladiolus production and marketing in Balochistan in collaboration with SMEDA, 20 projects for sustainable apricot drying, processing and marketing in Gilgit Baltistan, 15 projects for setting up apricot dehydration units in Gilgit Baltistan, 290 projects for off-season vegetables production countrywide, 15

milk collection, chilling and value addition projects.

Overall Impact of ASF:

- Direct and indirect employment generated for 65,000 persons
- Exports of fruits and vegetables from Pakistan doubled over the 4 year period from $168.6m in 2006-07 to $360m in 2009-10 (90% exporters are beneficiaries of ASF programs)
- Fresh private investment of Rs. 2.78 billion generated in Agribusiness sector.

The ASF program to support BDS market development has been successful in correcting market failure in the targeted sectors.

Summary of ASF programs focussing on SMEs

Program	Nature of Initiatives
Business Development Services support to Agribusiness Enterprises (2006-2011)	**471 existing agribusinesses/ SMEs & 115 start ups** supported in undertaking diversified range of agribusiness projects on a nationwide basis.
Capacity Building of Farmers & Agricultural Profesisonals (2006-2011)	Capacity of more than **4,000** SMEs, farmers, agricultural professionals built in **712 capacity building programs** carried out on nationwide basis in collaboration with leading universities, research institutions, training organizations, certifying bodies and other national and international organizations.
Private Sector Agricultural Extension Services (2006-2011)	More than **50,000 SMEs/agribusiness & farmers in horticulture & livestock sectors** benefited from **70** extension services programs launched on nationwide basies in collaboration with various private sector partner organizations.
Agricultural Research & Development (2006-2011)	**11** Key projects of agricultural research & development launched in collaboration with privare SMEs/ agribusinesses as well as public sectors.
Farmer Enterprise Groups (FEGs, Formation & Value - Chain Support (2006-2011)	**20,000 farmers**, represented **by 25% women farmers**, organized from all over the country and provided capacity building and enterprise development support, in collaboration with 10 leading NGOs and RSPs to set up and operate **2,000 micro agribusiness enterprise / SMEs/ FEGs** on commercially viable and sustainable basis - average size on FEG is **10 farmers.**

AHAN – Rural Enterprise Modernization Project

In July, 2006, Government of Pakistan launched "Aik Hunar Aik Nagar" (AHAN) - Rural Enterprise Modernization Project based on "One Village One Product" concept of Thailand.

Over the last few years AHAN has gained roots in all four Provinces in collaboration with Provincial and District Governments,

Rural Support Programmes (RSPs), Microfinance Institutions and other stakeholders. The Project has adopted a two pronged approach; on the one hand pilot projects have been initiated in different clusters of artisans and poor producer groups, while, on the other hand, market research has been conducted to unfold new potential areas and products. A long term strategy has been developed for creating sustainable income generation opportunities for a large segment of society living in rural, semi urban and small cities and towns of Pakistan.

AHAN caters to both supply and demand sides of rural based products. On the supply side, it aims at capacity building of crafts persons by involving well-known designers. On the demand side, AHAN facilitates participation in exhibitions, both national & international, access to display set-ups, designers' outlets, linkages with exporters, etc.

The primary objective of this Project is to alleviate poverty in rural and peri-urban areas of Pakistan by supporting rural, micro and small enterprises engaged in non-farm products, such as, handicrafts, embroidery, ornaments, wood work, etc. The Project envisages making Pakistani products competitive for both, national and international markets. AHAN interventions help in skill enhancement of artisans, improving product design, encouraging innovation, better quality management, enhanced marketing linkages and support from microfinance institutions. Furthermore, AHAN launched its flagship store HANDMADE at Xinhua Mall, Lahore on 20th September, 2011 and have participated in the following events during the year:

- 3rd PFDC Fashion Week 2011.
- WEXNET-2010 exhibition at Expo Centre in May 2010 held by TDAP.
- Participation in the 6th World Islamic Forum arranged at Kualalampur, Malaysia from 18th to 20th May 2010.
- DAWN Lifestyle exhibition held at Expo Centre Lahore in December 2010.
- FEXPO Lahore
- FEXPO Islamabad – a 5-day event under a public-private partnership arranged at Pakistan National Council of the Arts (PNCA) in November 2010.
- Crafts Mela organized by Indus Valley School of Arts & Architecture, Karachi

Sector Development Companies

Pakistan Initiative for Strategic Development (PISDAC)

