



## **FATA Economic Revitalisation Programme (FERP)**

# **RECOMMENDATIONS**

**BY**

**ECONOMIC COOPERATION & DEVELOPMENT FORUM  
(ECDF)**

Submitted by:

**Small & Medium Enterprises Development Authority**

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## Acronyms

FATA	Federally Administered Tribal Areas
NMDs	Newly Merged Districts of Khyber Pakhtunkhwa
SMEDA	Small & Medium Enterprises Development Authority
ECDF	Economic Cooperation and Development Forum
UNDP	United Nations Development Program
USAID	United States Agency for International Development
KP	Khyber Pakhtunkhwa
UNCERF	United Nations Central Emergency Response Fund
DFID	United Kingdom Department for International Development
EU	European Union
SDP	Stabilization and Development Program
TDPs	Temporarily Displaced Persons
IDPs	Internally Displaced Persons
SRRS	Sustainable Return and Rehabilitation Strategy
TOR	Terms of Reference.
SIDB	Small Industries Development Board
TEVTA	Technical Educational Vocational Training Authority
TEVT	Technical Educational Vocational Training
SECP	Securities and Exchange Commission of Pakistan
FBR	Federal Board of Revenue
P&D Dept.	Planning and Development Department
FBR	Federal Board of Revenue
FDA	Fata Development Authority
BOK	The Bank of Khyber
SBP	State Bank of Pakistan.
KPEZDMC	Khyber Pakhtunkhwa Economic Zones Development and Management Company
TDAP	Trade Development Authority of Pakistan
TCKP	Tourism Corporation, Khyber Pakhtunkhwa
PASDEC	Pakistan Stone Development Company
FPCCI	Federation of Pakistan Chambers of Commerce & Industry
DGMM	Director General Mines and Mineral
PMDC	Pakistan Mineral Development Corporation
TESCO	Tribal Areas Electric Supply Company
PTCL	Pakistan Telecommunication Company Ltd

## Overview

The key policy interventions recommended in this paper are the outcome of the marathon exercise being carried out by Economic Cooperation and Development Forum (ECDF) meant for policy interventions to achieve tangible results in terms of economic growth in Newly Merged Districts (NMDs). This advisory forum has had various potential stakeholders who deliberated on strategic interventions relevant to economic development of NMDs. The ECDF was formed under the FATA Economic Revitalisation Programme (FERP) conceived by UNDP and funded by USAID. The document aims to highlight key interventions needed for economic uplift and social development in the NMDs. The proposed interventions will assist in accelerated economic growth, paving way for overall development of the region. The project is being implemented by Small and Medium Enterprise Development Authority (SMEDA) in collaboration with UNDP, federal and provincial government departments.

The proposed interventions by ECDF aim to identify and address the key challenges which are hampering economic growth and private sector investment in the erstwhile FATA. It is pertinent to be mentioned here that the recommendation forwarded by the forum have already been vetted by various stakeholders, making the proposed intervention practical for the economic prosperity of the newly merged areas.

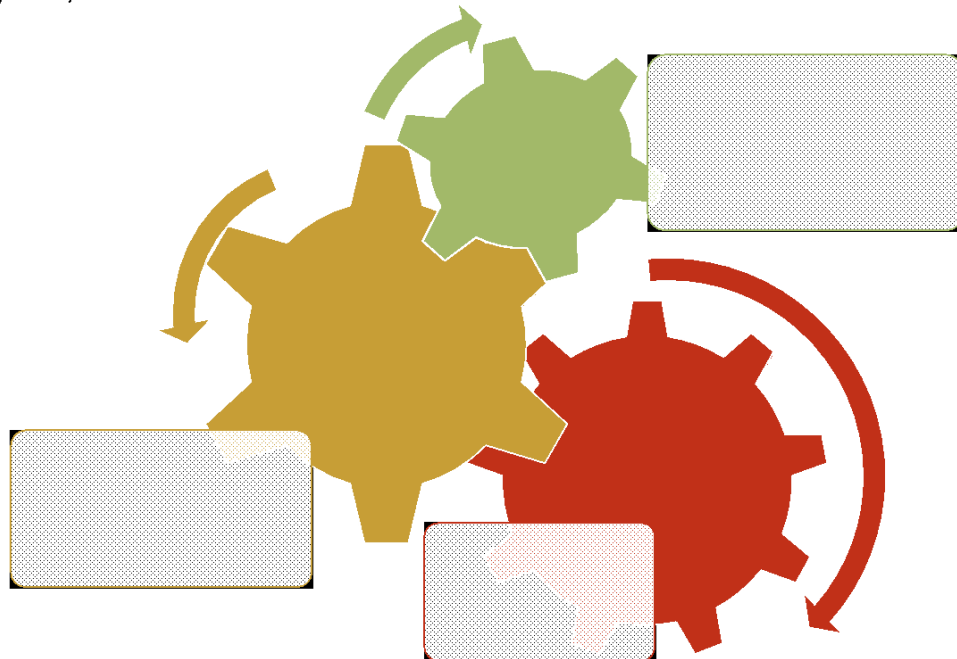
The below flow chart provides a snapshot of the process through which this policy document has been developed. The project was launched by mobilizing the concerned stakeholders, arranging focused group discussions related with thematic areas and prioritized sectors. The groups met on a quarterly basis and proposed the desired interventions. The proposed interventions were then validated by key informant interviews followed by focused group discussion again. The report was then prepared, bearing the achieved outcomes.



