



Industrial Policy 2020-2030

“Revised Industrial Policy for Khyber Pakhtunkhwa”

***Revival, Rehabilitation, Growth and Competitiveness
(RRGC)***

Draft for Stakeholder Consultations

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Glossary of Key Terms

ADP	-	Annual Development Programme
BOI	-	Board of Investment
BRI	-	Belt and Road Initiative
BOK	-	Bank of Khyber
CASA	-	Central Asia South Asia
CAREC	-	Central Asia Regional Economic Cooperation
CPEC	-	China Pakistan Economic Corridor
EoDB	-	Ease of Doing Business
FATA	-	Federally Administered Tribal Areas
FTA	-	Free Trade Agreement
EZ	-	Economic Zone
IC&TE	-	Industries, Commerce and Technical Education
KP	-	Khyber Pakhtunkhwa
KP BOIT	-	Khyber Pakhtunkhwa Board of Investment and Trade
KP BOS	-	Khyber Pakhtunkhwa Bureau of Statistics
KP EZDMC	-	Khyber Pakhtunkhwa Economic Zones Development & Management Company
KPOGCL	-	Khyber Pakhtunkhwa Oil & Gas Company Limited
KP SDS	-	Khyber Pakhtunkhwa Sustainable Development Strategy
KP SEZA	-	Khyber Pakhtunkhwa Special Economic Zones Authority
KP TEVTA	-	Khyber Pakhtunkhwa Technical and Vocational Training Authority
LG&RDD	-	Local Government and Rural Development Department
MNE	-	Multinational Enterprise
NMD	-	Newly Merged Areas
PBS	-	Pakistan Bureau of Statistics
PEDO	-	Pakhtunkhwa Energy Development Organization
PHED	-	Public Health Engineering Department
PKS	-	Pakhtunkhwa Karobar Scheme
PPP	-	Public Private Partnership
PSIC	-	Pakistan Standard Industrial Classification
SBP	-	State Bank of Pakistan
SDGs	-	Sustainable Development Goals
SEZ	-	Special Economic Zone
SIDB	-	Small Industries Development Board
SME	-	Small and Medium Enterprises
SMEDA	-	Small and Medium Enterprises Development Authority
TAPI	-	Trans Afghanistan Pipeline
TMA	-	Tehsil Municipal Administration
WSSC	-	Water and Sanitation Company

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Chapter 1

1. Executive Summary

The Province of Khyber Pakhtunkhwa is blessed with a myriad of natural resources and has tremendous potential to strengthen, grow and make its industrial sector competitive to improve its economy and create employment opportunities. Due to various reasons in the past that include location disadvantage due to long distance from the port (increasing cost of imports and exports besides major consumer market in the down country), security challenges, lack of requisite infrastructure, energy crisis, financial constraints, and the absence of a systematic mechanism for ease of doing business, the industrial sector could not achieve the expected growth trajectory. However, the situation has considerably improved with strong commitment by the Government to allocate resources and develop the industrial sector.

In the same pursuit, the Government has also laid a strong emphasis on developing a convenient and integrated platform for ease of doing business to facilitate the prospective investors. Furthermore, with significant improvements in infrastructure due to investments made through China Pakistan Economic Corridor (CPEC), the investment climate in the Province of Khyber Pakhtunkhwa is extremely promising. A special focus is also being given towards development of Special Economic Zones (SEZs) and Industrial Zones to create clusters of Industrial excellence to jump start growth of industries.

The challenge is now to create an enabling environment and have a policy framework that encompasses and addresses the negative trends, rationalizes the disproportionate economic growth, address environmental concerns, ensures revival of sick industries and equitably spread of economic dividends resulting in an inclusive and sustainable industrialization across the Province.

This policy makes an attempt to prioritize and incentivize industrial sectors and create a "**Pull Factor**" for investors to form joint ventures with local investors, invest in utilizing indigenous natural resources, bring new technology, invest in labour intensive and export oriented industries, and add value to local products. To embark on a journey of rapid industrialization, availability of quality infrastructure facilities become necessary. Therefore, this policy stresses on the importance of developing the critical infrastructure facilities through the Public Private Partnership (PPP) process which will help the Government to optimally utilize its resources while extending full facilitation to the prospective investors.

The policy supports human resource development, innovation and create a supply chain to capitalize on the many potential opportunities available in Khyber Pakhtunkhwa Province (including Newly Merged Districts), to strengthen and make the environment competitive for investment and rejuvenate the industrial sector. The key areas of focus and the priorities of the Government of Khyber Pakhtunkhwa are reflected in this policy which are structured under three pillars, namely, revival & rehabilitation, growth, and competitiveness. The policy also outlines the key barriers/challenges under each pillar and makes recommendations to overcome those barriers while also achieving the overall objectives of the policy through actionable targets.

2. The Need for Revised Industrial Policy

One of the core objectives of including an attractive incentive framework in Industrial Policy 2016 was to encourage investors to invest in a Province that had just recovered and achieved stability since it was previously marred by a deteriorating law and order situation. A dire need for a new well crafted realistic industrial policy has been felt, to address the deficiencies observed or experiences in the Industrial Policy 2016. More importantly through 25th Constitutional Amendment, the erstwhile federally administered tribal areas have been converted into settled areas and require special attention for their socio-economic development. Moreover, there was less response shown by investors to consider Khyber Pakhtunkhwa as their preferred destination for investment.