In June 2005, Pakistan signed an agreement with USAID, *Pakistan Initiative for Strategic Development (PISDAC)*. Under the agreement USAID provided a grant to the Government of Pakistan for strategy making for a few priority sectors in Pakistan. SMEDA was appointed as the official counterpart on the behalf of Government of Pakistan to coordinate the process, while a US based consulting firm J.E. Austin provided technical support. The strategy development process was primarily led through the participation of private sector in the form of Strategy Working Groups (SWOGs). The Sector Development process culminated in the establishment of dedicated Sector Development Companies for implementation of initiatives identified for intervention in the supply chain of each sector. The following Sector Development Companies have been established:

- Pakistan Gems and Jewellery Development Company
- Pakistan Stone Development Company
- Pakistan Hunting and Sporting Arms Development Company
- Furniture Pakistan
- Pakistan Dairy Development Company (Dairy Pakistan)

While these companies are independent subsidiaries of Pakistan Industrial Development Corporation (PIDC), SMEDA, however, continues to lend its support to these sister organizations.

i. Pakistan Dairy Development Company (PDDC)

The Pakistan Dairy Development Company (PDDC) was established as an outcome of suggestions of the Dairy SWOG (Strategic Working Group) and was incorporated in September 2005. SMEDA has been providing regular support and facilitation to the initiatives undertaken by the Pakistan Dairy Development Company.

ii. Pakistan Gems & Jewellery Development Company (PGJDC)

Pakistan Gems Jewellery Development Company (PGJDC) was established in the year 2006-07 as a public-private partnership Company. The purpose of the company is to raise the value chain productivity of the gems and jewellery sector, improve industry marketing and branding, strengthen policies for increased

competitiveness and invest in workforce development.

Pakistan Gems and Jewelry Development Company (PGJDC) is being facilitated in implementation of various projects related to Gems and Jewelry cluster and sector development in Balochistan. The following initiatives were also undertaken;

- Organizing gems exhibitions and gem bazaars at Quetta on regular basis to facilitate gems trade at Quetta.
- Arrangement of training programs for capacity building and promotion of gems mining and gems business jewelry in the province.

iii. Pakistan Stone Development Company (PASDEC)

Pakistan Stone Development Company (PASDEC) was established in 2008 with an approved funding of Rs. 1.98 Billion from the Public Sector Development Programme (PSDP). SMEDA, KP office has been consistently providing necessary support to PASDEC for implementation of projects in the region. In this context, a Regional Advisory Committee for Marble & Granite has been constituted. The ground work for planned projects of up-gradation of Quarries, Establishment of Model Quarries and Marble Cities with special reference to establishment of Marble City in Risalpur is underway whereas Marble City in FATA is ready for inauguration.

In Balochistan, SMEDA has been an active partner with PASDEC in the implementation of approved projects for the province. SMEDA Quetta office facilitated provision of 50 acres of Land at Loralai for Marble City, along with 20 acres land for CFTC at Marble City, Gaddani.

iv. Pakistan Hunting & Sporting Arms Development Company (PHSADC)

PHSADC is a dedicated company for the development of Sporting and Hunting Arms industry in Pakistan. It aims to facilitate, support and demonstrate modern gunsmith techniques for achieving value added hunting and sporting arms as well as support and facilitate procurement of machinery and other equipment for up-gradation and capacity building of manufacturing units within the industry. It has taken initiatives for developing human resource for the purposes of enhancing skills and craftsmanship. PHSADC also works to ensure smooth availability of credit facilities to entrepreneurs and develops

strategies, guidelines, implementation plans and conducts research studies for exploring domestic and export markets.

- **IDEAS 2008:** PHSADC participated in IDEAS 2008 at Karachi. In addition to initiating technical dialogue with manufacturers of international repute, PHSADC sponsored 6 SMEs to display their products at the event.
- **IWA, 2011:** PHSADC participated in IWA, 2011 which is the world's second largest exposition of hunting and outdoor products with 1,141 exhibitors from 55 countries. Seventeen (17) Pakistani exhibitors participated in the event as compared to only 9 last year. This was due to awareness campaigns conducted in Gujranwala, Wazirabad, Sialkot and Peshawar.
- **TOSSSHOW 2011:** This is the first event of its kind in sporting arms and allied products sector ever organized in Pakistan. TOSS SHOW 2011, espousing the hunting and sporting arms trade will provide an ideal platform to manufacturers and buyers for their product display focusing on B2B and B2C linkages. PHSADC considers TOSS SHOW as an international event that will provide Pakistani entrepreneurs an opportunity to compete against well established brands in the market.