The ECDF was divided into eleven sub-groups that focused on identifying key interventions required in various thematic areas as well as the prioritized sectors as identified by the forum. In order to gain better understanding of the ground realities key issues and to highlight the required intervention, the groups were formed in such a way that it included various stakeholders from government departments such as

(P&D, Finance, Industries, Mineral Dept, State Bank, FBR, SECP etc.), Commercial banks, private sector Trade bodies, business leaders, local business community, academia and development partners (The World Bank, UNDP, USAID, DFID). The process was divided into three main pillars.

FIGURE 1: The process



The members of each sub-group were selected based on their experience, education, and expertise in their relevant fields. This ensured that each group had individuals from a diversified background, knowledge and skill set.

The group deliberated and short listed the following thematic areas:

- Regulatory Mechanism
- Marketing & Communication
- Entrepreneurship/Investment & Innovation
- Banking & Finance
- Skills development and Job Placement
- Economic Infrastructure
- Women Entrepreneurship (cross cutting)



In addition to the thematic areas, the group also prioritized some specific sectors and highlighted the issues and interventions required for efficient functioning of the sector. The sector-wise groups are as follows:

- Mines and Minerals

- Agri-Business
- Transport Sector



- Light Engineering

### Key Processes

The key processes that resulted in formulation of this document are as follows:



The detailed findings of both thematic areas and sub-sectors are described below.

# 1 Thematic Areas

The key prioritized issues and most viable interventions across the thematic areas to create conducive business environment and ease of doing business in the NMDs are summarized below. The identified interventions if implemented will lead to millions of direct & indirect jobs, improved economic infrastructure, rapid public and private sectors investments and integrated economic growth in the region.

1.1 Regulatory Reforms					
Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Lack of awareness regarding relevant laws and regulations.	Series of Advocacy/orientation sessions should be conducted on various laws and regulation to create mass awareness.	The advocacy/orientation will create awareness among the business community regarding the relevant laws and regulation.	SMEDA in coordination with concerned departments.	Short Term
2	Absence of relevant Government regulatory body offices.	Establishment of offices of the following Government regulatory bodies in each district headquarters preferably under one window operation <ul style="list-style-type: none"> <li>● FBR</li> <li>● KPRA</li> <li>● SECP</li> <li>● Registrar of Firms</li> </ul>	This will contribute in ease of doing businesses especially registration of businesses without undue delay and hassle.	FBR KPRA SECP Registrar of firms	Medium Term
3	Absence of legal forum apart from traditional Jirga	Legal dispute resolution mechanisms should be introduced in NMDs. System similar to	Such initiatives will facilitate in speedy resolution of contractual conflicts.	KP Police, Law Department,	Short Term

	system.(Civil Society forum for dispute resolution)	Dispute Resolution Committees which comprise of members from business community, police and Judiciary, district administration.		Trade Bodies. Community	
4	Non-Existence of land record	Land ownership records need to be organized/ computerized. The Government may establish Land Record Authority for this purpose.	A digital land record will assist in improved land management, reduce land disputes, support enabling conditions to access credit and improve the ability of the Government to provide services to its citizens.	Board of Revenue	Long Term

## 1.2 Marketing and Communication

Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Absence of joint representative platform/ advisory council for NMDs	A joint business council should be formed for the facilitation of business community of NMDs comprising prominent entrepreneurs, manufacturers, traders, public sector and banks.	This platform will provide inputs and proposals for economic development plans along with policy recommendation.	SMEDA, Local business community/chambers, Trade bodies, public sectors and banks.	Short Term
2	Lack of awareness regarding modern information and	Capacity building, training programs for youth, SMEs, startups	It will boost existing SMEs and startups businesses to nourish their skills which will enable them in more effective marketing of their business through use of technology.	SMEDA, KPITB, TEVETA, Govt. of Khyber Pakhtunkhwa.	Medium Term

	Communication tools.	regarding modern communication skills, ICT and marketing tools.			
3	Absence of proper platform for discussion	<p>1 A joint bilateral business council should be established comprising chambers/trade bodies, prominent entrepreneurs, manufacturers, traders public sector and banks both from Pakistan &amp; Afghanistan.</p> <p>2 Pak Afghan trade agreement needs to be</p>	These interventions will results in increase of bilateral trade, employment opportunities and creation of conducive business environment.	Govt. of Khyber Pakhtunkhwa, Ministry of Foreign Affairs, Ministry of Commerce, SMEDA	Short Term