There were certain shortcomings and challenges that surfaced during the process of rapidly industrializing the Province of Khyber Pakhtunkhwa among which the major ones include:

- i. Lack of systematic framework for ease of doing business and one window facilitation
- ii. Delays in provision of critical utilities such as electricity and gas
- iii. Constraints in carrying out developmental activities i.e. Land acquisition and Infrastructure Development as well as incentives.
- iv. Implementation mechanism of the industrial policy, 2016
- v. Availability of Land record
- vi. High cost of land

Furthermore, with the integration of newly merged districts of erstwhile Federally Administered Tribal Areas (FATA) with province of Khyber Pakhtunkhwa, an immediate need was felt to revisit the Industrial Policy 2016 and revise it in a manner to equitably distribute the foreseen economic dividends of industrialization to the newly merged districts. The newly merged districts are rich with natural resources, which can be capitalized through provision of infrastructure, investment in human development, and growing an industrial base in a strategic manner.

One of the most important instruments for attracting investment throughout the world have been Special Economic Zones (SEZs) and therefore, they have become an important ingredient in many industrial policies. With a strong emphasis of Federal Government to leverage the development of SEZs in CPEC portfolio for economic growth and job creation, it is imperative to have a policy in place which reflects the priorities of Province of Khyber Pakhtunkhwa and its human work force to benefit from strategically locating and developing SEZs to achieve balanced industrial growth leading to economic prosperity and employment opportunities. It is important to consider making the SEZs competitive so that there are ample reasons for investors to prefer investing in SEZs that are located in Khyber Pakhtunkhwa and in Pakistan. Furthermore, to ensure equal opportunities and avoid disparity (having disproportionate incentive frameworks in) across the different districts within the Province of Khyber Pakhtunkhwa, development of SEZs can play an important role. Since development of SEZs and providing the supporting infrastructure for SEZs is a resource intensive proposition, therefore, the option of Public Private Partnerships (PPP) will be used whereby the Government of Khyber Pakhtunkhwa through its various agencies can play the role of a facilitator and encourage the private investors to

invest in developing new SEZs as well as the supporting infrastructure. For such interventions to be effectively planned and streamlined, the Industrial Policy 2016 was revisited and a more integrated approach is being recommended in the revised policy.

The construction of five millions houses (750,000 houses share of KP) under **Naya Pakistan Housing Scheme** also opens an opportunity for revival and growth of investment in Construction Industry. The policy is also focusing on Construction industry as a priority sector.

This revised policy however builds on those elements of Industrial Policy 2016 that are still relevant while leaving out those that have become extraneous or impractical in the current investment climate and due to resource constraints of the Provincial Government. The Policy 2020 also reflects new key priorities and follows a more structured approach while offering a lot of value for prospective investors to consider the Province of Khyber Pakhtunkhwa as their next preferred investment destination.

3. Regional Context

The industrial cooperation under CPEC provides Khyber Pakhtunkhwa a great opportunity to jump start the industrialization process. the Rashakai prioritized SEZ is the only SEZ in CPEC portfolio that is being done in BOT mode with Chinese state owned enterprise and is like to bring JVs. Similarly, Chinese labour is graduating from low-paying to high-paying jobs, along with introduction of improved labour laws, the labour costs are also rising sharply. The average labour cost of an operational hour in the coastal and inland regions of China is thrice the cost in Vietnam and Pakistan. These pressures are compelling Chinese manufacturers to look elsewhere to relocate. For now the Chinese focus seems to be on Vietnam, Myanmar, Cambodia, Indonesia and Bangladesh. But through the industrial policy KP can leverage its natural endowments and low cost Human Resource to attract Chinese Industries to relocate to our province. The sunset industries in China are being pushed out due to overcapacity, rising production costs and environmental factors. These include copper, aluminum, cement, papermaking, textiles, iron and steel, light engineering and low-end motors and machines. While smelting would need abundant availability of inexpensive energy, the potential exist in agri-businesses, food processing, mining, cement, light industrial products and transportation machinery, household appliances and some of the other sunset industries can very well be relocated to KP. Moreover, industries in Khyber Pakhtunkhwa can benefit from the recently enacted **Free Trade Agreement (FTA-II)** with China implemented w.e.f. 1st January, 2020.

To promote regional cohesiveness, trade and integration between the Central Asian countries leading to accelerated economic growth and poverty reduction, the Central Asia Regional Economic Cooperation (CAREC) program was started. It consists of 11 countries including Pakistan and has mobilized US\$34.5 Billion to lay the groundwork for economic corridor development¹. Central Asian markets have immense potential and if products and good produced in Pakistan are marketed properly and strategically, exports can be increased significantly when directed to those markets. The Khyber Pass Economic Corridor (KPEC) is also one of the part of CAREC routes connecting Pakistan to Central Asia via Khyber Pakhtunkhwa. Therefore, in the regional context, the Industrial Policy 2020 objectives are mapped with the key themes of the CAREC strategic framework 2020 and 2030.

4. Vision

To economically empower the Province of Khyber Pakhtunkhwa through balanced and sustainable industrial growth while capitalizing and building on the indigenous endowment leading towards equitable distribution of socio-economic dividends, job creation and inclusive economic growth.

5. Policy Scope

- i. This Policy applies to the Province of Khyber Pakhtunkhwa including the newly merged districts.
- ii. The Policy scope includes skilled man power development, management and rehabilitation of small and large industrial estates, support to SMEs, investment attraction and facilitation, environmentally friendly industrial development, training and investing in industry relevant skills, and infrastructure development for industrial sector.
- iii. The policy recognizes and respects other policies that encompass the safety and rights of the labour force and gender rights in the workplace.
- iv. Ownership of the policy will remain with the Government of Khyber Pakhtunkhwa
- v. Facilitating Ease of Doing Business (EoDB) for industries.

