

# Provincial Entrepreneurship Promotion Strategy 2004 -2008

Prepared & Submitted by

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*Turn Potential into Profit*

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## **Forward**

Entrepreneurship development has become an important tool, if not the most important, in economic development of any country. Keeping in view the importance of entrepreneurship, a need was felt for a comprehensive and coordinated entrepreneurship development strategy for Pakistan. The result of this coordinated effort would be a multiplier effect resulting in a lower poverty level. The strategy would act as a guideline, by integrating in to a whole the efforts of a number of development organizations, engaged in different facets of Business Support & Promotion. SMEDA had to take the first step in coordinating these initiatives.

To bring about a coherent and cogent effort, a concerted action was required. The aim of this strategy is putting the act together. It tries to bring together, all the initiatives that need to be taken, in order to promote entrepreneurship. A majority of the initiatives already exist in one shape or other in Pakistan. Other initiatives are becoming essential in developing world, but are labeled supply driven in Pakistan.

An attempt has been made to harness considerable diverse efforts and resources deployed presently, in to a whole. There is also an effort to balance and supplement short term fixes, with long term structural adjustments.

This strategy is as action oriented, as it could be made. The aim is to create a strategy, which is easy to implement, monitor and evaluate. We have not tried to go in to theoretical concepts, but instead have set out concrete action plans.

We have tried to make this strategy as participative as possible. We have also tried to identify potential partners for each step. The aim is to utilize the existing expertise and institutions for the benefit of the Country as a whole. We invite all organizations to come forward, and say that they will implement this part of the strategy, at these locations. How, they implement the strategy, what tactics they use, is in the hands of the organizations. But we do request that organizations be willing to share their best practices, and also to adopt other's best practices. As the strategy is basically, a collection of best practices and initiatives taken all over the world. They have been modified in view of the local conditions.

The advantage of adopting best practices is that, they have already been tried and tested for effectiveness. All the bugs have mostly been worked out. Thus these initiatives have a lesser chance of being ineffective or inappropriate, if they are modified according to the local conditions. So use of best practices, reduces the risk of costly failures.

The hoped for final result is a dynamic economy, with a low poverty level and a developed country.



## **Dedication & Acknowledgements**

A large number of people provided inputs in creating this strategy. We are grateful to everyone, whose inputs made this work possible. Still more people have provided inspiration for the different ideas and practices included in the strategy.

We are unable to individually thank everyone, who has provided inputs or inspiration for the strategy. However, the following people deserve special mention:

1. Mr. Ghani Marwat, Director Micro Enterprise, NCHD, Islamabad
2. Mr. Azam Farooq, Independent Consultant, Peshawar
3. Mr. Amjad Ali Arbab, Executive Vice President, BOK, Peshawar

The SMEDA project team, includes:

1. Sultan Tiwana, for Providing the Vision & Drive
2. Mohammed Tariq, Project Leader
3. Kamran Niazi, Management Associate, Coordinator and Editor
4. The SMEDA NWFP Team for their support

## Executive Summary

A society with a vibrant entrepreneurial culture is a prosperous society. But independent research shows that in Pakistan, the proportion of independent business owners in the population is significantly small at 3%. This is well below the developing countries average (6-10%) and potential (e.g. India has over 15%).

According to independent economists, the economy of Pakistan needs to grow at a rate of 5.5% per annum to reduce the poverty level in the Country. This is significantly greater than the growth rate of 3.4% achieved over the past 5 years. However, it is smaller than the rate (6.2%) achieved in the 1980s.

According to the best practices, a focus on promotion of SMMEs (Small, Medium & Micro Enterprises) is the only way to achieve this target. As a first step in this process, we need to promote the entrepreneurial culture, so that we can create the entrepreneurs and then assist and only then can the entrepreneurs be assisted in becoming a success.

To bring about a coherent and cogent effort, a concerted action was required. The aim of this strategy is putting the act together. It tries to bring together, all the initiatives that need to be taken, in order to promote entrepreneurship. The result of this coordinated effort would be a multiplier effect resulting in a lower poverty level.

This strategy is a comprehensive document, and will act as a guideline, by integrating in to a whole the efforts of a number of development organizations, engaged in different facets of Business Support & Promotion. It has the following objectives:

- a. Considerably increase the proportion of independent businesses in the Country through a concerted effort for promoting entrepreneurial spirit at the national level.
- b. To bring improvement in the overall living standards at the grass roots level. This will be achieved by stimulating the economy to grow by 6% or more annual growth. The achievement of this objective is linked to the successful fulfillment of the primary objective.
- c. Creation of a competitive and dynamic knowledge based economy, which results in bringing “comparative economic and social changes in all parts of the country”.

To achieve these objectives, the document recommends implementation of eight different stages nation wide at the grass roots level and up. The stages are as follows:

1. Stage 1: Entrepreneurship Awareness & Orientation
2. Stage 2: Entrepreneurial Skills Training
3. Stage 3: Business Initiations / Entry Strategies
4. Stage 4: Business Development Services & Institutions
5. Stage 5: Business Support Services & Institutions
6. Stage 6: Entrepreneurship Coordination Committee and Forums
7. Stage 7: Entrepreneurship Friendly Policy Regime



## 8. Stage 8: Human Resources Development



## Table of Contents

S / No		Page
A	Forward	3
B	Dedication & Acknowledgements	4
C	Executive Summary	5
D	Table of Contents	6
1	Background	8
2	Problems Faced by SMMEs	9
3	The Way Ahead	10
4	Objectives of the Strategy	11
5	Target Group	11
6	Key Program Components	12
7	Implementation Authority	13
8	Time Frame	13
9	Funding	13
10	<b>Stage 1: Entrepreneurship Awareness &amp; Orientation</b>	<b>15</b>
	10.1 Strategy for the Educated	
	10.2 Strategy for the Uneducated	
11	<b>Stage 2: Entrepreneurial Skills Training</b>	<b>16</b>
	Basic Entrepreneurship Orientation & Appreciation Workshops (Educated & Uneducated)	
	11.1 Extended Entrepreneurship Training Programs	
	11.1.1 For Educated	
	11.1.2 For Uneducated	
	11.2 Diploma / Certificate Programs in Entrepreneurship	
	11.3 Management Skills Development Programs	
	11.4 Technical Skills Development Programs	
	11.5 Training the Trainers / BDSPs (Business Development Services Providers)	
	11.6 Entrepreneurship Clubs	
12	<b>Stage 3: Business Initiations / Entry Strategies</b>	<b>19</b>
	12.1 Industrial Internship Program	
	12.2 Investment Entry	
	12.3 Amateur Entry	