<p>s on  bilateral  trade with  Afghanista  n/Central  Asia to  address  the policy  matters/iss  ues.  Non-availa  bility of</p>	<p>revisited, and  comprehensive  communication &amp;  marketing strategies  should be developed to  facilitate &amp; promote  bilateral trade.</p>			
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	platform/forum affecting the bilateral trade.				
4	Absence of Infrastructure and Facilitation	Establishment of Border Markets at Torkham, Angoor	This will immediately restore the economic activities in NMDs, cross border trade will be boosted and will create thousands of employment opportunities.	Govt. of Khyber Pakhtunkhwa, Ministry of Foreign Affairs, Ministry of Commerce, SMEDA	Long Term

	for Cross Border Trade with Afghanistan and Central Asia	Adda, Kharlachi and Ghulam Khan and Opening of new trading routes such as Nawa Pass, Angoor Adda and Kharlachi			
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		besides Torkham.			
5	Lack of exposure/ knowledge of the export requirements of potential markets.	Special quota should be allocated for potential SMEs of NMDs in international exhibitions besides	This will enable SMEs of NMDs to learn the latest trends, requirements of export markets, creation of market linkages and increase in exports.	Ministry of Commerce, SMEDA, Govt. of Khyber Pakhtunkhwa	Medium Term

		providing them opportunities in participation in exhibitions, exposure visits and seminars. Bilateral exhibitions			
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		should be arranged to showcase their products/services.			
6	Complex immigration processes create issues for	Establishment of special medical tourism facilitation	This will facilitate processing of medical visas on fast track basis resulting into an increase in medical tourism and investment promotion.	Federal Ministry of Interior, Govt. of Khyber Pakhtunkhwa, Department of Health and Department of Tourism	Medium Term

<p>visitors seeking medical facilities/treatment in KP, which is creating negative impact on medical tourism.</p>	<p>desks on both sides of the border.</p>			
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### 1.3 Entrepreneurship / Investment & Innovation

Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Lack of support for Youth Entrepreneurship &	<ol style="list-style-type: none"> <li>1. Promotion of Entrepreneurial Culture through trainings, awareness programs.</li> <li>2. Establishment of Business Incubation Centers/Boot Camps for handholding of startups and existing businesses.</li> </ol>	<ol style="list-style-type: none"> <li>1. These interventions will encourage the establishment of new enterprises and strengthening of existing businesses.</li> <li>2. This will create new employment opportunities for the local inhabitants.</li> </ol>	Donors/ Government of KP, SMEDA, KPITB, TEVTA.	Medium Term

	Innovation				
2	Lack of Financial support for Youth start-ups.	<ol style="list-style-type: none"> <li>1. Establishment of Start-up Support Fund to Support Entrepreneurship Initially for Five (05) Years.</li> <li>2. Provision of interest free loan schemes.</li> <li>3. Small grants program targeting Youth.</li> <li>4. Financial Literacy Programs and extension of MFIs to NMDs</li> </ol>	<ol style="list-style-type: none"> <li>1. These interventions will encourage transformation of innovative ideas into viable business ventures.</li> <li>2. These interventions will also ensure optimum utilization of local indigenous resources resulting into new investment in the area.</li> </ol>	SBP, Ministry of Finance, Micro Finance banks, Government of KP, BOK,	Medium Term

				SMEDA and Donor agencie s.	
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1.4 Banking & Finance					
Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Insufficient Outreach of Commercial Banks.	Expansion of Banking Outreach of Commercial banks in NMDs along with Branchless Banking.	Introduction of Banks will boost local economy and discourage informal and undocumented lending practices.	SBP, Local Commercial banks and MFIs.	Medium Term
2	Non availability of Sector specific lending schemes.	Sector specific lending schemes need to be developed/ introduced through commercial banks preferably through Islamic mode of financing.	These schemes will help in economic development of potential sectors through subsidized capital injection and will improve access to finance mainly in the form of lending schemes by Govt. as well as offered by commercial banks.	SBP, Ministry of finance, Government of KP, Local Banks, local chambers/associations and SMEDA	Medium Term
3	Lack of programme lending	SMEs based simplified lending schemes	SMEs and Value chain based lending schemes will	State Bank of Pakistan, Government of KP, Commercial Banks	Medium Term

	g Sche mes for SMEs.	targeting Value Chain and Non-Finan cial Advisory Services.	increase economic growth and competitiven ess of the entire chain.		
4	Inadequate presence of Micro financing Institutions (MFIs) in NMDs.	The presence of Micro finance Institutions in NMDs should be enhanced in order to support businesses and low income individuals.	Expansion of MFIs will help eradicate the poverty and will ensure	Micro Finance Institutions, SBP, Donors	Medium Term

financial inclusion of underserved population. This will also support micro enterprises development and will results in pro-poor growth.