6. Policy Objectives

- i. Increase Competitiveness of the Industrial Sector in Khyber Pakhtunkhwa including NMDs.
- ii. Provide conducive environment for collaboration to develop indigenous products and technology.
- iii. Promotion of SMEs and Cottage Industries in Khyber Pakhtunkhwa.
- iv. Utilize the mines and mineral base of the Province towards added economic and competitive advantage, in a sustainable manner.
- v. Create a critical mass of quality & skilled human resources (demand based, and emerging trends based) and leverage it to improve productivity.
- vi. Direct efforts to encourage women and those from marginalized groups to participate in the workforce and contribute to the industrial growth.
- vii. To create pull factor and friendly environment for encouraging relocation of international companies towards Khyber Pakhtunkhwa Province.
- viii. Creation of ample employment opportunities.
- ix. Create new and modern Economic Zones and Special Economic Zones to attract local and foreign investors to set up industries and businesses.
- x. Improve ease of doing business and provide convenient access to services through an operational and effective one window facilitation framework.
- xi. Improve the overall governance/regulatory landscape to facilitate foreign investment.

- xii. Focus on environmental safety through policies intervention related to industry and climate change.
- xiii. Rehabilitate the sick /closed industrial units by taking necessary remedial measures.
- xiv. Improve infrastructural facilities and extension services in the existing industrial estates.
- xv. Break stereotypes about labour as a male activity and actively encourage women to participate in the industrial activities, workforce and benefit from the rewards and output of industrial activity.
- xvi. Ensure that the local population are the main beneficiaries of the industrial development of the NMDs.

Chapter 2

7. Policy Pillars

The foundation of revised Industrial Policy is structured on three pillars that reflect how the industrial sector is envisaged to be nurtured and shaped to grow the economy and create employment opportunities.

7.1. Revival and Rehabilitation

7.1.1. Provide support to revive the sick/closed units where possible

Where we are

- i. Discrimination between districts and provinces.
 - a. Taxes
 - b. Provision of utilities
- ii. Obsolete technology and methods
- iii. Cluster of Major Closed Industries (in existing Industrial Estates)

Industry	No	Major/ Common Reasons of Closure
Steel Industries	34	i. Instability in Government policies
Plastic Products	26	ii. Financial Mismanagement/Financial non inclusion
Pharmaceuticals	16	iii. Lack of Entrepreneurship/Management Skills
Textiles	13	iv. Start of Business without pre-planning
Food Industries	13	v. Unavailability of Skilled Work force
PVC Pipes	12	vi. Trend Adaptation

Where we want to be

- i. Effective and Robust Supply Chain.
- ii. Restoration of confidence of entrepreneurs for revival/rehabilitation of their industries.
- iii. Provision of uninterrupted utilities (Electricity, Gas) through close coordination with stakeholders.
- iv. Revival of at least 25% closed / sick units in next five years.

How we will reach there

- i. Exploring avenues for Joint Venture with Foreign and Local Investors.
- ii. Branding of Khyber Pakhtunkhwa as preferred investment destination for investment in sick and dead industrial setups and create feasible climate for revival/rehabilitation.
- iii. Mapping / survey of sick / closed / dead units in the province within 6 months by KP-BOIT, KPEZDMC, SIDB and Directorate of Industries.
- iv. On the basis of survey identification of units for revival
- v. Provision of financial and non-financial incentives for revival of sick/closed industries.
- vi. Developing mechanism with Provincial and Federal Agencies for uninterrupted utilities.

7.1.2. Improve the infrastructure and allied facilities to cater to the growing demand of existing industrial estates and Economic Zones

Where we are

- i. Non-Standardized designs for Industrial Units and Warehouses.
- ii. Lack of quality road network.
- iii. Issues of uninterrupted provision of utilities.

Where we want to be

- i. Ensure Provision of utilities.
- ii. Efficient Waste management.
- iii. Better Road Network.
- iv. Automate registration and other regulatory processes.

How we will reach there

- i. Implementation of improvement of infrastructure and allied facilities through management board of existing industrial estates and by participation of the private sector.
- ii. Provision of electricity by wheeling under NEPRA (wheeling of electric power) Regulations, 2015 (For direct sales, the power producers shall be required to pay "**Wheeling Charges**" or "**Use of System Charges**", determined by **NEPRA**, for the use of transmission and/or distribution grid network employed, to transport power from the plant to the purchaser).
- iii. Setting time lines for provision of utilities (6 months from application for utilities).
If the utilities not provided within the specific timeline:
 - **D1** An investor approaches KP-BOIT.
 - **D5** KP-BOIT approaches relevant Department for their input.
 - **D20** If the issue pertain to the Federal Government KP-BOIT will coordinate / arrange stakeholder meeting.
 - **D30** In case matter not resolved at KP-BOIT level the same will be referred to implementation and oversight committee.
- iv. Phase wise improvement of infrastructure through PPP and ADP.

7.2.Growth

7.2.1. Provide an effective framework for One Window Facilitation to facilitate investors

Where we are

- i. Scattered Information.
- ii. No facilitation desk across industries to address issues related to Government functionaries.
- iii. Involvement of various stakeholders.

Where we want to be

- i. One Stop shop -at KP-BOIT.
- ii. Wider co-operation and collaboration amongst stakeholders.
- iii. Facilitation of local and foreign companies to invest in Khyber Pakhtunkhwa.
- iv. Use of digital technology and digitalization for better interaction and coordination.

How we will reach there

- i. Strengthening and projection of KP-BOIT as one stop shop.
- ii. Strong linkages and coordination between Industries, Business Community, Government and Academia.
- iii. Market access for foreign investments.