In addition to this PHSADC in order to promote local products participated in SHOT Show 2011, which attracts 1600 exhibitors and buyers from all 50 states of USA and 100 countries around the globe. Moreover, PHSADC organized trainings in different parts of the countries on issues of health safety, industry – academia linkages, SME accounting systems, Duty and Tax Remission for Export (DITRE), financing and value chain improvements.

v. Furniture Pakistan

Initiating work in July 2006, a Strategy Working Group (SWOG), consisting of stakeholders from major furniture clusters contributed towards developing a comprehensive sector development strategy. Services of foreign consultants were also sought in four core processing areas considered critical for development of the sector; including production & technology, design & marketing, workforce development and investment policy. Consultations were followed by study tours to Italy, Dubai and Malaysia for international benchmarking & networking.

The strategy development process covered both short and long term initiatives. In short term, development projects focused on installation of solar kilns, improving workforce skills, and developing international linkages. The long term sector strategy focuses on improving sectoral capacity by setting up a wood bank, material testing capacities, sustainable forestry system and supporting brand development. Furniture Pakistan, a PIDC funded not-for-profit company organized Women Entrepreneurs Furniture Exhibition in January 2011 aiming at offering career opportunities to women. Twenty-two women entrepreneurs from across the country were invited to display their work at the exhibition.

Provincial Government Initiatives

Government of Balochistan

Significant amount of work has been done for the betterment of SMEs in Balochistan over the last few years. The table below lists major projects that were undertaken in the last few years:

Sr. No	Prjoect name	Total Project Cost (Rs.million)	Region
1	Development of Fisheries Training Center	361	Gwadar
2	International Fund for Agriculture Development	1000	Bund Malir, Bundwari, Shamalbandar, Gunz,
3	Japan Value Fund for Fisheries Development	800	Pasni Fish harbor
4	Italian Development Program	445	Gwadar
5	Fish Landing Jetty and Allied Harbor Works	347	Surbandar, Gwadar
6	Fish Landing Jetty and Allied Harbor Works	347	Pishukan, Gwadar
7	Construction/Black Toping of Chamalang to	331	-
8	Skill Development Center	1120	Quetta

Following is a detail of projects that have been sanctioned during 2010-11:

i. The Pakistan Agriculture and Cold Chain Development Project (PACCD)

PACCD is a three-year project sponsored by the U.S. Department of Agriculture that will link horticultural and fishery production in Balochistan to modern markets in Lahore, Islamabad, Karachi and Hyderabad, as well as abroad. Objectives of the project are:

- Cold Chain Development to establish new linkages and building the capacity of public-private horticulture investment.
- Cold Chain Business Capacity Building to build the capacity for businesses dealing with agricultural products and related refrigerated storage, transport, and value added activities.
- Improve Chaman Wholesale Market to enhance and promote agricultural markets in the Chaman area and improve border crossing for exports, imports and domestic sale of agricultural produce.
- Marketing Assistance for the Port of Gwadar to improve fish and food handling and processing at the Port in order to ensure that products are safe and wholesome when delivered to the retail market and create new linkages to national and international markets.
- Agribusiness and Association support for cold store and equipment providers, farmers, traders, businessmen, logistics providers and retailers, wholesalers, and

exporters to promote quality produce and fish from Balochistan.

- Incorporation of the financial sector into co-financing activities.

ii. Collection Point & Cold Storage at Loralai and Khuzdar

The two projects are an initiative of the Pakistan Horticulture Development and Export Board. It involves establishment of collection points and a cold storage having the following facilities:

- Fruit Shed
- Vegetable Shed
- Auction Platform
- Office
- Cold storage
- Access Roads
- Weigh Bridge
- Water Supply & Sewerage facilities

The development and operation of the proposed physical infrastructure will not only create direct jobs but indirect jobs as well resulting in improved per capita income and ultimately a better living standard for the populace. The wholesale market and cold storage facilities would enhance the pace and volumes of business by providing market place for commercial transactions for domestic and international trade.

Reduction of losses and waste of produce will directly enhance availability. Also, the cold storage facilities would result in supplies during off-season which otherwise are not possible. With appropriate market mechanisms and cold stores, the market supplies would be regulated by moving supplies from surplus to deficit areas and also by holding surplus in cold store and releasing when there is a short supply. These factors will help create market equilibrium and hence price stability to the advantage of both farmers as well the consumers. Timely placement of products inside cold storage will help preserve their quality and improve shelf life. It will avoid food contamination caused by microbial activity thus assuring improvement of food quality and hygiene.

The availability of wholesale market and cold store will assure that production reaches consumers steadily, make investments easier and the private initiative thus inducing development in related industries.

The two facilities shall be established at an estimated cost of Rs. 71.52 million

iii. Turbat Dates Processing Plant (Pvt.) Limited

The project envisages up-gradation /revival of existing Model Date Factory located at Turbat, Balochistan. The process includes Storage, Fumigation, Sorting, Cleaning & Washing, Drying, Heat Treatment /Curing, Grading, Pitting / Paste Making and Packaging.