5	Inefficient Interbank Clearance system in NMDs.	National Institution Facilitation Technologies (NIFT) services needs to be extended to NMDs in order to minimize the processing time in money transfers.	This will increase financial inclusion of NMDs in national main stream banking and reduce the lead-time in processing cheques and other funds transfer instruments.	NIFT, SBP, Commercial banks	Medium Term
6	Inadequate customer service by the existing banks.	Capacity building of bank staff in customer relationship management for improved banking services to customers.	This will encourage people to use banking channels for their business transaction instead of insecure cash dealing and will help in their financial inclusion in mainstream banking.	State Owned Banks, Commercial banks, SBP	Short Term

## 1.5 Skills development and Job Placement

Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Lack of skilled work force.	Introduction of Demand based and Market driven skill development programs in NMDs.	Structured Demand base and market driven skill development programs will help to promote local businesses in finding better human resource with the required skill set to improved productivity which will result in employment generation.	Government of KP, SMEDA, TEVTA, Donors	Medium Term
2	Limited TEVT outreach and Inadequate capacity/ updated knowledge of latest market trends of public sector TEVT institutes.	<b>Comprehensive Skills Development Program for NMDs focusing on;</b>	The proposed interventions will enable the TVET staff to learn modern techniques, updated knowledge of state of the art best practices which will ultimately help in transformation of knowledge to the trainees.	TEVTA, Government of KP, Donors	Medium Term

		<ol style="list-style-type: none"> <li>1 Strengthening of existing and establishment of new TVET institutes with improved infrastructure and state of the art facilities in NMDs.</li> <li>2 Introduction of modern Training of Trainers (TOTs) programs for TVET institutes.</li> <li>3 Exposure visits for the TVET technical staff.</li> </ol>			
3	No Impact assessments have been conducted to evaluate the results of various public sector and donor funded projects for skills development and job placements in NMDs.	<ol style="list-style-type: none"> <li>1 Tracer study of graduated trainees should be conducted in addition to assessment of performance of various public sector TVET institutes.</li> <li>2 Suitable PPP model for TVET in NMDs based on the assessment/tracer study should be developed.</li> <li>3 Development of focused synergies among all partners.</li> </ol>	<ol style="list-style-type: none"> <li>1 This will result in more effective planning for skills development by government and donors.</li> <li>2 The recommendations will also result in better functioning/ management of public sector TVET institutes.</li> <li>3 Encouragement of strong coordination among line departments and donors.</li> </ol>	KP TEVTA, Government of KP and Donors	Medium Term
4	Ineffective linkages between TVET institutes and the businesses.	<ol style="list-style-type: none"> <li>1 Private sector should be involved in designing, delivery and assessment of the skills training for indigenous industry.</li> </ol>	These interventions will equip the trainees with practical knowledge and skills required for various trades as well as	TEVTA, SMEDA, Local Associations.	Medium Term

		2	Internship/apprenticeship in relevant industry for at least One (1) year should be made mandatory for the graduates of TVET institutes	making them ready for quick job placements.		
5	<p>1. Absence of independent authority for transforming skills</p> <p>2. Lack of improved training facilities for indigenous mineral resources and the construction sector.</p>	1	Formation and establishment of an independent Authority for development and promotion of skills.	1	The proposed interventions will ensure that the graduated trainees have the required accreditation, quality skills and will lead to employability.	TEVTA, Government of KP, PASDEC
		2	Develop web-based management information for recording data of all the trained youth.	2	The data base will ensure follow up & future line of action for the trained youth.	
		3	Establishment of Rock Mining Training Institutes.	3	The sector specific skills infrastructure will add to the development of local indigenous industries and will create employment opportunities.	
		4	Establishment of Construction Machinery Training Institutes.			
						Long Term

## 1.6 Economic Infrastructure

Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Lack of industrial estates/ economic zones/ special economic zones/ export processing zones.	<ol style="list-style-type: none"> <li>1 Establishment of small industrial estates and economic zones in different districts in accordance with available indigenous resources.</li> <li>2 Establishment of special economic zones / Export processing zones with tax/duty free access to international markets specially Afghanistan and Central Asia</li> <li>3 Revitalization and up-gradation of existing industrial estates with all required facilities including waste disposal and value addition such as Mohmand Marble City.</li> </ol>	<ol style="list-style-type: none"> <li>1 Establishment of industrial zones/special economic zones/Export processing is pre-requisite for economic growth and prosperity of the area.</li> <li>2 It will ensure optimum utilization of the indigenous resources and further processing of raw material will add value to the raw products and generate more revenues.</li> <li>3 Government incentives will attract local and foreign investors and create job opportunities.</li> <li>4 There is huge potential for industries operating in Khyber, Mohamad and Bajaur districts because of their proximity with Afghanistan, CAR and beyond. This will also generate employment in the area and increase exports.</li> </ol>	Government of KP, KPEZDMC, SIDB, SMEDA and PASDEC.	Medium to Long Term
2	Absence of Bilateral trading zones on Pak-Afghan Border.	Pak-Afghan free trading zones with all requisite facilities should be developed on designated border crossing areas. Registered traders should be allowed to enter these	The new infrastructure will boost bi-lateral trade with Afghanistan and will facilitate local exporters in connecting with potential traders/investors across the border.	Federal Ministries of; Commerce, Foreign Affairs,	Long Term

		trading zones without visa restrictions.		FPCCI, Government of KP.	
3	Clearance of goods is being carried out 24 hours at Pakistan side and but not on the Afghanistan side.	This matter should be taken up with the Afghan Authorities in order to facilitate the traders/business community so that the trade continues without any hindrance.	The hassle free clearance mechanism will help in boosting bilateral trade with Afghanistan and in creating ease of doing business to traders on both sides of the border.	Federal Ministries of; Foreign Affairs, Commerce, FPCCI	Medium Term
4	Absence of enabling infrastructure for tourism.	<ol style="list-style-type: none"> <li>1. Revival of Safari Train Service for Tourism.</li> <li>2. Development, strengthening and promotion of new tourist destinations with all required infrastructure and facilities for tourists.</li> <li>3. Private investment in hotels, restaurants and tourism operators should be encouraged and facilitated by the government.</li> </ol>	These interventions will provide opportunity to private sector in investment mobilization, job creation, promotion of services sector & domestic tourism.	Government of KP, Tourism Department, Ministry of Railway,	Long Term