13	<b>Stage 4:</b>	<b>Business Development Services &amp; Institutions</b>	20
	13.1	Financial Mobilization	
		13.1.1 Private Venture / Seed Capital	
		13.1.2 ROSCA's (Committees)	
		13.1.3 Hunermand Schemes	
		13.1.4 Fast Track Loan Services	
		13.1.5 Financial Linkages	
		13.1.6 Equity Participation Fund	
		13.1.7 Group Loans	
		13.1.8 Grants (Donors / Govt)	
		13.1.9 Individual Micro Finance Schemes	
		13.1.10 Program Lending Packages	
		13.1.11 SME friendly loan policies	
	13.2	Marketing Services	
		13.2.1 Market Reports & Directories	
		13.2.2 Statistics	
		13.2.3 Manuals	
		13.2.4 Industry / Product Specific Export Marketing Reports	
		13.2.5 Business to Business Markets / Portals	
		13.2.6 Individualized Marketing Plans	
		13.2.7 Advanced Marketing Services	
		13.2.8 Supply Chain Management	
		13.2.9 New Outlets	
	13.3	Mentors	
		13.3.1 Corps of Retired Executives	
		13.3.2 Ustad / Professionals	
		13.3.3 Commercial Services Providers	
		13.3.4 International Volunteers	
		13.3.5 SME Clinics	
		13.3.6 Technical & Projects Information Databases / Offices	



14	<b>Stage 5: Business Support Services &amp; Institutions</b>	29
	14.1 Incubators	
	14.2 Industrial Design & Product Development Centers / Industrial Homes	
	14.3 Flatted Factories	
	14.4 Small Industrial Estates	
	14.5 Innovation Centers	
	14.6 Entrepreneurship Information & Resource Centers	
	14.7 E-Business Services / Initiatives & Productivity Improvement Tools	
	14.8 Business / Industrial Extension Service	
	14.9 Awards / Appreciation	
	14.10 Best Practices Unit	
15	<b>Stage 6: Entrepreneurship Coordination Committee and Forums</b>	34
16	<b>Stage 7: Entrepreneurship Friendly Policy Regime</b>	35
17	<b>Stage 8: Human Resources Development</b>	37

## **Provincial Entrepreneurship Promotion Strategy**

### **1. Background:**

1.1 Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organization.

1.2 According to independent research findings, in a total population of about 150 million in Pakistan, approximately 70 million are economically active. But the proportion of independent business owners in the population of Pakistan is significantly small at 3%. This is well below the developing countries average (6-10%) and potential (e.g. India has over 15%). It indicates a low incidence of private initiative, induced by an unfavorable business environment and lack of entrepreneurial culture. In addition, with 800,000 young people entering the labor force every year, the pressure on the job market to create new jobs is increasing.

1.3 Again, according to independent research, to reduce poverty, and for long term economic growth, the economy needs to grow by more than 5.5%, up from the 3.4% achieved over the last 5 years.

1.3 However, more positively, the same statistics show that there are considerable opportunities for employment generation and economic growth from within the SMME sector. There is a huge potential for income generating opportunities in labor intensive sectors. Entrepreneurs can make these opportunities real by starting and managing new enterprises.

1.4 To unlock this potential and relieve the pressure on the job market, an urgent coordinated effort to promote entrepreneurial culture in Pakistan is needed at the national level. The challenge is to identify the key factors for building a climate in which entrepreneurial initiative and business activities can thrive. These policy measures should seek to boost the levels of entrepreneurship, adopting the most appropriate approaches for encouraging and producing more entrepreneurs and thus getting more firms to grow.

1.5 SMEDA is the premier Federal Level Agency, charged with assisting & promoting SMMEs (Small, Medium & Micro Enterprises). As part of its mandate, SMEDA has undertaken different initiatives towards promoting enterprise development. However, the primary focus of SMEDA's activities has been and will be assisting SME support institutions, so that they can provide better and more effective services to the SMMEs.

1.6 The creation of this strategy document has been undertaken in light of SMEDA's mission. This strategy is a paradigm shift. We are moving from improving the lives of people in a haphazard manner, to a concerted effort by all the stakeholders at the national level. This will be done through meshing in the activities of innumerable organizations. The foundation of this strategy is utilization of an existing network of organizations with different initiatives.

1.7 At one end we are trying to grow our own entrepreneurs, helping them to become successful and at the other end we are promoting and assisting existing entrepreneurs.

## 2. Problems Faced by SMMEs:

2.1 In order to assist and promote existing entrepreneurs, one of SMEDA's earlier initiatives, among others, was the "Help Desk". This service was launched, all over Pakistan, in January 2001. Help Desks are the face of the SMEDA. The members of the Help Desk Staff, are the first persons that the majority of the SMMEs meet. The Help Desk Staff knows, what the ordinary SMMEs, especially the micro entrepreneurs' want. As they deal with the problems of entrepreneurs, every day. Since 2001, over a 980 walkin SMMEs have approached the NWFP Help Desk. The services, these SMMEs have requested fall in the following categories,

<u>Lead Function Code</u>	<u>2003*</u>	<u>2002</u>	<u>2001</u>	<u>Combined</u>
TECH	13	22	12	47
SMEP	84	114	30	228
REGU	1	14	11	26
MKTG	20	90	26	136
MGMT		6	1	7
INFO	36	32	10	78
FNCL	107	248	103	458
	<u>261</u>	<u>526</u>	<u>193</u>	<u>980</u>

(The 2003 figures are from Jan to Aug 03, while the rest of the figures are from Jan to Dec)

2.2 These figures by SMEDAA make it clear that the major problem, faced by SMMEs is financial. Other important problems are project identification, business plan development and assistance in running businesses (All these problems fall in to SMEP category). Finally Marketing and Technical assistance are the other major issues.

2.3 At the same time, according to independent research, SMMEs suffer from, lack of access to credit, excessive government regulations, an arbitrary and exploitative tax administration system, a weak technological base, and lack of business support services.

2.4 If, we are to promote SMMEs, we have to provide assistance in the above mentioned fields to both the existing and the potential entrepreneurs. Financial assistance is the most important service that SMMEs needs. This is borne out by the fact that, around 50% of the queries to SMEDA NWFP Help Desk in any year were regarding finance. SMEDA is and has been focusing its efforts on provision on financial services to SMMEs.

2.5 However, just focusing on financial aspects of business is not a good idea. There is a need to focus on all aspects of business, not just the financial aspects. But to fulfill the needs of the SMMEs for all these services, requires detailed information and services of a large number of experts. However, providing all these services, all over Pakistan, is not possible for one organization. With the effects being felt in the long run, the successful implementation of a comprehensive and integrated solution assumes even more importance.

2.6 All these services can be provided, if we are sure that a steady supply of new entrepreneurs will be coming in to the market. But this assumption is not true, as shown



by the figures given at the beginning of this document. The dilemma is that, we not only have to provide these services to the entrepreneurs, but also create the entrepreneurs.

