SMEs in the Scheme of Pakistan Vision 2025

by

Kaleem Ahmad
Young Development Fellow (YDF)
Planning Commission
Ministry of Planning Development and Reform
Vision 2025 is the corrective mechanism needed for the formidable social, economic, security and governance challenges faced by our dear country today. Pakistan Vision 2025 was drawn up through a national consultation process inclusive of all stakeholders, including parliamentarians, representatives of political parties, federal ministers, provincial governments, business leaders, academia as well as independent experts.
Think Small First Principle

This means listening to SMEs before introducing new laws, examining the effect legislation will have on small businesses, and helping companies in need of support.
National Policy Making

• The SME Test
  – check whether new policies and laws will have an impact on small businesses

• Cutting Red Tape
  – reducing the administrative burden on business

• Simplified Rules
  – New measures will also be introduced to remove legal obstacles
    – One stop shop
    – Re-startup
Pakistan Vision 2025

- Regional Connectivity
- Knowledge Economy
- Private Sector
- People First
- Inclusive Growth
- Governance
- Water Energy Food

SMEs

Vision 2025 (Planning Commission of Pakistan)
SME Contribution

Source: Vision 2025

Source: SBP, The State of Pakistan’s Economy FY10
Goals of Pakistan Vision 2025

1. Become one of the largest 25 economies in the World, leading to Upper Middle Income country status.
2. Reduce poverty level by half. (Income $1.25 per adult, 21% BPL)
3. Increase tax to GDP ratio from 9.8% to 18%.
4. Increase investment (via remittances) in the private sector from USD 14 billion to USD 40 billion.
5. Create at least 5 global Pakistani brands (having more than 50% sales coming from consumers outside Pakistan), and make ‘Made in Pakistan’ a symbol of quality.
6. Triple labor and capital productivity.
7. Improve Pakistan’s score on the World Bank Institute’s Knowledge Economy Index from 2.2 to 4.0, and increase internet penetration to over 50%
Tax Percentage of GDP

Real GDP Growth (Compar. 2013-14)

Broadband Internet Subscribers
## Ease of Doing Business (WB Report)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Ease of Doing Business Rank</th>
<th>Filtered Rank</th>
<th>Starting a Business</th>
<th>Dealing with Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Protecting Investors</th>
<th>Paying Taxes</th>
<th>Trading Across Borders</th>
<th>Enforcing Contracts</th>
<th>Resolving Insolvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>85</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Maldives</td>
<td>95</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Nepal</td>
<td>105</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>110</td>
<td>4</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>130</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>8</td>
<td>8</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>India</td>
<td>134</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Bhutan</td>
<td>141</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>164</td>
<td>8</td>
<td>1</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>
PILLAR V - PRIVATE SECTOR AND ENTREPRENEURSHIP LED GROWTH

- *Vision 2025* seeks to provide SMEs a level playing field, and a fair competitive environment.

- Highly attractive destination for the private sector

- Efficient deployment of private resources and skills

- Existing Problems:
  - Energy Deficit and lack of security
  - Inadequate Infrastructure
  - Poor Policies and Enabling Environment
  - Domestic Private Investment dropped from 14% (2008) to 10.9% (2013)
  - Lack in R&D, Innovation and Value Addition
Public Private Partnership (PPP)

A Bureau of Infrastructure Development (BID) will be established to coordinate and oversee private sector participation in infrastructure development and provide a one stop shop facility for project approval, processing and financing.
Designed Initiatives

- Strengthening Institutions
- Removing Infrastructure Bottlenecks
- Macro-Economic Stability
- Privatization
- Public Private Partnership (PPP)
- Encouraging Investment
- Small and Medium Enterprises (SME’s)
  - SMEs represent the most nimble and scalable part of our economy that also sits in the sweet spot of our core national goals: inclusive and indigenous growth (Pillar II).
To Achieve Targets

• Program Charters – through in-depth labs/workshops arranged for each of 10-15 most promising SME sectors
• Shared KPIs between all stakeholders
• Massive focus on training and skills development
• Help in accessing capital through small business loans
• Promoting entrepreneurship and innovation
• The rural non-farm sector will also be revitalized by formulating job schemes or business support loans to mitigate pressure on the urban areas.
• Village community centers will be established to harness potential of community mobilization and promoting ideas
RTC SME Growth

• Devising Policy on SME Growth
• Growth of SME Sector- Central pillar
• Key areas of Debate:
  – Access to Capital and Government Support
  – Marketing Technology Up-gradation and HRD
  – Incentives for Growth
• The goal of achieving $150 billion export
  by 2025 can be realized through a strong and robust (SME) sector and achieving 8% growth rate

“Establish a new type of collaborative partnership between Government, Private Sector and Academia with the government formulating supportive public policy; private sector providing investment and universities providing ideas and solutions”
Recommendations of RTC

- Troika of government – academia – private sector partnership
- Zero-credit hour mandatory course for students
- Government’s role in SME sector should be extended to research and development as well
- Move from traditional to modern i.e. innovation
- Government should consider provision of zero-interest loans to entice the people
- Management board be formed that can scale up the bazaars and managerial support
- Federal Minister urged SMEDA to vigilantly document the success stories so others can replicate successful efforts
Concluding Proposal

• SMEs and the Digital Economy
  – high-tech SMEs that can develop niche products
  – build trust in online networks
  – Boost digital literacy.

• International Partnership
  – Finding international business partners

• Go Global
  – GSP Plus Status
Thank You