Expected Project Benefits

- ***Increased and Extended Product Availability:*** Reduction of produce losses/waste, thus resulting in better supplies during and relatively stable prices.
- ***Employment Opportunities:*** The development and operation of the project will create direct as well as indirect jobs, resulting in improved per capita income and ultimately a better living standard for people of the area.
- ***Improvement of Quality of Foodstuffs:*** Cleaning / processing of dates will help in preserving their quality and improvement of shelf life.
- ***Industrial Development:*** The establishment of the project will also induce other people to make investment in such activities which may result in development of allied industries i.e. engineering and packing.

Government of Khyber Pakhtunkhwa

Following initiatives have been undertaken by the Government of Khyber Pakhtunkhwa for SME development in the province.

i. Bacha Khan Akhpal Rozgar Scheme

Bacha Khan Akhpal Rozgar Scheme of the Government of Khyber Pakhtunkhwa is the first ever Interest free loan scheme for Self Employment with an initial amount of Rs. 1.00 billion. The Scheme was launched in February 2011 to overcome the massive unemployment resulting from the "War on Terror" and to facilitate and promote entrepreneurship in the province. SMEDA is a working partner in the scheme. Funding for the Scheme has been further enhanced by allocation of Rs. 1 billion in the annual budget 2011-12. The scheme will initially be offered for 3 years which may be extended for another 3 years.

ii. Pakhtunkhwa Hunermand Rozgar Scheme

This Scheme is another initiative of the Provincial Government for supporting

skilled population of the province. The proposal for the scheme was developed by SMEDA and approved by the Provincial Cabinet for inclusion in the Annual Development Plan 2011-12 with an allocation of Rs.1.3 billion. The Scheme shall be implemented by the Bank of Khyber (BoK) in collaboration of SMEDA, Directorate of Technical Education and Gems and Gemological Institute of Pakistan. Soft loans shall be offered to eligible target groups in which at least 25% of the loans will be allocated for women. SMEDA will provide assistance in ascertaining the entrepreneurial skills of the applicant and machinery verification where required. The Directorate of Technical Education will assist the BoK in ascertaining technical skills of the applicant.

iii. Economic Revitalization of Khyber Pakhtunkhwa & FATA (ERKF)

Multi-donor Trust Funded 'Economic Revitalization of Khyber Pakhtunkhwa & FATA (ERKF)' is a joint initiative for both KP and FATA that seeks to cater to the economic rehabilitation needs identified for this region under the recently completed Post Crisis Needs Assessment (PCNA). The project aims to revitalize private sector in the crisis-affected regions through directly supporting small and medium enterprises (SMEs), attracting investments from the diaspora, and institutional capacity building including regulatory reforms. The Project is divided in three components: a) *SME Development*, b) *Investment Mobilization*, and c) *Capacity Building to Foster Investment and Implement Reforms*. SMEDA, through an independent Project Unit, will be the implementing partner for the SME Development component of the project. Of the total project funds USD 14 million has been earmarked for SME Development ($9.1 million for KP, $4.8 for FATA). The SME Development component is further divided into three sub-components:

i. *Rehabilitation Support:* This will provide direct support to the affected SMEs. ERKF will provide assistance in the form of matching grants to the eligible enterprises. These grants may be used as working capital, for reconstruction of basic infrastructure, and acquiring/repairing machinery and equipment, etc. Maximum grant size is Rs. 1 million.

ii. *Up-gradation Support:* The second sub-component will support the up-gradation of SMEs for improving business productivity and efficiency. Matching grants to eligible individual SMEs for projects, as well as to a group of SMEs for cluster development programs will be provided. These grants could be used for technological innovation, product development, adopting new packaging/labeling requirements, establishing common facility centers (CFCs), etc. Funds may be used for both capital investment and working capital. Maximum grant size for this sub-component is Rs. 0.75 million for an individual SME and Rs. 5.0 million for cluster development program.

iii. *Capacity Building and Business Development Support:* This sub-component, with a maximum grant size of Rs. 0.3 million will support capacity building of SMEs in partnership with the Business Edge Program of International Finance Corporation (IFC) and through procurement of business development services (BDS) required by SMEs.

With agreements in the final stages, the project is expected to commence its activities shortly.

iv. Khyber Pakhtunkhwa SME Credit Line Scheme

The provincial government is eager to facilitate entrepreneurs of the province that have been adversely affected by the war on terror and floods. In this regard, the provincial Industries Department jointly with the Khyber Pakhtunkhwa Chamber of Commerce & Industry (KPCCI) and SMEDA plans to introduce Khyber Pakhtunkhwa Credit Line Scheme that will result in encouragement of business community, investment generation, and economic development.