7.2.2. Equitable and Strategic development of Industrial Zones, SEZs and Sector Specific SEZs

Where we are

- i. Financial Constraints in development.
- ii. Hattar, Mohmand and Rashakai SEZs are being promoted under CPEC.
- iii. Focus is developing towards sustainable industrial development.
- iv. PPP mode is least practiced in KP.
- v. Lack of capacity of Concerned Departments regarding PPPs.
- vi. Currently in the Province there is lack of modern Logistics Parks, however some dry ports are operating in traditional ways.
- vii. Reluctance of Commercial Banks for financing in KP.
- viii. Efforts are on the way towards development of Mohmand Industrial Estate as sector specific SEZ (Marble City).
- ix. Districts of Khyber Pakhtunkhwa and that of Newly Merged Areas have different resources where industries based on specific resources can be establishment.
- x. Gap exists between existing and required technical skills in terms of new technology.
- xi. Non availability of R & D and Innovation structure.
- xii. Slow technology adoption.

xiii. Duplication in regulatory framework (e.g. taxes, NoCs, Licenses etc).

S.No	Department	Nature of Regulations	Duplication With	Recommendations
01	KP Food Safety and Halal Food Authority	Licensing of food businesses	Duplication with Trade Tax relating to food businesses by TMA's (LG & RDD)	Mandate of KP-Food Safety & Halal Food Authority.
		Registration & Enforcement of Food Industries	Pakistan Standards and Quality Control Authority	Mandate of KP Food Safety & Halal Food Authority as it is a Provincial Subject.
02	LG & RDD (TMA's)	<ul style="list-style-type: none"> i) Tax on mutation of immovable properties ii) Trade Tax iii) Development cess iv) License fees etc. 	Excise & Taxation, KPFS&HFA	Required to avoid duplication between LG&RD, Excise & Taxation & KPFS&HFA
		<ul style="list-style-type: none"> i) Permission for Water & Sewerage connections to house holds & commercial units ii) Water user fee & collection iii) Bottled water regulation 	Jurisdictions issues between TMAs, WSSCs and Provincial Health Engineering Departments (PHEDs)	Required simplification
03	Labour	Weights & Measurement	Consumer Protection Cell (Industries Deptt)	Required simplification by assigning to one Agency.

xiv. Current states of Industries in Industrial Estates (KPEZDMC).

Total Units	1286
Operational Units	900
Closed	300
Under Construction	64
Number of Workers (Male)	6401
Number of Workers (Female)	3897

- x. Districts mainly covering Peshawar, Nowshera, Swabi (Gadoon) and Haripur (Hattar).
- xi. Existing Clusters of 5 top industries in Industrial Estates.

Industries	Numbers
Pharmaceuticals	97
Plastic Industries	79
Marble & Granite	67
Steel Industries	59
Food Processing & Beverages	52

Where we want to be

- i. Establishment of EZ / SEZs across the Province in ten years including (but not limited to) the following:
 - a) Hattar SEZ Extension (1000 Acres)
 - b) Daraband (D.I Khan) SEZ (1500 Acres)
 - c) Mohmand EZ (350 Acres)
 - d) Nowshera Extension EZ (77 Acres)
 - e) Swat EZ
 - f) Buner EZ
 - g) Shahkas (KPEC route)
 - h) Chitral EZ
 - i) Ghazi
 - j) Jalojai
- ii. Establishment of at least two (2) SEZ's under PPP like Rashakai SEZ **in next five years.**
- iii. Effective governance system to help support rapid industrialization in the Province.
- iv. Establishment of Coordination and integration amongst the Government functionaries to facilitate investors / industrialization.
- v. Establishment of International standard Logistics Parks.
- vi. Easy access and availability of diversified credit lines by Commercial Banks to the Industries in KP.
- vii. Development of sector specific economic zones across different districts of the Province.
- viii. Development of competitive SMEs and Cottage Industry.
- ix. Preparing skilled workforce as per Industries demand.

How we will reach there

- i. **Promote Construction Industry besides Automobile, Pharmaceutical, Electronics, Home Appliances, Apparel, Transshipment, IT based industries as well as Food & Beverages and Labour intensive industries.**
- ii. Attraction of enterprises to invest/establish industries in economic zones.

- iii. Encourage private SEZs.
- iv. Encouraging PPP for development of SEZs.
- v. Industries based on indigenous resources.
- vi. Cluster based zones.
- vii. Reduce or equally spread out cost of land
- viii. Provide timely and appropriate infrastructure facilities.
- ix. Provide necessary utilities such as electricity and gas in a timely manner in close coordination with Federal Government to galvanize and expedite industrial activity.
 - x. To reduce processing time obtain connections.
 - xi. Minimizing the cost/fee for obtaining connections.
 - xii. Simple and comprehensive PPP legal framework.
- xiii. Capacity building of stakeholders for handling PPP framework.
- xiv. Coordination with national and international zone developers for establishment of SEZs under PPP / JVs.
- xv. Governance to support export led industry, import substitution and encourage joint ventures.
- xvi. Efficient and effective dispute resolution system. The grievance management process will be guided by the principal of fairness, objectivity and lawfulness.
- xvii. In parallel with planning for development of Special Economic Zones, modern international standards logistics parks will also be planned.
- xviii. To Encourage logistics companies to establish logistic parks.
- xix. Coordination with Commercial Banks for ensuring availability of financing with a special focus on Bank of Khyber.
- xx. Identification of feasible and viable locations for establishment of sector specific special economic zones.
- xxi. Encouraging both local and foreign companies to establish their units across different areas of the Province.
- xxii. By avoiding duplication in Regulations.
- xxiii. Establishment of effective structure of R & D and Innovation for Industries.
- xxiv. By adoption of emerging technology like Artificial Intelligence, Chinese Traditional Medicine, etc.
- xxv. Encourage local Investors / Industrialist to relocate the Industries to KP.

7.2.3 Support to SME's & Cottage Industry

Where we are

- i. No formal infrastructure of Cottage Industry.
- ii. Lack of financial support to SME's & Cottage Industry.
- iii. Non availability of mapping of Clusters of Cottage Industry.
- iv. Use of old technology and methods.

- v. 13 Small Industrial Estates (SIDB) across the Province.