### 3. The Way Ahead:

3.1 This strategy is being put forward as a comprehensive solution to all these problems. However, to implement this strategy, a team effort is needed by all stakeholders. Every organization and individual has to work together for the common good. The result of this team effort has to be a successful reality, our future depends on it. Implementation of this strategy is going to be difficult, with a lot of problems and constraints. A few of the prominent are:

- 3.1.1 Will the stakeholders be willing to cooperate for the mutual benefit of all?
- 3.1.2 Will the stakeholders, especially the target groups appreciate what we are trying to do?
- 3.1.3 The strategy is supposed to be mainly implemented by BDSPs (Business Development Services Providers)? Do they have the capability or the willingness to implement it?
- 3.1.4 How will the demand for BDSP services be created and who will create it?
- 3.1.5 Who will and How will the initiatives be financed?
- 3.1.6 How will the evaluation of the effectiveness or lack thereof of this strategy take place?

3.2 Solutions to these problems can be created, the issues can be resolved. But the main problem in implementation of the strategy is the comprehensiveness of this strategy. All these stages, with their components can be implemented separately. But for sustainable long-term growth, **“all the stages, with all their components have to be implemented”**. If, even one stage is missed, though the strategy will have a positive effect, but it will fall short of the target of long-term sustained growth.

### 4. Objectives of the Strategy:

4.1 The first objective is to considerably increase the proportion of independent businesses in the Country. This will be done through undertaking a concerted effort for promoting entrepreneurial spirit at the national level.

4.2 The second objective is to bring improvement in the overall living standards at the grass roots level. This will be achieved by stimulating the economy to grow by 6% or more annual growth. The achievement of this objective is linked to the successful fulfillment of the primary objective.

4.3 Creation of a competitive and dynamic knowledge based economy, which results in bringing “comparative economic and social changes in all parts of the country”.

### 5. Target Group:

5.1 The different sections of the populations can be divided in to the following main groups:

- 5.1.1 Educated Urban Group

### 5.1.2 Uneducated Urban Group

### 5.1.3 Educated Rural Group

### 5.1.4 Uneducated Rural Group

5.2 The strategy would target all these groups. As they all have to be assisted in income generating activities, self-employment and business development. However, the rural groups (both educated & uneducated) are more at risk of being unemployed. They thus need comparatively more attention of the two, especially as 75% of the population lives in rural areas. So, if these groups can be assisted in income generation activities or establishing SMMEs, we can bring about a sea change at the grass roots community level.

5.3 This strategy is focused on assisting all potential, new and existing entrepreneurs, anywhere in the Country. An enterprise, started by an entrepreneur, belonging to any of the above-mentioned groups, will be assisted. The size of the enterprise, i.e. whether it is micro, small or medium does not matter. SMEDA defines these enterprises as follows:

Enterprise	Productive Assets (In Rs)	Employment
Micro	Less than 2 Million	Less than 9
Small	2 Million to 20 Million	9 – 35
Medium	20 Million to 40 Million	36-99
Large	Greater than 40 Million	Greater than 99

5.4 The expected end result of intervention is even income distribution at lower economic strata's in conjunction with economic growth of impoverished regions. At the same time, the benefits of attracting educated youth to SMME Development could result in a much higher proportion of success and result in an economic miracle.

5.5 However, to bring about these changes, we have create an entrepreneurial culture, convert potential entrepreneurs in to new entrepreneurs and then in to successful entrepreneurs. For the purpose, a focused and comprehensive strategy is needed, with a countrywide focus and wide-ranging list of services.

## 6 Key Program Components:

6.1 To achieve our objectives, the following program components have been identified as crucial to success of the strategy. These components can be set up / carried out in stages or as standalone projects. All these stages can be handled independently of each other and undertaken in isolation. However, to obtain maximum benefit, all these stages need to be implemented cyclically, albeit by different organizations in a concerted effort.

6.2 Stage 1: Entrepreneurship Awareness & Orientation

6.3 Stage 2: Entrepreneurial Skills Training

6.4 Stage 3: Business Initiations / Entry Strategies

6.5 Stage 4: Business Development Services & Institutions



- 6.6 Stage 5: Business Support Services & Institutions
- 6.7 Stage 6: Entrepreneurship Coordination Committee and Forums
- 6.8 Stage 7: Entrepreneurship Friendly Policy Regime
- 6.9 Stage 8: Human Resources Development

## **7. Implementation Authority:**

7.1 For the implementation of this strategy, SMEDA will act as a coordinating and facilitating body. In addition, SMEDA will also provide policy level interventions and technical assistance. But the main focus of SMEDA will be to help SMEs, as specified by its mandate. SMEDA can assist micro entrepreneurs, only if they exist in a cluster.

7.2 SMEDA will assist SMEs, and clustered micro enterprises, by promoting the services of BDSPs through generating interest and awareness among the SMMEs. In other words, SMEDA will create the demand for the services of BDSPs. SMEDA will also actively encourage SMMEs to take benefit of the BDSPs services by taking the needed steps.

7.3 However, due to lack of human resources, SMEDA would not be able to assist all micro entrepreneurs, despite its best efforts. It is envisaged that another organization (Pakistan Poverty Alleviation Fund, NCHD or Rural Support Programs) will take over the primary responsibility of assisting micro entrepreneurs. However, close collaboration between the micro enterprise promotion organization and SMEDA is required. SMEDA has the expertise and linkages needed to assist micro enterprises to take the next step and become small enterprises. But SMEDA does not have the resources, or the mandate to reach all micro entrepreneurs. Micro enterprise promotion organizations have the resources (financial & personnel) as well as the mandate to assist all micro entrepreneurs. But they cannot bring about policy changes. So a partnership between the lead organization for micro enterprises and SMEDA is proposed.

7.4 In addition, the other potential partner organizations for assisting SMMEs would be different public sector organizations (both Federal & Provincial), the major Rural Support Programs & NGO's, Business Organizations (Chambers, Associations etc), Donor Agencies and most importantly the Business Development Services Providers (BDSPs).

7.5 In other stages (stage 8 etc) or initiatives, other organizations will take the lead. For example, in stage 8 HEC (Higher Education Commission) or NCHD (national Commission for Human Development) would take the lead.

## **8. Time Frame:**

8.1 The series of steps that need to be undertaken over the course of the next two to five (2-5) years will set the ball rolling for some cognizable results by the year 2008.

8.2 The strategy needs to be run in phases, with model programs being run in a few regions and then replication in others. The reason is that, this strategy is so wide ranging, that it would not be feasible to implement it at once, nor would it be advisable.



8.3 This strategy is a long-term plan of action, with effects being felt in the long term, i.e. 10 to 15 years after the start of the program.

## **9. Funding:**

9.1 This strategy is resource hungry and needs mega funding. The financial needs of this strategy will be huge, especially if the strategy is implemented as envisioned. SMEDA does not have the financial resources to undertake the implementation of the strategy. Other organizations, especially multilateral organizations, may have the resources, but not the human resources, the reach or the expertise.