Khyber Pakhtunkhwa Credit Line Scheme is to be initiated with a revolving fund of Rs. 200 million through the Bank of Khyber. The scheme will offer existing business community of KP soft loans with low interest rate and simple documentation process. Personal guarantees will also be accepted for loans with a certain limit.

v. Carpet Nagar

Establishment of Carpet Nagar promises to revolutionize production, increase output, improve quality, designs and colors and undertake proper marketing of the finished product. The carpet nagar will be a cluster of weaving and finishing units grouped together to produce specialized carpets for exports and provide business opportunities to small and medium enterprises. The units will share common facilities such as water treatment, import warehouse, training center, common transport and other logistics. Land measuring 1000 Kanals has been allocated at Nassata (Charsadda) Interchange Motorway by the Provincial Government of Khyber Pakhtunkhwa for the project and Rs. 100 million has been allocated for land acquisition out of a total project cost of Rs. 500 million.

vi. Industrial Vision for Khyber Pakhtunkhwa

The Provincial Government's Industries Department initiated preparation of Industrial Vision for the province in collaboration with Khyber Pakhtunkhwa Chamber of Commerce & Industry (KPCCI) and SMEDA. The exercise is sponsored by FIRMS Project USAID. SMEDA is member of the main committee and is facilitating partner organizations in preparation of Industrial Vision for Khyber Pakhtunkhwa. This is going to have a positive impact on business environment in the region for all stakeholders.

vii. Tourism Vision for Khyber Pakhtunkhwa

The Provincial Government's Tourism Department initiated preparation of Tourism Vision for the province in collaboration with Khyber Pakhtunkhwa Chamber of Commerce & Industry (KPCCI) and SMEDA. The exercise is sponsored by FIRMS Project USAID. SMEDA is member of the main committee and is facilitating partner organizations in preparation of Tourism Vision for Khyber Pakhtunkhwa. This Vision would result in initiatives resulting in improvement of tourist resorts, attracting tourists, and development as well as promotion of cultural and home based businesses of the areas.

This exercise has resulted in the formation of Swat Tourism Advisory Group (STAG) that comprise of representatives from the provincial tourism department, SMEDA, Pakistan Army, EPA, USAID, District

Government, and other relevant organizations to devise a comprehensive strategy for development of tourism in the militancy hit area of Swat.

Government of Sindh

The Government of Sindh undertook following initiatives specifically for SME development during 2010-11:

i. Seminars and Workshops

Awareness Seminars and Workshops were organized by Sports & Youth Development Department in collaboration with partner organizations for imparting business development training to young entrepreneurs. Under this initiative, more than six hundred young entrepreneurs have benefited from the seminars conducted across the province of Sindh.

ii. Modernization & Up-gradation of Agro Processing Cluster

SMEDA and Government of Sindh successfully completed detailed studies on six sectors i.e. Red Chilies, Rice, Dates, Mango, Guava and Vegetables. The purpose of these studies was to assist provincial government in allocation of resources for development of these sectors and to help private entrepreneurs in up gradation of their existing units. Based on the research reports provincial government has initiated a subsidized financing scheme and allocated funds for development projects on public private partnership basis.

iii. Sindh Enterprise Development Fund

SMEDA & Sindh Enterprise Development Fund (SEDF) have launched a programme to introduce technology and bring value addition in non conventional sectors of the economy through extending technical (SMEDA) and financial assistance (SEDF). The SEDF provides financial subsidy to enterprises to upgrade from basic skills to modern technology or setup Greenfield projects. As part of the programme, SMEDA shall provide business development services to potential entrepreneurs in Agro-Processing, Dairy, Livestock, Poultry, Fisheries, Floriculture, Storage and Cold Chain. To date, business development services have been provided to more than 30 units in different clusters.

iv. Dates Show

Khairpur is the largest dates producing cluster in Sindh. It produces more than 300,000 tonnes of dates every year. Given the potential of the sector, a detailed study

was conducted and several development projects were identified and shared with the provincial government. The District Government of Khairpur and SMEDA organized a 2 day exhibition, inaugurated by CM Sindh that provided an opportunity to growers to exhibit dates as well as interact with local and international buyers.

v. Sindh Small Industries Corporation (SSIC) Initiatives

In order to revive industrialization and boost economic activities, SSIC has prepared following schemes under ADP, USAID & Korean Assistance and submitted to the Government, for approval.