SIE Peshawar	SIE Bannu
SIE D.I Khan	SIE Kohat
SIE Abbotabatd	SIE Mansehra
SIE Mardan I	SIE Karak
SIE Mardan II	SIE Charsadda
SIE Mardan III	SIE Dargai Malakand
SIE Khalabat	
Operational Units	598
Units under Construction	217
Total Plots Allotted	1680

- vi. 7 Wood Working Centers (WWCs) in Khyber Pakhtunkhwa.

Pak German	Karak
Mansehra	Chitral
Swat	Timergarah/Batkhela
Dera Ismail Khan	

- vii. 3 Women Business Development Centers (WBDCs) operating in Khyber Pakhtunkhwa.

WBDC Peshawar	WBDC Swat	WBDC D.I.Khan
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- viii. 21 Readymade Garment Centers (RMGCs) in Khyber Pakhtunkhwa.

Peshawar	Nandrak, Nowshera	Talhatta, Mansehra
Nasir Kili, Nowshera	Utmanzai, Charsada	Timergara, Lower Dir
Badrashi, Nowshera	Tordher, Swabi	Karak
Nowshera	Kotha, Swabi	Bannu
Pahari Kati Khel, Nowshera	Bakot, Abbottabad	Tank
Amangarh, Nowshera	Abbottabad	Singoor, Chitral
Akora Khattak, Nowshera	Jareed, Mansehra	Chitral

- ix. Development of Small Industrial Estate Abbottabad-II is in process.
- x. Land acquisition for establishment of SIE in Darra Adamkhel is in process.

xi. District wise Potential of Cottage Industries

Districts	Proposed Cottage Industries	Districts	Proposed Cottage Industries
Charsadda	1 Charsadda Chappal (Leather, Rubber) 2 Hand made Clothes (especially Khaddar)	Abbottabad	1. Pillow Covers 2. Cushions 3. Bed Sheets 3. Caps
Nowshera	Hand Made Embroidary 1 Embroided Dresses for females and children. 2 Embroided Chaadar for females 3 Bed Covers	Haripur	1. Phulkary (Silk Embroidery on women's shawls) 2. Handicrafts (Jisti, and cross stitch embroidery) 3. Graft Gallery
Peshawar	1 Chappal 2 Graft Gallery Service 3 Vaste Coats	Mansehra	1. Embroidery Stitching Unit
Chitral	1 Chitrali Topi 2 Stitching Unit (Home centres)	Mardan	1. Handicrafts (Mazri Products, Wooden Décor & Embroideries)
Dir	1. Knife (Chakoos) 2. Caps (Packol) 3. Furniture 4. Embroidary (ladies Garments, Purses, Hair Accessories, Azarband, Paranda)	Kohat	1. Leather cases and covers all type 2. Leather Sandals and Chappals 3. Mazri Products
Swat	1. Handicraft 2. Wool Spinning (Shawl etc.) 3. Embroidery	Karak	1. Leather cases and covers all type 2. Stitching Units
Swabi	1. Lady Shawls (Chail) 2. Wooden Furniture 3. Shoes 4. Pottery	Bannu	1. Leather Product 2. Foot Wears 3. Spices
Bajaur	1. Homemade Carpets 2. Wood Working Service	Dera Ismail Khan	1. Sohan Halwa 2. Embroidary

Where we want to be

i. Establishment of 19 Small Industrial Estates in **ten years**.

Peshawar-II (1000 kanal)	Orakzai (400 kanal)	Dir Lower (400 kanal)
Abbottabad-II (452 kanal)	Kurram (600 kanal)	Mansehra-II (450 kanal)
Darra Adamkhel (400 kanal)	Bannu-II (1000 kanal)	Swat (400 kanal)
Bajaur (500 kanal)	Karak extension (300 kanal)	Swabi (800 kanal)
Shakas, Khyber (500 kanal)	Hangu (500 kanal)	Mardan-IV (1000 kanal)
Wana, South Waziristan (800 kanal)	Kohistan (400 kanal)	Shangla (400 kanal)
Nourak, North Waziristan (1000 kanal)		

- ii. Establishment of state of the art Common Facility & Training Center in Darra Adamkhel in collaboration with Pakistan Hunting & Sports Arms Development Company (PHSADC).
- iii. Declaration of following SIEs as SEZs.

Abbottabad-II	Darra Adamkhel	Bannu-II	Shakas, Khyber	Mardan-IV
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- iv. To establish district wise clusters of SMEs and Cottage Industry (an area within five kilometer radius containing at least forty industrial units registered with FBR providing jobs to two hundred people collectively).
- v. Facilitation and development of competitive SMEs and Cottage Industry through a specialized cell at SIDB.
- vi. To make place for the products in National and International market.

How we will reach there

- i. Establishment of Cottage Industry Zones besides establishment of small Industrial Estates.
- ii. Establishment of a specialized cell at SIDB and KP-BOIT for promotion and facilitation of SMEs & Cottage Industries.
- iii. By focusing on Promotion and development of Small & medium Enterprises and Cottage Industry.
- iv. Ensuring availability of financing on easy terms & conditions.
- v. To encourage women entrepreneur in Cottage Industries, Carpet weaving, Gems, Jewelry, dress designing, shoe making and Furniture Industry.
- vi. Facilitation to informal industrial clusters (marble, food, electric turbines, handicrafts and dresses etc) through development of their communication, sewerage and infrastructure.
- vii. Establishment of SIEs through PPP.