## 1.7 Women Entrepreneurship (Cross cutting)

Sr. No	Issues	Interventions	Rationale	Concerned Departments	Intervention Duration
1	Cultural constraints restrict female mobility	Dedicated business areas for women owned businesses should be established (Incubation centers/ shopping arenas). Women participation should be encouraged by offering them incentives.	This will enable women to conduct their business in an environment that is acceptable in accordance with local customs and social norms.	SMEDA, Government	Medium Term

				<p>t of                  KP,                  Dono                  rs                  and                  local                  assoc                  iation                  S,</p>	
2	Lack of digital skills/knowledge amongst the women.	The Women should be provided skills	Knowledge of E-commerce and computer/internet skills will enable them to explore new markets to earn their livelihood without leaving their homes.	KPBOIT, SMEDA, Government of KP and Donors.	Medium Term

		based trainings i.e. E-commerce.			
3	Inability of women in NMDs to market traditional crafts and cultural products.	<ol style="list-style-type: none"> <li>1 Establishment of Women Business Development Centers across major business hubs.</li> <li>2 Women entrepreneurs should be supported through incentives and special quota should be provided in both local and international trade fairs.</li> </ol>	These initiatives will result in women empowerment and platforms to flourish their businesses and will lead to their financial independence.	Ministry of Commerce, SMEDA, Government of KP, Donors	Medium Term
4	Lack of dedicated TVET institutions for Women.	Extension of TVET Institutes to Tehsil Level for Women to help them gain demand driven skills.	The proposed initiatives will enable women to gain essential skills for self employment.	TEVTA, SMEDA and Government of KP.	Medium Term

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## 2 Key Prioritized Sectors

Detailed deliberations by ECDF forum has resulted in prioritizing specific sectors considering their significance and economic growth potential in the merged districts. The key interventions in prioritized sectors as proposed by the groups are as follows.

### 2.1 Mines and Minerals

The economy of NMDs can be significantly strengthened with the help of its rich mineral wealth. Identification of mineral potential through scientific methods, and promotion of mineral resources of NMDs for investment and marketing should be done on priority.

There are significant mineral resources such as coal, copper, marble, limestone, soapstone, manganese, iron, copper and gypsum in addition to oil and gas available in these areas. Marble, manganese, chromite and emeralds are found in Bajaur while Mohmand region is rich in marble, chromite, silica sand, dolomite, manganese, quartz, feldspar and emeralds. Similarly, Khyber area is rich in marble, barite, graphite, soapstone, limestone, oil, gas and bastnaesite (rare earth mineral).

Orakzai region has coal, iron ore and oil and gas while Kurram belt has soapstone, coal, marble, magnesite, iron ore, lead, oil and gas. North Waziristan has huge resources of copper, gold, nickel, manganese, chromite, magnesite, granite (dimension stone) and oil and gas. The public sector authorities responsible for mineral exploration have so far identified 19 different minerals in NMDs. In addition, the South Waziristan region is rich in copper, gold, chromite, marble, granite, oil and gas. Directorate General of Mines and Minerals along with other relevant government departments can play a vital role in development of this key sector.

Key issues & challenges regarding this sector are discussed below;

#### 2.1.1 Regulatory Issue

Following interventions are required in the regulatory regime for this sector;

##### 2.1.1.1 Regulatory Issue – Mine Lease

Mine lease allotment in NMDs is done through Ijlas-e-Aam (community meeting) where leases are allotted through voting by the community. Personal rift of the community with the investor can create hurdles for potential investor. Furthermore, the lease allotment process is very complex which discourage potential investors.

***Intervention – Medium Term***

The Mine Lease allotment process in KP is much easier and transparent due to the promulgation of KP Mineral Governance Act, 2017. It should be extended to NMDs immediately, contextualized with the prevailing ground realities in the NMDs.

***Responsible Departments***

Mines & Minerals Department. Law Department, Trade bodies

**2.1.1.2 Regulatory Issue – Contract enforcement**

Local investors are willing to form Joint ventures with international investors/firm for mining in NMDs, however the relevant line departments lack expertise in development, enforcement and management of international agreements/contracts.

***Intervention – Short Term***

It is recommended to establish a special desk operated by the officer(s) who has the expertise and knowledge on local / international laws and regulations on development, enforcement and management of international JVs and or agreements/contracts to facilitate foreign and local investors.

***Responsible Department***

Mines & Minerals Department, KPK Police, KPBOIT

**2.1.1.3 Issue –Mining Disputes**

Investment in the mining sector in NMDs is halted by frequent disputes of investors with local community and relevant line departments.