Sr. No.	Projects	Estimated Cost (Rs. Million)
1	Establishment of Artisan City at Hala	162.037
2	Establishment of Auto Industries Cluster at National Highway, Karachi	224.676
3	Preservation, Packing & Cold Storage at Super Highway near Sabzi Mandi, Karachi,	99.012
4	Establishment of China Zone at Shahdadpur	548.347
5	Establishment of SIE Tando Muhammad Khan	375.796
6	Package for Small, Cottage Industries and Artisans of Sindh Handicrafts	500.00
7	Establishment of Industrial Park at Jam Datar, District Shaheed Benazir Bhutto (Nawabshah)	37.909
8	Establishment of Sonda Marble City, District Thatta	892.842
9	Establishment of Nagarparkar Granite City, District Tharparkar	800.335
10	Establishment of SIE (Extension), Tando Adam	95.00
11	Establishment of SIE Khairpur	37.909
12	Survey and Feasibility Studies for Large, Medium and Small Industries in Sindh	2.00
13	Rehabilitation of infrastructure facilities in existing SIEs and IPs	364.640
14	Up-gradation of Handicrafts Development Center, Kashmore	15.441
15	Upgradation of Ceramic Training-cum-Production Center, Nasarpur	48.983
16	Revival of Sick Units in existing SIEs	500.00
17	Rehabilitation of infrastructure facilities in existing SIEs and IPs	364.640
18	Establishment of Small Industrial Estate, Super Highway, Karachi	

Government of Punjab

The Punjab Small Industries Corporation (PSIC) plays an important role in the development of small scale industries in the province of Punjab. Given below are initiatives undertaken by PSIC for the development of the Small industries over the corresponding period.

i. Cluster Development Centre for Promotion and Development of Light Engineering Industries, Multan

There are about 500 small and medium units in Multan engaged in manufacturing of light engineering products. Standardization and quality control systems either do not exist or are scant. Since the industry is still working on conventional lines and they do not have access to basic physical & chemical testing, design, development, heat treatment, machining, fabrication and die/mold manufacturing facilities, there is an urgent need to move the industry, step by step, towards automation to compete with rapidly changing environment of world in technology. The Center is designed to help the industry in this regard.

Services available include:

- Consultancy
- Financial & business management
- Production management
- Quality assurance methods/techniques.
- Materials Testing (Chemical & Physical) ranging from Hardness testing to Metallographic testing, any other if required
- Die and Mold making
- Foundry facilities.
- On the job Training
- Provision of linkages with PSIC's Centre for:-
    - Design development.
    - Reverse engineering.
    - Instrument's calibration.
    - Heat treatment.

ii. Cluster Development Centre for Light Engineering Industries focusing on Textile Machinery Spare Parts at Faisalabad

Light Engineering SSI sector in Faisalabad has a huge potential and is critical to SSI growth. The Small scale industries still operate on conventional lines and do not have access to basic physical & chemical testing, heat treatment facilities, computerized pattern designing, heat treatment, machining and die/mold manufacturing facilities. This Center offers small industries a wide range of testing, consulting and training services to industrial sector in general and light engineering & foundry sector in particular

Services include:

- Computer Aided Pattern Making for Foundry
- Heat Treatment Lab
- Medium size heat treatment facilities
- Materials Testing (Chemical & Physical)

- Hardness and metallographic
- Fabrication Facilities
- Plasma, laser and sheet cutting machines
- Continous wielding machine Sheet bending and rolling machine
- Die and Mold Shop
- Computer Numeric Control (CNC) Wire cut machine
- CNC spark erosion machine
- CNC Milling machine
- Conventional machine tools and other machinery/equipment as per requirement
- Consultancy Services on latest manufacturing and processing techniques
- Training of existing skilled labor and potential labor who are interested in entering this cluster

iii. Support Centre for the Development of Auto Parts Designing of Tools and Dies and Provision of Testing Facilities at Lahore

This common facility center shall provide assistance to the auto parts vendor industry, specifically located at Lahore and in its surrounding areas. The Centre shall assist auto parts manufacturing industry in SME sector to improve the quality and productivity of spare parts to protect the local market and enter into the export business in a big way.

Services available include:

- CAD facilities to regenerate and re-design the auto-part
- CAM facilities to produce dies and moulds within quality limits
- CAE facilities for proper analysis of design of tools and dies prior to their production
- Dies Making & Heat Treatment facilities
- Design development facilities
- Testing facilities of raw materials and finished goods in accordance with the laid down specifications
- Training Facilities

iv. Wooden Furniture Common Facility Service Centre and Show Room at Chiniot

This scheme is designed to provide Common Facility Services and Show Room facilities for carved wooden furniture manufacturing industry at Chiniot. Traditional carving, using hand tools, is a time consuming activity, whereas modern machines have now been introduced in developed countries of the world. Thus, this

Centre has been established at Chiniot and is equipped with designing and machining facilities for craftsmen to save their time and improve productivity with enhanced quality.