9.2 However, if we work in concert, we have the solution to this problem. Some organizations have the outreach, while others have the financial resources, and still more have the ideas & expertise. SMEDA will act as a matchmaker between funding agencies, specialist institutions and implementing organizations. The funding organizations can be local, provincial or federal institutions as well as donor organizations, plus multilateral agencies. Plus partner organizations will be requested to generate their own funds also.

9.3 The step by step approach will also be beneficial. Partner organizations can be assigned specific targets and made responsible for achieving them. The partner organizations will be responsible for funding, implementing and monitoring the sub-project in a particular area.

## **10. Stage 1: Entrepreneurship Orientation / Awareness:**

**Aim:** To Motivate people to become entrepreneurs, by generating awareness about entrepreneurship.

In order to promote the entrepreneurial culture, the first step is introducing and creating awareness about the entrepreneurial concepts. The second is generating interest by promoting its benefits among the target groups. To introduce the concept and thus motivate people to start and manage their own businesses, the following strategies are proposed for adoption:

### **10.1 Step 1;**

Organize awareness seminars in different Educational Institutions for the students to understand & appreciate the possibility of this option. Theoretical courses & practical exposure may be incorporated in their educational curricula.

In response to this strategy SMEDA Regional Office Peshawar has developed a replicable model. A series of one-day seminars in different educational institutions including universities and colleges was conducted. The same model can be and is being shared with partner organizations and replicated.

### **10.2 Step 2;**

Create an understanding for entrepreneurship and develop an entrepreneurial culture from the community level with social change perspective.

In response to this strategy a series of awareness creating programs will be run for the uneducated and poor, especially the rural poor. The programs will focus on maximizing the returns from the rural potential. For the purpose the local governments and NGOs, the Rural Support Programs and other organizations engaged in enterprise development will be mobilized and brought on board. They will act as community mobilizers, generating interest among the target groups and will harness the entrepreneurial energies. They will act as the outreach agency for the program. SMEDA will provide technical assistance and operationalization help. These programs would be adapted to the local language and conditions.

## **11. Stage 2: Entrepreneurial Skills Training:**

**Aim:** To provide and further polish the skills that entrepreneurs need to run successful businesses.

Keeping in view our aim, there is a need to launch need based market oriented entrepreneurial skills training programmes through business development service providers (BDSPs). The main sticking point in starting these programs is financial, how and who will pay the BDSPs for the services rendered. The training programs need to be self-sustaining, if they are to be a regular feature. For this purpose, details need to be worked out, but a gradual subsidy reduction program is recommended.

With the help of these training programmes, the potential as well as the existing entrepreneurs will be able to learn the primary business skills. These skills like marketing, finance, management and technical aspects of a business are a compulsory requirement for running any business. The expected end result, the target beneficiaries are able to run their businesses on sound footings. To implement this stage, the following activities are proposed:

### **11.1 Basic Entrepreneurship Orientation and Appreciation Workshops:**

These short 3 days programs will provide basic understanding of the business concepts and help the people in learning how to start a micro enterprise. BDSPs (Business Development Service Providers) will run the program for partner organizations. SMEDA will be providing technical support, coordination & facilitation services in partnership with other organizations. SMEDA will also collaborate with partner organizations in conducting the programs.

### **11.2 Extended Entrepreneurship Training Program**

#### **11.2.1 Extended Entrepreneurship Program (Educated)**

These slightly advanced 4-weeks entrepreneurship training programs are targeted at educated youth, entrepreneurs and retired people. The program will go in to the details of the management & entrepreneurial skills needed to run a business. BDSPs / partner organizations will run the program. SMEDA will provide technical support, coordination & facilitation services in partnership with other organizations. SMEDA will also collaborate with partner organizations in conducting the programs.

#### **11.2.2 Extended Entrepreneurship Program (Un-Educated):**

These slightly advanced 4 weeks entrepreneurship-training programs are targeted at uneducated youth and entrepreneurs. The programs will go in to details of the management & entrepreneurial skills and will be presented in vernacular languages (Pushtu, Punjabi, Sindhi, Balochi & Urdu). BDSPs (Business Development Service Providers) will run the program for partner organizations. SMEDA will be providing technical support, coordination & facilitation services in partnership with other organizations. SMEDA will also collaborate with partner organizations in conducting the programs.

### **11.3 Diploma Program in Entrepreneurship:**

University Grants Commission has recently made entrepreneurship a compulsory subject in the MBA curriculum. It has also recognized



entrepreneurship as a 2-semester specialization track in different MBA degree Institutions.

However, entrepreneurship should also be offered as a stand-alone 14 weeks or 1 semester duration program in different Professional Universities, Colleges and other Institutions. The technically qualified people should be encouraged to set up technology-based enterprises. Higher Education Commission (HEC) will be requested to provide further incentives to the Institutions for making entrepreneurship education a priority. HEC and SMEDA will facilitate different institutions in setting up the programs, while BDSPs (Business Development Service Providers) will run the program for partner organizations. SMEDA will also provide technical support, coordination & facilitation services in partnership with other organizations. SMEDA will also collaborate with partner organizations in monitoring the programs.

#### 11.4 Management Skills Development Programs:

These programs will be focused on developing specific aspects of the business skills. Short capacity building programs on marketing, financial management and technical development will be run. The aim is to equip the existing entrepreneurs and supervisory staff with further skills or remedy the existing shortcomings in order to promote the businesses. The programs will be targeted at both educated and uneducated people. For uneducated people, they will be run in vernacular languages. SMEDA will assist by helping to developing standard modules and will provide coordination & facilitation services in collaboration with partner organizations.

11.5 ng specific technical skills. Short capacity building programs on technical development will be run on need basis. The aim is to equip the existing entrepreneurs and supervisory staff with further skills or remedy the existing shortcomings in order to promote the businesses. The programs will be targeted at both educated and uneducated people. For uneducated people, they will be run in vernacular languages. SMEDA will assist by helping to developing standard modules and will provide coordination & facilitation services in collaboration with partner organizations.

#### 11.6 Training the Trainers / BDSPs:

These programs will develop the resource persons, who are needed to organize and conduct the Entrepreneurship Development Programs at different institutions / locations. Currently there is a lack of trained or experienced people who can run the specialized entrepreneurship courses. This is especially true of the faculties of the higher degree granting institutions.

The aim is to train the teachers as well as create consultants. The target audience would be encouraged to become independent BDSPs. It is planned that a follow up program after each TOT will be run to generate training opportunities for the trainers. It is envisaged that each trainer will run at least 6 EDP programs, over the course of 1 year. A monitoring & evaluation initiative will also be started. The objective will be to ensure that quality training is imparted.

To further develop the skills of the trainers & BDSPs, capacity-building exercises on need basis will be run. This service will be offered to provide assistance to BDSPs in different areas and/or sectors. The aim is to expand their businesses and also increase their competency level, so that they can provide better services to SMMEs.



