

**“The advances and failures of SME in agriculture sector”**



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## **EXECUTIVE SUMMARY**

Pakistan's economy is an economy of SME. Policies in the past have given a general perspective, direction and defining broad parameters of activity within the macroeconomic framework, but efforts have focused on the large enterprises, neglecting SME which are at the heart of our economy.

Our SME suffer from a variety of weaknesses which have constrained their ability to adjust to the economic liberalization measures introduced and to take full advantage of rapidly expanding markets of the world. But SME importance and contribution in the economic activity suggests that there is a significant potential to enhance their growth through appropriate regulations and promotion.

While SME are being mentioned in some of our socio-economic strategies and policy documents, measures are not sufficiently specified and prioritized for us to be able to speak of any coherent SME policy or approach. The SME Sector Development Program seeks to improve this situation by inviting all concerned stakeholders to draft Pakistan's future SME policy.

SME promotion is an important issue for many government departments and central offices. However, there is an existing lack of coordination and regular information exchange mechanism among institutions which constrains their collective ability to deliver in the SME development process.

The responsibility for facilitating SME policy development lies with SMEDA, attached to the Ministry of Industry and Production. One of the major reasons for the lack of coordination is

that SMEDA has not been provided with a mechanism to initiate, coordinate, monitor, and evaluate initiatives of SME development outside of its own scope of activities.

Therefore, cross-departmental and stakeholder consultations, resulting in the preparation of our national SME policy are our key to success. A network of institutions stimulating the growth of SME is also being proposed.

The issues highlighted in this paper give a retrospective view of things while giving a current picture of the SME business environment in Pakistan. There are issues we may only solve in the long term and which therefore are beyond our current scope. And there are issues we may solve in the short to medium term. These issues should become the focus of our SME policy. Short to medium-term issues revolve around three major topics:

### **Business environment**

Creating a favorable business environment for SME in Pakistan's economy and eliminating unnecessary obstacles which obstruct their development. This concerns the relationship between Government and SME as well as specifically taxation and labor.

### **Delivery of assistance and access to resources**

Improving the delivery mechanisms for assistance and the access to resources for SME in Pakistan, inter alia finance, business development services, qualified human resources, and technology, so as to improve their productivity and capacity for employment generation. Market driven support programs are important to attain sustainability, maximize the potential for cooperation with the private sector, and minimize distortions in the economy. Yet the structures for such a system still need to be mutually agreed and implemented in Pakistan.

### **Monitoring developments**

Harmonizing enterprise size categories for Pakistan of what are to be considered micro, small, medium, and large enterprises. Furthermore, the establishment of a sound mechanism by which their development of the SME sector and the effectiveness of the assistance provided to SME can be monitored. What is at stake is that we forego the benefits of learning from one another in order to continuously improve our support structures to meet the needs of the target group, SME. There is also ample scope to make use of SME promotion channels to achieve major aims related to equitable and sustainable socioeconomic development which we have not yet fully exploited. Cases in point are gender development and environmental issues. Implementing change requires the formulation of a policy for SME development and assigning specific responsibilities for its implementation and continuous improvement. A fair number of countries have opted for legislation on SME promotion. The appropriate format of the SME Policy for Pakistan is to be decided by the Task Force.