7.2.4. Develop a critical mass of quality skilled men and women workers and leverage them to boost productivity (Improving Literacy Low to Medium Tier Skills)

Where we are

- i. Total number of institutes in the Province is 58.
- ii. Too many technical education entities at provincial and federal level (but limited data gathering mechanism regarding skills deficiency and skill requirement).
- iii. Total enrollment in different programmes in 2019-20;

S.No	Programme/Discipline	Enrolment
1	Diploma of Associate Engineering (DAE)	12914
2	Diploma in Information Technology (DIT)	2164

3	B.Tech	580
4	Competency Based Training & Assessment (CBT&A)	5173
5	NAVTTC	248
6	Traditional	4825
7	Technical School Certificate (TSC)	639
	Total	26539

Where we want to be

- i. Human resource equipped with modern and updated technical skills including artificial intelligence.
- ii. Availability of skills Resource as per requirement of industries.
- iii. Adoption of skills needed for Industry 4.0.

How we will reach there

- i. Integration of technical institutes with industries.
- ii. Attracting investment in vocational training.
- iii. Training / technical education as per need of the industry.
- iv. Setting of Model Vocational College in collaboration with Chinese Vocational Colleges for skills development under CPEC socio economic growth..

7.3.Competitiveness

7.3.1. Leverage the natural resources of the Province of Khyber Pakhtunkhwa to make its industrial sector competitive

- i. Hydel
- ii. Mines and Minerals
- iii. Oil & Gas
- iv. Food & Beverages Processing
- v. Cottage Industry
- vi. Sector Specific Zones (Based on identified District Strengths)

Where we are

- i. The Province is blessed with significant natural resources including industrial based mines and minerals.
- ii. The resources are not used up as per available potential.
- iii. Use of old technology (blasting etc).
- iv. Cost effective human capital available.

Where we want to be

- i. Establishment of industries based on available natural resources.
- ii. Enabling industrial sector of the Province to compete at international level.
- iii. Making the Province the hub of competitive industry.

How we will reach there

- i. Providing an enabling environment through policies restructuring where industry can survive and grow.
- ii. Reducing regulatory burdens on industrial units.
- iii. Provision of essential utilities to industries at reduced rates.
- iv. Encouragement of industries based on indigenous resources.

Chapter 3

8. Policy Connectivity: An Integrated Approach

The Industrial Policy 2020 has been made more effective by adopting an integrated and gender equality approach and pertinent connectivity is established with other existing policies and acts from which possible inputs into the Industrial Policy are identified along with the Departments to collaborate with. The connectivity with other policies and acts will certainly add value and assist in achieving the objectives of Industrial Policy 2020. Collaboration and co-operation amongst the stakeholders with aim to revitalize, reactivate or use idle capacities and linking it with exploration of new overseas market for export potential:

S. No.	Sectors / Policies	Inputs into the Industrial Policy 2020	Collaborating Department / Agency
1	Energy PEDO (Hydro Power Policy 2016) KPOGCL	<ul style="list-style-type: none"> ▪ Indigenous energy resource for sustainable economic growth through Hydro power generation, Oil & Gas and renewable energy ▪ Clean and economical dispatch of Electricity & Gas to Industrial Estates & SEZs ▪ Energy generation from recycling 	<ul style="list-style-type: none"> ▪ Energy Department ▪ Pakhtunkhwa Energy Development Organization [PEDO] ▪ Khyber Pakhtunkhwa Oil & Gas Company Limited [KP OGCL] ▪ Electric Inspectorate
2	Minerals Mineral Policy 2016 Mineral Governance Act, 2017	<ul style="list-style-type: none"> ▪ Mineral resource mapping ▪ Development of Mineral resources ▪ Facilitating access to reserves ▪ Value Addition 	<ul style="list-style-type: none"> ▪ Mines & Minerals Department ▪ UET Peshawar ▪ PASTIC
3	Taxation The Urban Immoveable property Tax Act, 1958 (KP-Finance Act, 2017) KP Finance Act; 2013	<ul style="list-style-type: none"> ▪ Facilitate / support in provision of Tax Credits to the businesses 	<ul style="list-style-type: none"> ▪ Excise & Taxation Department ▪ KPRA
4	Planning	<ul style="list-style-type: none"> ▪ Facilitate / support in strategic planning and appraisal of new initiatives. ▪ Formulation of statistical information in liaison with Federal & Provincial departments 	<ul style="list-style-type: none"> ▪ Planning & Development Department ▪ Directorate of Monitoring & Evaluation ▪ Bureau of Statistics ▪ Provincial and Federal Assemblies
5	Labor Management KP Factories Act 2013 KP Shops and Establishment Act 2015	<ul style="list-style-type: none"> ▪ Women, the poor and the vulnerable to have equal rights to economic resources, job opportunities and labour rights ▪ Facilitate / support to substantially increase technical and vocational trainings for employment especially non-traditional vocation for women 	<ul style="list-style-type: none"> ▪ Labor Department ▪ Directorate of Labor ▪ Employees' Social Security Institution [ESSI] ▪ Workers' Children Education Board ▪ Labour courts ▪ Social Welfare Department

		<ul style="list-style-type: none"> ▪ Women managers to be trained and encouraged across the sector 	
6	Science Technology and IT Digital Policy, 2018	<ul style="list-style-type: none"> ▪ Facilitate in formulating linkages to support economic growth. ▪ Facilitate / support to promote Ease of Doing Business and other initiatives for smooth industrialization. ▪ Implement a Digital Governance framework 	<ul style="list-style-type: none"> ▪ Science Technology and Information Technology ▪ Directorate of Science &Technology. ▪ KP Information Technology Board ▪ Universities
7	Public Private Partnership KP PPP Act, 2014 (under revision)	<ul style="list-style-type: none"> ▪ Provide guidelines on how to structure projects in PPP mode ▪ A way forward on how to process and approve feasible projects as PPP projects 	<ul style="list-style-type: none"> ▪ Planning and Development Department ▪ Public Private Partnership Cell

9. Environmental and Quality Compliances

Environmental Protection Act 2014 was passed by Khyber Pakhtunkhwa Assembly with the provision for the protection, conversation, rehabilitation, and improvement of the environment, monitoring, prevention and control of pollution.