SMEDA will provide financial support and facilitation services in collaboration with other organizations. SMEDA will do this by requesting ILO to run their SIYB program in Pakistan. The Start & Improve Your Business (SIYB) program is a management-training program with a focus on starting and improving small businesses as a strategy for creating more and better employment in developing economies and economies in transition. The goal of SIYB is to contribute to economic growth in general and the creation of more and better jobs in micro and small enterprises (MSEs).

#### 11.7 Entrepreneurship Clubs:

An Entrepreneurship Club is the primary link between the University and the commercial world. An active Entrepreneurship club can act as a conduit to create and deliver knowledge on issues central to its mission, which is to provide the knowledge and skills needed by students to start their business.

The Entrepreneurship Club will have the following functions:

- Bring prominent entrepreneurs as guest speakers to campus each year. The entrepreneurs will be requested to inform the students about how their businesses were started, what motivates them to continue their dream of being an entrepreneur among others.
- Will invite Alumni of the Institution to attend club functions throughout the year to share their experiences, ways to enhance professional development skills and strategies to avoid failure.
- Organize functions (business & social), trade fairs for different products, conferences, arrange workshops, and conduct training programs.
- Facilitate in providing networking services with local Entrepreneurs
- The Club will work closely with different organizations to prepare case studies on issues and problems faced by local entrepreneurs.
- Create a yahoo group, for discussing the entrepreneurial issues and bring out an E-Magazine on Entrepreneurship.

## **12. Stage 3 Business Initiations & Entry Strategies:**

**Aim:** Optimize the potential for success, while reducing the risk of failure for new entrepreneurs.

Any person, no matter how brilliant, cannot succeed in a business unless he/she has some hands on knowledge or is willing to learn. Our aim is to provide the initial knowledge / supports these people need in order to successfully start and manage their businesses. For this purpose, the following can be implemented

### **12.1 Industrial Internship Program:**

Pre-selected enterprising graduates, engineers, MBAs and others, will be placed with thriving SMMEs to learn first hand from the leading entrepreneurs. They will thus grasp the basic dynamics of the industry they wish to enter. At the same time, the SMMEs will have the services of highly enthusiastic staff at their disposal. SMEDA will develop the systems and assist in creating the necessary linkages needed between the different organizations / institutions to set up and run the program. SMEDA will also provide coordination & facilitation services in collaboration with organizations to further promote the program and make it more effective.

### **12.2 Investment Entry:**

Potential Entrepreneurs will be matched with existing entrepreneurs in the potential SMMEs fields of interest. Focus will be on existing entrepreneurs, who need a small investment (working capital or capital expenditure) for improving or expanding their business. The investors would become equity partners in the business and after learning the business can either continue the partnership or start out on their own. Financial consultants and SMEDA will act as investment brokers, with SMEDA also providing facilitation and coordination services.

### **12.3 Amateur Entry:**

The graduates of the extended Entrepreneurship Programs should be assisted in starting & running their own businesses. The businesses will be based on the business plans developed during the EDP Programs. Any other potential SME would be asked to take part in one of the entrepreneurial skills development programs. The aim would be to train them in the basics of business, before they start a business.

To further support the SMMEs, during the running of their business, assistance will be provided by BDSPs, Mentors and by SMEDA via Help Desk. However, the emphasis of SMEDA's activities will be on referral on the entrepreneurs to BDSPs or mentors, not on provision of services themselves.

SMEDA will also assist partner organizations in developing in-house capabilities & will provide coordination services to maximize the benefits to SMMEs.

### **13. Stage 4 Business Development Services & Institutions:**

#### **13.1 Financial Mobilization:**

**Aim:** To provide start up, project and working capital for all entrepreneurs.

The major problem facing many entrepreneurs is the lack of financing, particularly at the initiation stage. Entrepreneurs have the ideas, the expertise and the drive to achieve success, but lack the means. Graduates of the different entrepreneurship training programs would be more adept at seeking initial funding with innovative approaches. However, SMEDA can and should provide assistance in this regard in collaboration with partner organizations. A few of the different ways, under which the entrepreneurs can be helped, are given below:

##### **13.1.1 Private Venture / Seed Capital:**

The seed investment can be raised from the community on a profit sharing basis, with the investor taking preferred equity partnership in the business. Any expected loss will be borne by both. Profit for the investor should be higher due to the risk factor, similar to Modaraba. SMEDA or preferably the financial consultants can play the investment brokers role.

##### **13.1.2 ROSCA's (Committees):**

Rotating Savings and Credit Associations (ROSCA's) can be found all over the world and go by different names in different regions and countries. In Pakistan, they are known as Kistuna, Bisi and Committee. ROSCAs are essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle. Entrepreneurs at the grass roots level can be organized to use this mode.

As most people are already familiar with this avenue, so it can be implemented easily. Facilitative support by SMEDA can result in bringing formal sector financial institutions and donors to augment it.

##### **13.1.3 Hunermans Schemes:**

The Government schemes for providing loans to professionals by the formal banks can be better utilized by the entrepreneurs, if handled in groups. Financial consultants supported by SMEDA, will assist the SMMEs and partner organizations in securing finances in different clusters.

##### **13.1.4 Fast Track Loan Services:**

The entrepreneurs with exceptionally good / brilliant and innovative marketing approaches or products can be provided fast track loan services by SMEDA, if these services are needed. They will be referred to Banks and their requests followed up for special treatment. However, SMEDA's main task will be organizing forums, where entrepreneurs can present their business plans to financial institutions, including Banks, Leasing Companies, DFIs and VC Firms. For detailed assistance, SMMEs will be encouraged to utilize the services of BDSPs by SMEDA. The aim of this exercise is to obtain the best possible financial deal for



the entrepreneurs. As the financial institutions will be made to actively compete for the best clients.

#### 13.1.5 Financial Linkages:

This service is for linking potential entrepreneurs with different financial institutions. The SMMEs will be guided to specific persons trained in Risk Assessment of new enterprises within the appropriate institutions. SMEDA will develop the systems and set out the criteria for cooperation, between the financial institutions and the outreach organizations. The outreach organizations will be RSPs, Area Development Programs, Local Government Institutions and NGOs. SMEDA will also certify and build a database of financial consultants, who can be introduced to financial institutions and SMMEs

#### 13.1.6 Equity Participation Fund:

For the purpose, a fund has been set up, which could be used more effectively. The fund should be used to assist the most promising new entrepreneurs by augmenting them with the initial investment needed to start their businesses. The financial consultants and SMEDA will act as investment brokers, with SMEDA developing the systems and providing facilitation services.

#### 13.1.7 Group Loans:

Linkages with Institutions like Khushali Bank & Micro Finance Bank, giving group micro loans can be developed, especially for assisting the entrepreneurs at community level. SMEDA will develop the unified systems, will share it with different partner organizations and will assist in sharing of best practices, as well as knowledge, among partner organizations.

#### 13.1.8 Grants (Donors / Govt.):

Grants from different Institutions are another way to secure financing. Examples are the matching grant / voucher program etc. SMEDA is and has been working with different organizations in this regard with special reference to setting up of CFC's (Common Facility Centers).