Services available at the Center include:

- Computerized Designing facility
- Well equipped machining facility for craftsmen to improve quality of products
- Advisory service backed by necessary literature
- Provision of information about the type of finish required on different wooden furniture items by different importing countries.
- Modern Furniture Accessories Facilities
- Display Center Facility

v. Product Development Centre on Composite Based Material for Sports Goods, Sialkot

The service center caters mainly the requirements of Sports Goods Industry as per their demand. This center is established at Sialkot and assists sports goods manufacturers to produce composite material sports items of proper quality by adhering to the international specifications.

Services available include:

- Common Facility Services to the private sector, particularly sports goods manufacturers, to help them produce goods conforming to international specifications
- Fabrication, pressing, finishing and testing facilities
- Testing facilities for quality assurance
- Advisory service backed by necessary literature and latest manufacturing techniques

vi. Business Support Centre for Electrical Fitting (Bakelite and Other Plastic) Industry at Sargodha

This is an independent scheme to assist the Electrical Fittings (Bakelite and other Plastics) manufacturing industry in SME sector to improve the quality and productivity of spare parts. Services available:

- CAD facilities to regenerate and re-design the Electrical fittings
- CAM facilities to produce the dies and moulds within quality limits
- CAE facilities for proper analysis of design of tools and dies prior to their production
- Dies Making & heat Treatment Facilities
- Design development facilities

- Testing facilities of raw materials and finished goods in accordance with the laid down specifications
- Training Facilities

vii. Cluster Development Centre for Metallurgy, Casting, Dies and Agriculture Implements at Daska

Local engineering industry is trying to excel and grow in Daska, but they lack modern / CNC machining, metallurgy / testing, design, & fabrication facilities in and around Daska.

The center will facilitate surgical, auto parts & other metal related industries to improve their technology and increase productivity. Advisory services for better floor management and production techniques shall also be provided.

Services available at the Center include:

- Modern (CNC) Machining facility
- Design facility
- Technology Training facility
- Machining Facilities
- Fabrication facility
- Dies making facility.

viii. Cluster Development Centre for Hand Loom Industry at Multan. (Under Completion)

Currently there is no center in Multan that supports upgradation of handlooms cluster.

The center will help upgrade the technology in dyeing and colour testing, strengthen the handloom industry in creation of innovative designs which cannot be replaced by power looms, save the heritage and reinforce the artistry of weavers through training in private sector.

Services available include:

- Hank & cone dyeing of both cotton and polyester yarn
- Laboratory facilities for testing colour, fastness, shade matching & dyeing quality
- Design facility for the development of innovative new and improved design pattern/designs
- Training facility in designing and weaving of new patterns/designs
- Display-cum-Buying House facility to allow the manufacturers to display their products on minimum charges

ix. Centre for Development of Wood Crafts, Sargodha

The main objective of the centre is to develop and promote traditional & contemporary wooden crafts with lacquer work and save the heritage attributable to Sillanwali only as its geographical origin. Thus to market Sillanwali world over,

development of existing crafts and innovative new products combined with inlay and carving work emphasizing utility of products rather than their being mere decorative items is essential. The project therefore envisages:

- provision of new designs and prototypes to the artisans for improving and increasing their production
- developing new designs and prototype development
- developing improvised paper designs and patterns of the existing products
- developing new innovative products
- developing packaging ideas, especially giving historical background of the crafts
- catalogue of design and prototypes so produced will be published
- launching a supervised micro credit scheme for the artisans of Sillanwali with a revolving fund of PKR. 10.00 Million to be provided by PSIC from recoveries of its CASA-2002

x. Centre for Development/ Manufacturing of Carpets Rugs and Mats, Ahmedpur East

The Centre supports small industries in the carpets sector through provision of computer aided designs for manufacturing carpets of high quality, including rugs and mats while salvaging local heritage.

xi. Upgradation of facilities of CDC, Murree

HDC Murree was established in 1960-61 by the Directorate of Industries. Later on the project was transferred to PSIC. It was originally established to introduce skill of wood carving and furniture making to local people and later on other crafts of the area such as namda and gabba making embroidery were added to its activities. Now, in order to diversify existing crafts according to latest trends the following services are being made available to local artisans:

- Provision of free of cost computer aided designs backed with quality control aspects
- Preparation of samples/prototypes by local artisans under the supervision of qualified and experienced professionals
- Seminars and exhibitions to create awareness and market products
- Facilitation to craftsmen/artisans to register crafts under Geographical Indication

xii. Industrial Estate Development Up-gradation and Provision of Facilities in Small Industrial Estates

The scheme is an integral part of the Estate Development Programme already launched by PSIC for the promotion and development of industrialization in the Province. The major objective is to provide fully developed industrial plots with complete infrastructure facilities to industrialists in order to catalyze industrial development.

xiii. Customized Lending Program for Promotion and Development of Handlooms and Furniture Clusters at Chiniot

Customized lending programmes for handloom and furniture sectors will enable production of better quality products in light of the market demand.