***Intervention – Medium Term***

An independent “Mineral Magistracy System/Tribunal” should be established for Mineral Sector. This will help in quick resolution of mineral related disputes; smooth mining activities besides encouraging private sector to make new investments in mineral sector of merged areas.

Furthermore, relevant Laws/Acts & Policies such as Mineral Ownership Act, Contract Enforcement Act and etc. should be immediately extended to NMDs

***Responsible Department***

Mines & Minerals Department, KP police, law department, district administration

## 2.1.2 Skills Development Issues

The following key interventions are required related with skills development in the sector.

### 2.1.2.1 Issue – Modern Mining Techniques/Skills

The current workforce in the mining industry lack relevant skills/ updated knowledge to carry out mechanized mining or frequent repair of machinery & equipments.

#### *Intervention – Medium Term*

Introduction of comprehensive training programs on marble quarry operation & management as well as on repair of machinery and equipment in major mining areas.

#### *Responsible Department*

An initiative to be lead by DGMM in coordination with TEVTA, SMEDA & Donor agencies

### 2.1.2.2 Issue – Industry Academia Linkage

The university graduates of geology and mining engineering lack required practical skills. Further, the research and development in universities are not focused towards local potentials.

#### *Interventions- Medium Term*

Practical experience should be made mandatory for award of degree program for geologists and mining engineers. The degree and practical experience should be more focused on local potentials and resolving local industry issues.

#### *Responsible Department*

HEC, TVET Institutes, Universities and Local business associations

### 2.1.3 Issue – Technology

Most of the mining is done using primitive mining method due to high cost of modern mining machinery and lack of financing options available to buy modern machinery.

#### *Intervention – Medium Term*

Ensure availability of modern machinery on rent, leasing basis and machinery in form of pools. SBP should intervene to provide subsidized Islamic financing options to miners to purchase modern mining extraction machinery which will

reduce mining losses, optimum utilization of mineral reserves and friendly in protecting/preserving environment. Further skill development of local people is required to support repair and maintenance of modern machinery and equipments.

Banks should develop and extend sector specific financial products to facilitate the sector.

***Responsible Department***

PMDC, PASDEC, DGMM, SBP, Commercial and banks.

#### **2.1.4 Issue – Access Roads**

Lack of basic mines to markets road infrastructure

***Interventions – Long Term***

The DGMM KP in collaboration with concerned departments should assess & develop access roads to major mining areas (existing & potential) in the NMDs. Model of Public-Private Partnership & reimbursement of infrastructure development cost as royalty should be explored.

***Responsible Department***

P & D Department Government of Khyber Pakhtunkhwa, DGMM, Ministry of Communication & Ministry of Commerce Government of Pakistan

#### **2.1.5 Issue – Special Industrial Zones**

Absence of Specialized Industrial Estate/Zone

***Interventions – Long Term***

In order to enhance optimum utilization of indigenous resources in the region, specialized industrial estates should be established in major mining/processing hubs. Besides, establishment of new marble industrial estates, existing industrial zone such as Mohmand Marble City (MMC) should be operationalized on immediate basis as it will serve as a model project which can be replicated in other areas.

***Responsible Department***

KPEZDMC, Industries Department Government of Khyber Pakhtunkhwa, SMEDA

## **2.2 Agri-businesses**

The total area of NMDs is 2.7 million hectares in which 8.3 percent is cultivated (0.227MH), far behind as compared to KP and other provinces. The average land holdings are 0.72 hectares and about 85% of farmers have less than two hectares of land. This insignificant proportion of land's utilization has put tremendous pressure on

farmland already with 19.3 persons per cultivated hector and 54 persons per irrigated hector<sup>1</sup>.

Maximum dependency on largely unskilled/ untrained work force, low productivity and using outdated cultivation methods, lack of storage facilities are some of the factors for low agriculture activity in the erstwhile FATA. However, enormous potential exists to raise the productivity of different crops in FATA. It is worth mentioning here that the current yield of wheat is 1,189kg/hectare, which can be raised to 3,500 kg/hectare. Similarly, the current yield of maize 1,084kg/hectare can easily be raised to 5,500kg/hectare, rice 9.8kg/hectare to 198kg/hectare, and vegetables from 4,180kg/hectare to 7,320kg/hectare.<sup>2</sup>

Numerous other agriculture products possess potential which can be unlocked with skilled labour and modern technology.

It is important to mention here that NMDs has strong potential in agribusiness and processing sectors. South Waziristan's WANA Tehsil has a splendid production of fruit and vegetable. It is estimated that WANA Tehsil is producing 50% of agribusiness of the entire erstwhile FATA. Meanwhile, 300,000 to 350,000 pine trees are located in the region and pine-nut business is on the rise in WANA Tehsil. According to estimates, the turnover of pine-nut business ranges between PKR 1.5 billion to PKR. 2.24 billion. Similarly, apple is yet another product with a huge potential to grow.<sup>32</sup>

Livestock is another important livelihood sector in NMDs. The total number of livestock including poultry is approx. 15.35million, while the number of large and small ruminants is 2.420 and 5.488 million respectively. Free grazing in lands is the main source of fodder for the livestock.<sup>43</sup> Small ruminants on average produce 2 kg wool in a lifecycle as compared to 4.6 kg per sheep in some of the developed countries.