Setting up of CFC's should be promoted further by developing closer linkages with the donor agencies and recipients. Other organizations will also be requested to share their knowledge and expertise. Organizations will be encouraged to set up CFC's by assistance in building proposals. SMEDA will be providing facilitation as well as coordination services.

#### 13.1.9 Individual Micro Finance Schemes:

The micro finance schemes by different financial institutions like Bank of Khyber, SME bank and Orix Leasing are still another avenue. SMEDA can identify the opportunities, both local as well as international, will share them with the SMMEs and partner organizations. At the same time, it will help other organizations in creating specific program lending packages. SMEDA can also facilitate the organization in sharing knowledge and implementing best practices.



#### 13.1.10 Program Lending Packages:

Program lending packages targeted at specific SME groups can be created in collaboration with different financial institutions. The packages will address specific needs of the entrepreneurs in different clusters. The packages will be sector & cluster specific. Different packages for different sectors have already been developed and negotiations are ongoing with different Institutions to create still more packages. SMEDA will provide assistance to partner organizations identifying potential sectors or clusters and their needs. SMEDA will also help in developing the lending packages.

#### 13.1.11 SME friendly Policy:

Policy level interventions are especially important, as good policies can promote the business initiatives, while bad can sink it. In this regard, SBP, SECP and other policy level organizations, for example SMEDA need to play an active part. A good place to start will be a national bankruptcy policy, on the lines of US laws. The laws should protect the creditors, as well as give companies a chance to become profitable again.

### 13.2 Marketing Services:

Aim: To identify a need and successfully fulfill it at a profit.

To be a success, a business idea has to be market oriented. Supply does not create its own demand. An entrepreneur can be provided all kinds of assistance, but unless an idea or product is market driven, it will fail. Marketing involves understanding what customers want, delivering that service or product at a price the customers are willing to pay and adapting to a changing marketplace. The marketing process consists of identifying market opportunities, carrying out market research, writing marketing plans, developing marketing strategies and implementing them. To help SMMEs, a few marketing initiatives, which need to be offered, are mentioned below:

#### 13.2.1 Market Reports / Directories:

There is a need for a series of reports / databases on the different markets within Pakistan. The reports / databases will be pretty basic at first. Just yellow pages, telephone directories, directories of Chambers / Associations and other organizations. Other information will include major markets address with their areas of specialization (For example, Namak Mandi in Peshawar for Gems, Shoba Bazaar in Peshawar for spare parts etc).

However, later on weekly reports on prices, quantities demanded and prominent traders / manufacturers will be provided. This information will be made available in the premises of the Chambers of Commerce & Industry and Associations. The capacity of federal & provincial statistical institutions needs to be built up, so that they can perform the research needed for the reports.



Another source for statistics is educational institutions. They have the manpower to undertake detailed surveys and create reports. They will be linked with different donor organizations for technical as well as financial support for creating the reports. The financial support will be gradually withdrawn and the Institutions will charge for the information to cover their expenses.

SMEDA will assist the partner organizations in developing the model for reports. SMEDA will also ensure quality control, by having the reports and methodology reviewed periodically, with the help of foreign organizations.

#### 13.2.2 Statistics:

Statistical databases on different sectors of the economy are being built. The Federal & Provincial Bureaus of Statistics and other organizations are documenting the economy. However, there is a need to utilize these statistics as a marketing tool. The Statistics Bureaus need to make the data available on the Internet in a business friendly format. They also need to undertake periodic surveys of the economy, which will be of help to the SMMEs as well as facilitate Foreign Direct Investment. Example of this is the, "Investment Climate Survey", under by Gallup for World Bank and facilitated by SMEDA.

#### 13.2.3 Manuals:

New entrepreneurs need to be provided step by step guides in how to carry out basic market research and create marketing plans. This service is primarily for micro enterprises. SMEDA in collaboration with international organizations will create the manuals. The international organizations will be requested for ready-made manuals, while SMEDA will adopt the manuals for the local market, especially in vernacular languages. These manuals would be made available to as many entrepreneurs as possible via partner organizations and Internet.

#### 13.2.4 Sector / Product Specific Export Marketing Reports:

To export, SMMEs need information about the opportunities available. The information would be the foundation on which detailed marketing plans are built. Generalized information about different sectors and/or specific products can be created. Most of the information is available in shape of ready-made products from different international organizations (Intracen etc).

EPB will be the lead agency in this activity and would play a huge part. Its reach and services are highly useful for the SMMEs. Its network of Commercial Attaches can create customized Country Reports for different products, especially in new markets. It will also make available the above-mentioned information at a subsidized cost. BDSPPs will also be sponsored by EPB to create generalized information packages

SMEDA will provide facilitation and coordination services to the partner organizations, by developing linkages for supply of ready-made products. Associations, Chambers and Other Organizations will be



encouraged to join together to purchase the information packages. All the members would then share the information equally. Access to the information / plans will be on low or free of charge basis..

#### 13.2.5 Business-to-Business Portals:

Internet marketing has made a big difference in the way products are marketed. It is not a paradigm shift, but it is close. The major avenue is the Business to Business Commerce model.

The different partner organizations and individual SMMEs would locate major business-to-business portals dealing with products of their interest in their area. SMEDA would then assist the Partner Organization and SMMEs in vetting the portals and building relationships with them for inclusion of SMMEs products. SMEDA can also develop a list of the most promising prospects and disseminate the information among the SMMEs & partner organizations.

#### 13.2.6 Individualized Marketing Plans:

Marketing specific BDSPs can identify specific clients or new markets at a lower cost, provide information about tariff & non-tariff barriers, help in consolidating existing markets, assist in sourcing raw materials and determine the best means of shipping various kinds of goods to different destinations. They can also provide important consumer feedback, such as consumer preferences, new trends and design.

SMEDA will undertake in collaboration with the Chambers and Associations the challenge of promoting the above mentioned services of BDSPs. BDSPs will be encouraged to work in specific sectors and become expert on the relevant issues. The SMMEs would be assisted via partner organizations (Chambers, Associations, etc) to approach BDSPs for developing customized plans. SMEDA will provide financial and technical assistance to the SMMEs via the voucher program.

#### 13.2.7 Advanced Marketing Services:

The advanced services to be provided by marketing BDSPs will include the following activities:

Product development and design, market research, launch strategy, production promotional campaigns, access to new sources of raw materials, and industrial trend analysis. In addition, such services as, Quality control issues, Packaging, Transportation, and Supply Chain Management will also be supplied. Another major service would be creation of retail outlets in foreign markets. BDSPs would identify new market with potential for products and specific promising locations within that market. EPB would vet the markets, locations and part finance the initiative through EDF.

SMEDA will undertake in collaboration with partner organizations (Chambers and Associations specifically), the challenge of promoting the above mentioned services of BDSPs.