The overall objective is establishment of higher quality integrated and eco-friendly industrial development. By creating an environment where processes, activities, inputs and outputs / products manufacturing and supplied to the market are of good quality and safe for consumers. Government of Khyber Pakhtunkhwa, through EPA (Khyber Pakhtunkhwa) will oversee that EIA and IEE are being complied to, in order to ensure that the requirements of Pakistan Environmental Legislation and National Environmental Quality Standards (NEQS) are being strictly followed in the industrial sector.

10. Social Considerations

This policy is focused on inclusive socio-economic development favorably impacting all citizens and protection of their social / cultural requirements. The main considerations are:

i. Inclusion of disabled people into Workforce

Disabled people are also the part of our population and their inclusion in the workforce is encouraged. Emphasize is on providing opportunities of training and development of disabled workforce. Vocational and technical trainings to enable them to acquire and enhance their skills will increase the employability of disabled human resource. In the industrial sector disabled workforce can work and contribute effectively in the Province.

ii. Good Labour Practices

Industrialization in the Province will be steered towards adoption of good labour practices, where protection and safe working environment for the labour will be priority and child labour will be discouraged. Relevant labour laws will be applicable ensuring rights of labours and the employees.

iii. Equal Opportunities

The policy supports a culture of equality where equal opportunities are available for both male and female population in terms of investment, doing businesses and employment. Enabling environment where people of all ages and genders have opportunities to contribute effectively towards development.

Chapter 4

11. Incentive Framework

While crafting incentives following best practices have been taken into account:

- i. Efficient: Achieve objectives with minimum revenue loss
- ii. Performance-based and subject to evaluation
- iii. For new setup / expansion and revival in priority industries and sectors only
- iv. Harmonized with national investment policies
- v. Non-discriminatory
- vi. Back-loaded rather than front loaded
- vii. Regionally competitive
- viii. The proposed Provincial incentives will be applicable on all Industrial Estates, Industries out side estates and on Industries established in NMDs by the local residents of NMDs and principally based on indigenous resources and inputs.

Proposed Incentives

Fiscal Incentives

1. Exemption from Provincial Electricity duty for new and expansion projects / industries.
2. Initial installation and BMR (balancing, modernization and replacement) facility for one time duty and tax free import of capital goods (plant and machinery).
3. Exemption of tax on the transfer of the sick unit property (only for Industrial purpose).
4. Repatriation of profit for foreign investors subject to prevailing laws and commitments.

Financial Incentives

1. 25% Concessions on land lease charges till break even or for a period of three years whichever is earlier.
2. In case of Government land, acquisition of land in installments over a period of 5 years with 25% down payment. (instead of upfront payment).
3. GoKP shall subsidize 15% of the transport cost one time (based on import document, enroute weighment document, toll receipts applicable for 20f container and above) from Karachi/Gwadar Ports to industrial site against import of plant and machinery for setting up new units. This subsidy shall be available for all new capital goods/plant and machinery reached into industrial sites for installation.
4. For women entrepreneurs, GoKP shall finance 25% of the equity investments subject to maximum of PKR 3.0 million per investor.

Non Financial Incentives

1. One stop shop one window facility jointly operated by KP-BOIT & KPEZDMC (for SEZ) (facilitation for licensing, registration, regulatory awareness & compliance).
2. Simplification of documentation procedures for different purposes.
3. Encouragement to SMEs for branding of their products.
4. Innovation-based diversification by SMEs through Government supported R&D.

Credit Incentives for SMEs

Option 1 SBP Refinance Schemes for SMEs (Should be Shariah Compliant)

- a. Refinance Facility for Modernization of SMEs
 - i. For modernization of existing units or setting up of new SME units
 - ii. Against local purchase/ import of new machinery
 - iii. Maximum financing tenor is 10 years including grace period of 6 months
- b. Refinance Scheme for Working Capital Financing of Small Enterprises & Low-End Medium Enterprises
 - i. Short term financing facility for selected SME sectors including IT, Furniture, Surgical goods, Dates processing, Gems and Jewellery, Leather industry, Fruits, Vegetables, Food processing, Packaging, Printing
 - ii. For maximum tenor of 1 year

Features

- i. Mark up 6% per annum (2% share of SBP and 4% share of Commercial Bank)
- ii. Maximum financing up to Rs20 million
- iii. Minimum Debt Equity ratio 70:30
- iv. Funds will be provided by SBP
- v. Financing will be through Bank of Khyber
- vi. Under SBP Prudential Regulations for SME financing

Provincial Gov't Role

- i. Financing will be available to SME on 2% mark up, rest of 4% will be borne by the Provincial Government. e.g. against the financing of Rupees 12.5 Billion the Provincial Government will borne Rupees 500 Million per Annum for mark-up.
- ii. MoU between Provincial Gov't and SBP
- iii. Agreement between Provincial Gov't and BoK

Pakhtunkhwa Karobar Scheme (Should be Shariah Compliant)

Features

- i. Mark up 4% per annum (2% share of Provincial Gov't and 2% share of Bank of Khyber)
- ii. Credit facility upto PKR 20 millions for SMEs
- iii. Credit facility PKR 100,000 - 1 million for cottage industry
- iv. Project financing and working capital
- v. Minimum Debt Equity Ratio 70:30
- vi. Maximum finance upto 70% of the FSV value of collateral
- vii. One year grace period for repayment
- viii. Tenure of project financing 7 to 10 years

Provincial Gov't Role

- i. Revolving fund at least Rs 3 billion of the Provincial Gov't with Bank of Khyber for the scheme till Dec, 2025 to ensure early bird investment
- ii. Agreement between Provincial Gov't and Bank of Khyber

Note: at least 70% local employment (where available) including 25% quota for women in foreign investment.

