Project Name: Economic Growth and Job Creation through Technical /Financial Assistance (ERKP MODEL)

SMEs are the main source of poverty reduction in Khyber Pakhtunkhwa and will create value and innovation for the Province in near future. The real potential of SME growth in the Province is the deprived people of this Province who are quite keen to raise their standard of living but the real problem associated with them is financing and technical assistance. Financing concerns have two issues first is availability of finance and second is the rate plus terms and conditions on which the finance is available.

Until recently, there have been no visible signs to realize this alarming situation within Pakistan, and hence lack of any remedial planning to tackle it. Education could have played a vital role to keep Pakistan out of this scenario; but unfortunately, the huge disconnect between the prevailing education system and the ground realities could not be abridged. Pakistani society has not been able to adapt a structured capitalist-economic approach, and educated individuals are mostly expected to opt for jobs within the already overburdened non-inventive sector. Looking into Khyber Pakhtunkhwa—where 68 percent of population is under 30 year of age, and 270,000 graduates are produced annually by various public and private sector institutions—the scenario of unemployment is ever depressing. During last three years, 52,000 vacancies (from BS-1 to 22) were filled under the Provincial Government, whereas only 11,400 vacancies, mostly blue-collar, were created in various industrial units.

**PROJECT COMPONENTS:**

 Following are the main components of the project:

1. **Component-I SME Development (PKR. 3000 Million)**

In Khyber Pakhtunkhwa almost 99% setups are in SMEs. During Round-I and Round-II of the Multi Donor Trust Fund (ERKP Project) only around 3,000 SMEs have been supported till date mainly in the most affected Districts of Khyber Pakhtunkhwa as well as in newly Merged Areas due to flood, war on terror and natural disaster, the supported SMEs are not more than 1.5% whereas major clusters of SMEs are still leftover and needs financial & technical support. Present assistance to SMEs is not enough, therefore the Government, specialized financial & technical institution and Donors Agencies have joined hands to support SME sector. This will be the only way that the Government could achieve its goal for poverty reduction, economic progress and all value addition process by promoting the SMEs sector which will ensure that the poor masses of Khyber Pakhtunkhwa shall not live poor anymore.

This component will also facilitate the development of a centralized data base system for SMEs which should have feature of integration with other SMEs data base available with the relevant organizations/institutes such as, BOK, SMEDA and SIDB. The data base will help in documenting the SMEs as well as will minimize the chances of availing facilities from multiple resources.

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### **Grant Size**

Grant size will vary from case to case based on their field assessment however, maximum limits of grants will be as under:

|  |  |  |
| --- | --- | --- |
| **Subcomponent** | **Maximum Grant Size (PKR)** | **Preferred Payment Mode** |
| Up-gradation (individual SME) | 2.0 million | Reimbursement |
| Up-gradation (cluster development program) | 5.0 million | Reimbursement |

1. **Cottage industry promotion (PKR 50 M)**

Cottage industry promotion is one of the major sources of poverty reduction in Khyber Pakhtunkhwa and will create value and innovation for the Province in near future but the real problem associated with Cottage industry promotion is financing and technical assistance. Cottage industry promotion is a rising challenge for the Province. Promotion of cottage industry is critical for enhanced productivity and accommodating more youth, enabling them to earn their livelihoods through decent means. An amount of PKR 50 M is allocated for this sub-component which will provide technical and financial support for up-gradation and expansion of the cottage industry in the province.

### **Grant Size**

Grant size will vary from case to case based on the field assessment however, maximum limits of grants will be as under:

|  |  |  |
| --- | --- | --- |
| **Subcomponent** | **Maximum Grant Size (PKR)** | **Preferred Payment Mode** |
| Cottage industry promotion | 1.0 million | Reimbursement |

**Eligibility:** Cottage industry from settled Districts of the Province will be eligible. However, there will be no district wise allocation of funds.

**Eligibility Criteria for Cottage industry promotion:**

Criteria developed for SME Development Component will also be followed for cottage industry applicant.