#### 13.2.8 Supply Chain Management:



To ensure consistent and reliable supplies, the SME's will be provided assistance in maintaining proper supply chains. Examples can be availability of Cool Chains for export of fruits and vegetables. These services will be provided with collective efforts of all partner organizations. The partner organizations will include Government Agencies, Rural Support Programs, NGO's and Other Organizations. SMEDA will facilitate this process by providing coordination and facilitation services.

#### 13.2.9 New Outlet Ventures:

Internet has become a new sales channel. It is rapidly achieving its promise of increased sales. Internet is becoming more acceptable as a shopping place. SMEDA has made available a book, "Secrets of E-Commerce", and is undertaking more initiatives with partner organizations. BDSPs will be assisted by SMEDA, by matching them, with entrepreneurs who want to use the web as a sales channel.

However, the major initiative in this regard will be setting up of warehouses, outlets and display centers in different international markets. Again a few steps have been taken initiated by SMEDA, in collaboration with other organizations. Entrepreneurs have been matched with individuals, companies, and outlets in foreign markets.

The major sticking point in this initiative is the fact, that historically all outlets set up non-profit organizations have failed. So the risk of failure is very high. But the potential benefits are so high, that it has to be tried again and again.

Again, major part will be played by BDSPs and a few public sector organizations, who will facilitate the entrepreneurs. In this regard, SMEDA can identify the potential sectors in different provinces. EPB will be then requested to create marketing plans for the sector, in different countries. Promising markets will be assessed and new outlets created there.

#### 13.3 Mentors:

Aim: To provide management assistance, needed by entrepreneurs to prosper.

Existing and potential entrepreneurs need guidance in order to solve their day-to-day problems. Only experts with relevant experience in these matters or in that particular field can solve these problems, and also provide follow up support to the potential and existing entrepreneurs.

A market research initiative will be undertaken to identify specific skills / expertise needed in different geographical areas. A promotional campaign will be run to attract potential experts at the same time. SMEDA is already in the process of creating a database of commercial BDSPs. Encouraging people to share their knowledge and expertise can expand the initiative. Thus creating new BDSPs.

The experts or mentors would provide technical or managerial assistance, financial assistance in the form of equity investments and/or loans, subcontracting support, and assistance in setting up joint venture arrangements with different firms, or they can help



expand the business. Their help can mean the difference between success and failure. A few of the different categories of supporting hands/institutions, which can be set up or nurtured along with their mandates are as follows:

#### 13.3.1 Corps of Retired Executives (CORE):

The primary purpose of CORE will be to guide small business by advising & counseling, with little or no charge. Primarily these services will be subsidized, so the charges are low. This service is targeted at entrepreneurs, who cannot afford independent full-time qualified professionals or consultants. SMEDA will help develop the systems to register and organize such ventures by NGO's & Developmental Organizations in different cities/areas. The services of these experts will be limited to micro enterprises and first time entrepreneurs.

#### 13.3.2 Ustad / Professionals:

These volunteer working executives / managers will respond to requests for assistance from SMMEs unable to afford commercial consultants to overcome a particular skill shortage or other problems. The Volunteers will provide short, focused managerial and technical advice to small businesses and local industries. The number of volunteers will be kept limited. This is due to the small number of people, who would be willing to work for free. Also, if too many volunteers come in to the market, they will adversely effect the market for BDSP's services.

SMEDA will develop the systems for different organizations to register and match the most suitably qualified volunteers from the roster.

#### 13.3.3 Commercial Services Providers (BDS):

A database of professionals, experts and commercial organizations capable of solving entrepreneurial problems, needs to be built. The entrepreneurs can be referred to these consultants for expert advisory services. The SMMEs will pay for having these services performed.

SMEDA along with partner organizations will act as a matchmaker between SMMEs and the BDSPs. SMEDA will also ensure quality concerns and facilitate payment for the services rendered. SMEDA in collaboration with partner organizations will provide financial assistance in shape of subsidized BDSP services to the SMMEs e.g. via the voucher program. The aim is to ensure that the services are available at a reasonable cost acceptable to SMMEs, thus stimulating demand.

#### 13.3.4 International Volunteers:

International volunteers like the ones working for BESO (British Executives Service Overseas) or VITA (Volunteers in Technical Assistance) will be requested for assistance on behalf of SMMEs. The plus point of these volunteers is that, they bring with them the latest implementable knowledge and techniques, which can bring a change for



the better in the existing scenario. These volunteers are already active in other developing countries. WE need to attract them to come and work in Pakistan.

SMEDA can act as a coordinating body and facilitate the partner organizations as well as SMMEs in organizing the visits and placing the volunteers.

### 13.3.5 SME Clinics:

Under this concept, the partner organizations will arrange experts/professionals from different sectors & areas of specialization. The professionals will be available at the organization's offices during specific working hours/days.

The clinic would also act as a meeting point for CORE professional, Ustad/Professionals and SMMEs. The negotiations between BDSPs and SMMEs can also be held here, with partner organizations acting as middlemen.

SMMEs requiring services in any area of their interest will consult these experts by appointment for short focused assistance. This service is for newly established or those enterprises, which cannot afford full time consultants. SMEDA has already developed the model for this service and the model will be shared with other organizations also. The model envisions, the experts being paid by the host organization. Thus again, demand is created for BDSP services. SMEDA will also provide coordination as well as facilitation services.

### 13.3.6 Technical & Projects Information Databases / Offices:

Aim: To foster knowledge spillover and thus increase the efficiency of SMMEs.

Technology is increasingly playing a key role in the survival and maturity of SMMEs. The lack of technical information, especially about manufacturing processes and technical skills requirement is a huge obstacle.

For an existing entrepreneur, improving the existing efficient practices can lead to further benefits, including productivity improvements, cost cutting and efficient production. Detailed step-by-step guides about different projects are useful as a reference source.

The huge amount of technical as well as project information available from different sources, both local as well as international will be collected. SMEDA will request different organizations for the available details of a large number of incomes generating projects in their libraries. These projects can be modified to suit the local conditions. The information gathered will be pooled at strategic locations, specifically the technical institutions for dissemination. e.g. ITDG (Intermediate Technology Development Group) has project briefs / processes available, FAO (Food & Agriculture Organization) has guides on different



agro-based projects, SMEDA has developed pre-feasibilities of projects in different sectors. All this information is available on the Internet free of cost.

SMEDA will promote the services of technical BDSPs. However, SMEDA will develop capacity in its Regional Offices to launch technical up-gradation programs. This will be done in collaboration through networking with the technical wings of other organisations. Access to the technical knowledge base present in different public sector organisations, will be made available to all. The final aim will be setting up of a technology transfer network by the development agencies. The target organizations will include public sector organizations like PITAC, PCSIR, EAC, PSF and other scientific organizations. These organizations will also backstop the Centers. The technology Centres will provide the following services

- Workshops and seminars on new technologies, market trends, and diversification techniques;
- Technical training programs
- Reverse engineering of different items
- Access to knowledge base of the organizations.
- Access to facilities / machinery available with different organizations on rent or profit sharing basis to enterprises.