Customized Lending Program for Hand Looms

Sr.No.	Name of Region	No. of Loans
1.	Rawalpindi	58
2.	Gujranwala	48
3.	Lahore	56
4.	Faisalabad	48
5.	Sargodha	36
6.	Multan	52
7.	Bahawalpur	48
8.	D.G. Khan	109
9.	Sahiwal	10
	Total	**455**

Customized Lending Program for Furniture Cluster at Chiniot

Sr.No.	Name of Region	No. of Loans
1.	Faisalabad	202
	Total	**202**

xiv. Credit Assistance for conversion of Diesel Buses into CNG

PSIC is also contributing to the Chief Minister's Green Fund Programme through providing support for conversion of urban diesel buses into CNG buses in order to provide cheap and noise free transport facilities for the general public. This will create new job opportunities as well as stimulate industrial activities in CNG bus engine and repair workshop clusters.

xv. SME Financing

The objective of the scheme is to provide financial assistance to all projects that are defined as SMEs as laid down in the Prudential Regulations of the State Bank of Pakistan for SME financing.

Another similar scheme has been initiated to provide financial assistance to SMEs in specific industries in manufacturing and services sector, specially focusing on industrial production. Financial assistance shall be made available to Small Industrial Estates through tailor made loan packages for reopening of sick units and for establishing new units.

Moreover, Cottage, Micro Industries, Artisans, Craftsmen & Women and Household Income Generation Enterprises shall also be provided finance for:

- Infrastructure development for target groups
- Business plan development for craftsmen/craftswomen and artisans
- Revitalization, reopening /rejuvenation of closed/sick operational units
- Financial support comprising advance payment of products on buy-back purchase system and easy small loans

New Schemes Include:

- Scheme for Design Value Addition and Product Development of Stone Crafts at Taxila aiming to revive and patronize the dying crafts specially Black Stone Products
- Scheme for Design Value Addition and Product Development of Salt Range Crafts aiming to explore the possibilities of innovation in Rock Salt Products
- Census and survey of small and cottage industry of Punjab
- Capacity building of information technology in PSIC

Conclusion

Over the years, Pakistan's economic growth has significantly relied on inflow of foreign aid which has been a primary source of funding for public sector development projects. Low tax to GDP ratio and aid ineffectiveness for sustainable development have been key challenges for Pakistan that has faced numerous boom-bust cycles over the years due to its reliance on foreign aid to fuel economic growth. In order to ensure sustainable growth of an economy and country with over 180 million inhabitants, Pakistan needs to review its growth strategies to overcome the challenges of being caught in a low growth trap.

Pakistan is at the cusp of reaping demographic dividend, only if focus of development initiatives is geared towards harnessing the potential of its human capital. This demographic dividend can boost Pakistan's economic growth by leaps and bounds; however, the opportunity has to be earned through tangible resource allocation and mobilization in the required direction.

In general, a positive economic outlook and conducive business environment is needed to lure investment and stimulate innovative activities. The fundamentals which underpin an innovative economy and encourage absorption of technology produced at home or abroad, include a competitive business environment with free entry, flexible and open markets, speedy and orderly exit, robust contract enforcement, sound infrastructure – particularly, power and telecommunication, access to finance – particularly risk capital and an educated and technically competent labour force. In order for the SME sector to flourish, the primary pre-requisite is a stable macro, political and security environment supported by sound infrastructure.

The Government is cognizant of the importance of SMEs when it comes to growth and development of the country. Under the given circumstances, the government must rely on its countless small and medium enterprises to spur growth through the launch of an aggressive

campaign towards innovation and entrepreneurship development. In the past year, the government has proactively engaged with the private sector to evolve policies and initiate programmes that build the capacity of the future workforce to achieve labor and managerial productivity across the entire industry spectrum. On the other hand, efforts have been made to promote entrepreneurship. Key business development agencies have played a significant role in this regard.

It is time now to look forward and move beyond the initial efforts made to support SMEs. Steadfastly, we must continue to build necessary infrastructure, provide business development services and room for innovation – for in them lies the key to Pakistan's prosperity.