For additional financial Incentives/Subsidies/Tax credits/Exemptions, the following can be considered by the Implementation & Oversight Committee on case to case bases.:

- i. Carbon Credit
- ii. Usage of local raw materials
- iii. Number of Jobs created
- iv. Export Oriented Industries
- v. Number of Paid Internship Offered (6 Months and above)
- vi. Operational Linkages with Local Universities and KP-TEVTA
- vii. Volume of Capital Investment
- viii. CSR Activities

Incentives under SEZ Act 2012

SEZ Act offers the following incentives to the Developers & Zone Enterprises:-

Benefits to Developers

- a) One time exemption from all custom duties and taxes for all capital goods imported into Pakistan for development, operation and maintenance
- b) Exemption from all taxes on income accruable in relation to the development and operation of SEZ for a period of 5 years

Benefits to New Zone Enterprises

- a) One time Exemption from custom duties and taxes on import of capital goods into the SEZ for installation therein
- b) Exemption from all taxes on income for a period of 10 year if started commercial operations by 30th June, 2020 and for a period of 5 years after the aforesaid date

Incentive Package for New Merged Districts Industry



Besides the above incentives, Industries in NMDs specially in areas having local resources including raw material and human resource will be facilitated by five main incentives that could stimulate economic activity in a sustainable direction.

These incentives will be primarily offered to industries based on indigenous resources of NMDs

I. Access to Finance

- i. 15% quota in credit incentives for SMEs. Similarly State Bank of Pakistan will be asked to direct the both public and private sector commercial banks for extending shariah' compliant commercial lending in NMDs.

II. Land

- i. Land in specific NMDs areas earmarked for SMEs in SEZs be provided at 15% discounted prices.

III. Special Rebate on Power (Electricity)

- i. Power supply be provided through independent feeders (wherever possible).
- ii. 10% waiver on arrears of electricity to all industry in NMDs.
- iii. 10% rebate on electricity tariff for mining enterprises and minerals and agro based industries established in NMDs.
- iv. For other labor intensive industries, the rebate shall be determined on case to case basis depending on the location of the industry within a designated Industrial Estate in NMDs.

IV. Special rebate on Transportation cost:

25% discount on the transport cost from Karachi/Gawadar Ports to industrial site against import of plant and machinery for setting up new units. This subsidy shall be available for all new capital goods/plant and machinery reached to Industrial site for installation.

V. Access to Markets

- i. Easy access to local markets be ensured in respect of the goods processed and manufactured in NMDs.
- ii. The available exemptions and concessions of custom duties, sales tax and income tax on the input of capital goods and inputs of industries located or to be installed in NMDs shall continue for the period already specified (30th June, 2023).
- iii. The exemptions of KP sales tax on services available to NMDs shall also continue for the specified period.

- iv. The KP Government will, after examining the industrial development level of NMDs, consider if further continuation of the current fiscal dispensations is required and will, if need be, take up with the Federal Government accordingly.
- v. Easy repatriation of profits earned by qualified industries to settled areas, and abroad in case of investors of foreign nationality

Chapter 5

12. Implementation and Oversight Framework

KP-BOIT, KPEZDMC, SIDB, KPTEVTA and Directorate of Industries will be implementing arm under the umbrella of Industries Department.

An implementation and Oversight Committee is constituted that will oversee the departmental level coordination as well as coordination among various key stakeholders to ensure that the objectives of this policy are achieved. The committee will also address grievances and ensure smooth implementation of the policy. The Committee will consist of the following members:

1. Minister/Special Assistant to CM for Industries, Commerce and TE (Chairman)
2. Secretary Industries
3. Additional Secretary Planning and Development
4. Additional Secretary Finance
5. CEO KP BOIT (Secretary of the Committee)
6. CEO KP EZDMC
7. MD SIDB
8. MD KP TEVTA
9. Chief Manager State Bank of Pakistan, Peshawar
10. MD Bank of Khyber
11. Provincial Chief SMEDA
12. Director Industries & Commerce, Directorate of Industries
13. President Women's Chamber of Commerce & Industry
14. President Sarhad Chamber of Commerce & Industry (SCCI)

The Committee will oversee progress of implementation of revised industrial policy and will be responsible to include/amend and delete the provisions of the policy from time to time after reviewing the same in view of industrial development of the province.

The policy will be reviewed / evaluated on two (2) years basis taking into account the new technology, innovation and performance. Quarterly meeting of the implementation committee will be held

TORs of the Committee:

1. To monitor Implementation status of the policy (Annual report will be submitted to Chief Minister KP).
2. Monitoring initiatives related to promotion campaigns of the policy.
3. Grievances resolutions. (The Committee will device mechanism for grievance redressal and its implementation)
4. Supplementary facilitation measures.
5. Scrutiny and approval of incentives. (will device procedure for approval of incentives)

6. To review and approve additional incentives. (will device criteria and procedure for approval of incentives)
7. To formulate strategy under the Policy.

Conclusion:

The revised Khyber Pakhtunkhwa Industrial policy 2020 is based on three pillars of **revival & rehabilitation, growth and competitiveness**. The priority areas include revival of sick units, rehabilitation of infrastructure and allied facilities in existing Industrial estates, establishment of sector specific Economic Zones, Special Economic Zones, encouragement of Small & Medium Sized Enterprises / Cottage industry and development of technically skilled human capital as per requirement of the Industry in the Province. The objective is to transform the Khyber Pakhtunkhwa into an attractive industrial and business destination in the region through its open door policy. Supporting relocation of industries and embracing the new modern technologies in the Province will make the KP's industrial sector to compete at National and Global level.