Due to fragmented agricultural marketing and non-availability of cold storage facilities, agriculture produce is unable to fetch good prices and face high post-harvest wastage due to unavailability of cold storage units at potential areas. Development facilitation including agricultural productivity improvement and availability of cold storage facilities should be established in the potential areas to provide services such as Common Facility Centers (CFCs) for the farmers and traders of horticulture/agriculture products.

An exercise for registration and identification of farms should be carried out to determine the number of farms connected to the power grid network and to assign them the proper agricultural electricity code. Further, this will also help in determining number of animals and farms in the region. Also, solar power operated tube-wells with

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<sup>1</sup>For potential yield data: National Uniform Yield Trials (NUYT) NARC, Islamabad and Agriculture Research System, Khyber Pakhtunkhwa

<sup>2</sup> Dr Yasir Kamal, Sector Study on demand driven competency-based Training in Potential sectors of FATA (2018) – GIZ

<sup>3</sup>

<sup>43</sup> Agriculture Policy for FATA (2015) Government of Pakistan FATA Secretariat and the Food and Agriculture Organization of the United Nations

drip irrigation system on matching grants 80:20 basis should be promoted, and support extended to farmers for Bio-Gas Generation and electricity generation for dairy farms with a sufficient herd size.

Following issues were highlighted in this sector and interventions were suggested to overcome these issues:

### **2.2.1 Issue – Infrastructure**

There is lack of specialized trading zones (Mandis) for trade of agriculture produce.

#### ***Intervention – Medium Term***

Though, Government has developed a state-of-the-art center (mandi) in South Waziristan but such Mandis should be established in each district in order to facilitate local growers/producers.

#### ***Responsible Department***

Agriculture Department Government of Khyber Pakhtunkhwa

### **2.2.2 Issue – Post Harvest Losses**

Post-harvest losses are in abundance due to long distances from farm to markets/non-availability of Technology and absence of storage infrastructure.

#### ***Intervention – Medium Term***

A Cold Chain needs to be established including cold storage and refrigerated vans. Furthermore, Fruit ripening technology should be introduced in NMDs. Trainings on post-harvest product handling must be provided.

#### ***Responsible Department***

P & D Agriculture Departments Government of Khyber Pakhtunkhwa, Private sector, SMEDA.

### **2.2.3 Issue – Lack of Integrated Development**

#### ***Intervention – Medium Term***

An integrated value chain development packages should be developed and executed with focus on key value chains in the NMDs i.e. Apple, Dates, Apricot, Olive, Apiculture and etc.

#### ***Responsible Department***

Agriculture and Industries Departments Government of Khyber Pakhtunkhwa, SMEDA, Local Associations

#### **2.2.4 Issue – Training and Capacity Building**

Cultivation is done by farmers without having the required skills and knowledge about the suitability of the climate, material or knowledge of high value crops.

##### ***Interventions – Short Term***

Capacity building of farmers should be carried out on basic agronomic practices to improve efficiency and production. Introduction of cost-effective low-tech methods for e.g. Plastic Mulching to allow farmers to improve efficiency with lower production overheads thus increased profit margins.

##### ***Responsible Department***

Agriculture department, Government of Khyber Pakhtunkhwa

#### **2.2.5 Issue – Skills Development**

Following key interventions are required in relation to skills development.

##### **2.2.5.1 Issue – Farm Productivity**

Due to poor farm productivity livestock cost has increased per unit cost because of low yielding breeds and unawareness about accurate feed formulation.

##### ***Interventions***

Training to the farmers should be provided on modern dairy farming techniques about watering, breeding, feed formulation, calving etc.

##### ***Responsible Department***

Agriculture and Livestock Department, Government of Khyber Pakhtunkhwa

##### **2.2.5.2 Issue – Skills**

Although Training facilities and farm inputs are available at Farm service centers, but SME scale farmers cannot benefit due to deficiencies in products and services delivery mechanism, as the support provided is suited for large-scale farmers. For example heavy machinery is available while small growers need small machineries and equipment which are not available.

##### ***Interventions – Medium Term***

Grower co-operative groups should be established to allow farmers to achieve economies of scale when it comes to purchasing inputs. These co-operative groups can then be assisted in order to turn them into mature specialist growers of certain produce. Furthermore, optimum Farm inputs on subsidized rates should be available at Farm services centers. Availability of Private farm inputs marketers at farm services centers should also be ensured.

***Responsible Department***

SMEDA, Agriculture Department Government of Khyber Pakhtunkhwa and Local Associations

**2.2.6 Issue – Banking and Finance**

Land record is not available in NMDs with limited verification by concerned Tehsildar. Therefore, financing from banks cannot be availed due to lack of collateral.

***Interventions – Medium Term***

Government as well as commercial banks should extend their banking services to the region. Government should take steps for documentation of land records through engagements local malaks and administration.

***Responsible Department***

SBP, Government and Commercial Bank, Land & Revenue Department, District Government

## 2.3 Transport Sector

The transport sector is an important component of the economy and a common tool used for development. Transport sector plays a significant role in the socio-economic development of any region. The development of transportation system is included within the scale and context in which they take place, from the local to the global and from environmental, historical, technological & economic perspectives. Economic activities cannot take place without an infrastructure base.

In the erstwhile FATA, transportation is the key sector with potential of growth & employment creation. Maximum business sectors in NMDs are dependent on the transportation infrastructure, but due to poor roads network in the Newly Merged Districts, the sector has not been utilized to generate economic activities at its full potential. The absence of appropriate road infrastructure results into lack of connectivity of SMEs of NMDs with the mainland.

The issues faced by transport sector of NMDs and suggested interventions are as follows:

### 2.3.1 Issue-Infrastructure

Absence of infrastructure for transport sector such as trucking area, automobile workshops & storage/warehouse facilities, containers handling & other allied amenities which are required to promote the cross border trade (Imports/Exports) at Pak-Afghan Border.

Absence of tourism

#### *Intervention – Long Term*

Establishment of additional excise facilitation desks at assigned places in NMDs to facilitate of transport sector.

Establishment of trucking areas, warehouse/storage facilities, containers handling & other allied amenities in NMDs would enhance the trade & investment mobilization as well as create employment opportunities. It will also enhance technical skills of youth in NMDs.

#### *Responsible Department*

Excise and Transport Department Government of Khyber Pakhtunkhwa, Ministry of Communication and Ministry of Commerce.

## 2.4 Light Engineering

Light engineering industry can play a vital role in economic development of any economy and is even more relevant in case of low performing economies like NMDs. There is a lot of potential in the NMD in light engineering sector since it requires low initial investment and SME owners can start-up businesses without incurring major borrowings from financial institutions. In NMDs, significant potential exists for light engineering sector such in the area of agriculture tools, spare parts for automobile industry, mining equipment, hydro power equipment. However, it requires training and certification institutes and government backing to make it a revenue generating source for the economy. The current level of skills in this sector has significant room for improvement.

The provincial Government can improve the situation with introduction of a development project like Pak Holland Metal Project or Pak Swiss Light Engineering project within NMDs specializing in a certain product range, like OVOP of China and Thailand.

Key issues & challenges regarding this specific sector in the NMDs were discussed as given in the following table:

### 2.4.1 Issue - Technology

Obsolete technology is being used for manufacturing in light engineering sector and mostly hand tools for making products.

#### *Intervention- Medium Term*

Outdated machines should be replaced by latest and energy efficient machines. The Government should provide support to this sector by arranging latest imported technology. Sector specific Financing schemes should also be introduced to boost this sector.

#### *Responsible Department*

TVETA, Commercial banks, Industries Department Government of Khyber Pakhtunkhwa

### 2.4.2 Issue– Skills

Workers in the Light Engineering industry mostly relying on conventional skills inherited from their forefathers, and they lack knowledge of innovative methods of manufacturing. Furthermore, there are no facilities for training workers and polishing skills of existing workers.

#### *Interventions – Medium Term*

Introduction of new trades in the sector, arranging Training of Trainers for technical & vocational institutes, up-gradation of GTIs

***Responsible Department***

Industries department, TEVTA, SMEDA,

**2.4.3 Issue–Business Association**

Absence of Light Engineering manufacturing Association/Trade body

***Intervention – Short term***

Formation of association for Light Engineering sector

***Responsible Department***

SMEDA, Local Business Community, Industries Department Government of Khyber Pakhtunkhwa.

### 3 Conclusions and Recommendations

The ECDF forum is playing a positive role in the development of NMDs. SMEDA has successfully conducted series of meetings of different thematic groups from August 2019–February 2020. The key issues pertaining to each specific thematic area and most viable interventions for prioritized sectors for economic development of the NMDs have already been identified and validated. The key policy intervention document, including the project briefs, will be updated regularly with further inputs from key stakeholders and policy makers. Recommendations made by the forum will result in improvement in THE overall economic well-being of the area, as it has been prepared and validated by some of the key resources amongst the stakeholders. The ECDF forum has adopted an inclusive approach and has ensured the participation of youth and women in each consultative workshop.

It is important to mention here that some of these interventions will be from medium to long term. Hence, in order to maximize the benefits, this forum should continue for the next three years. It is proposed that there should be annual reviews of the progress made against various interventions and a robust monitoring and evaluation system should be in place. Additionally, some of the plans may be realigned and customized in order to achieve the desired long-term objectives.

Based on all the findings and research work done by the thematic group and sub-committee members for specific sectors, it is recommended that the provincial Government nominates focal persons from the relevant departments to ECDF, with responsibilities to initiate master planning road networks for Farm to market and Mines to Market and development of skills and economic infrastructure in Agriculture, Livestock and Mineral development as recommended by the ECDF. Similarly, to achieve social and economic development for the people of that area, Industries and P&D department must ensure availability of adequate resources for Agribusiness Zones, Industrial/Mineral processing Estates and Special Economic Zone through their ADP. The members of ECDF and along with the focal person should meet at least on quarterly basis to review the progress against the set benchmarks.

Additionally, the Government of Pakistan is also called upon to take all such measures, at appropriate levels, including the reflection of this plan, in the PSDP particularly for major road works and for other key areas highlighted by the forum.