There is a need for full time experts in central locations, who can answer custom queries for which no ready-made information is available. These experts are available as part of the faculties of the Institutions as well as experts in different public sector scientific organizations.

The model for the Centres will be developed by SMEDA. SMEDA will assist the Technical Institutions, in setting up the Technical Information Centers. SMEDA will also assist in developing linkages between the Technical Institutions and the business organizations / entrepreneurs. Requests for assistance on a need basis will be made, once systems developed by SMEDA are online.

#### **14. Stage 5: Business Support Services & Institutions:**

Aim: Provide assistance and infrastructure support that will reduce the probability of failure and lead to sustained growth.

##### **14.1 Incubators:**

An increasingly popular economic support tool is the business incubator. An incubator, as the name implies, is a place, designed to foster the growth of small companies. Incubators encourage entrepreneurship and minimize obstacles to new business formation and growth, by housing in one facility a number of new enterprises, which share an array of services.

These shared services may include: meeting areas, secretarial or accounting services, round table discussion groups, FAX/copy machines, research/library, on- site financial and management counseling, and computer/word processing facilities to every enterprise at a low cost. Incubators can significantly cut down on a startup's overheads. They allow entrepreneurs to focus on the development of their ventures, rather than on the more mundane aspects of running a business.

SMEDA can develop a replicable model based on international best practices and will then build partnerships with different organizations, who will set up the incubators at different localities. SMEDA will also provide facilitation services by assisting in operations of the incubators.

##### **14.2 Product Design & Development Centers / Industrial Homes:**

There is a need for product design and development centers, which can create innovative products on request. This service is for SMMEs, who cannot afford their own independent design and development departments.

A combination of CFC's (Common Facility Centers), with Design & Development Sections coupled with marketing facilities need to be set up to address this.

The aim is to provide design, product development and technical services at different locations near the SMMEs. These centers must be developed by partner organizations, with Private – Public partnerships created to build the Centers. SMEDA will act as a facilitating agency and provide technical assistance. SMEDA will develop the models, and coordinate and facilitate by developing linkages between donor organizations and partner organizations, and finally assisting the partner organizations in setting up and running the Institutions.

##### **14.3 Flatted Factories:**

These are built up spaces provided to new and existing enterprises on rent basis for setting up manufacturing concerns. The idea is particularly suitable for garment manufacturers and gems & jewelry manufacturers. SMEDA will develop a financially viable model and help other organizations to setup and run the factories.

##### **14.4 Small Industrial Estates / Hives / Clusters:**

Specialized Industrial Estates for different sectors would result in synergy effects in addition to organizing the sectors. Some of the synergy effects are as follows:

14.4.1 Easy fulfillment of larger orders

14.4.2 Availability of skilled labor at one place



#### 14.4.3 Better competition

14.4.4 Lower costs of raw material through bulk purchases and single point of delivery

14.4.5 Convenience of sharing load space in containers and cargo

14.4.6 Availability of services like shipping agents, transportation agents, Common Facility Centers at one place.

SMEDA can act as a facilitating agency between the private and public sector and assist in establishment of these Estates.

#### 14.5 Networks:

Networks link large numbers of small enterprises engaging in co-ordinated efforts, including extensive inter-firm collaboration. SME networks can provide a powerful tool for developing competitive advantages. SMMEs can benefit from networks as they can provide, cost reductions, market access, and knowledge exchange.

SMEDA in collaboration with BDSPs, EIRCs, Industry Specific Associations, Chambers, Trade Unions, Technical Institutes and Other Intermediaries will help set up the two major kinds of networks on a need basis. SMEDA will act as one of the intermediaries to assemble the networks and will sell the benefits.

- The Flexible Manufacturing Networks or flexible specialization network will involve co-operative efforts by SMMEs to produce a final product. Each small firm will specialize in one part of a complex, multistage production process and coordinate its activities through market-based exchanges with other firms, including suppliers of services, input suppliers and buyers. The networks will disband and organize in new forms, once the need has been fulfilled.
- SME Consortia: Most SMMEs can not afford to pay for many of the upgrading requirements needed to modernize production. In addition, the cost of finding technical solutions for common problems within different sectors of SMMEs is typically cost prohibitive for individual companies. To assist SMMEs in solving these problems, SME Consortia need to be formed to pool resources, providing the financial base required hiring a technology institute or university.

#### 14.6 Innovation Centers (ICs):

There is a need for incremental changes to existing products. But, for long term success, radical innovations that rewrite the market rules are needed. So, there is a need for long term research as well.

For this purpose, promotion of basic and fundamental research in universities and other institutions on scientific problems relevant to SMMEs is needed. This will be done at the different Universities, Technical Colleges and Scientific Organisations. The results of this research will be felt over the long term.

A lead agency (e.g. Pakistan Science Foundation), will take the lead, in identifying the encouraging the faculty members in becoming potential part time BDSPs.:



- Applied research and development in technological areas;
- Performing contracted research for SMMEs;
- Conduct generic research that can be applied to a broad range of SMMEs;
- Provide consulting and other services related to technological innovation including:
  - Demonstrations of new technologies;

Effective technology transfer to the small business sector generally requires technology institutes or universities to focus on the specific needs of the small business sector. This can be only done by developing a network of research centres for technology transfer and know-how, exchange of skills, with the aim of enhancing the link between business and academia and developing a technology transfer network.

#### 14.7 Entrepreneurship Information & Resource Centers (EIRC):

No single organization will be able to provide services to all of the target groups. This will include the expected huge number of graduates or the slightly smaller majority of new entrepreneurs. This is due to limited number of offices and lack of human resources to cover the whole of Pakistan. This lack of coverage will result in an adverse effect on enterprise development. Another effect will be different levels of support or assistance available at different sites. One locality maybe well served, while another will not have access to any service.

The EIRC Program is designed to deliver up-to-date counseling, training and technical assistance in all aspects of small business management. It will ensure consistent support and wide coverage due to their location in strategic geographic locations. The mission of the EIRCs is to create and retain jobs in their respective areas of influence. The EIRC assistance will be tailored to the local community and the needs of individual clients.

EIRCs services will be for 2 main groups of customers, new entrepreneurs and existing entrepreneurs. Assistance in business start-up, financial management & analysis, marketing, new business opportunities, business library, sources of financing, personnel assistance, production planning & control, site location analysis, licenses and taxes and requirements for going into business will be offered to new entrepreneurs. In addition, for existing businesses, the services of operation analysis and review, strategic planning, business planning, review of good practices, financial analysis & planning, marketing will be offered.

EIRC library will showcase area, sector and industry specific information, as well as feasibility studies. EIRCs will channel technical services on cost basis, from TIICs to SMMEs. EIRCs will also provide follow up services to the target groups and act as a monitoring service as an additional responsibility.

Special EIRC programs and economic development activities will include international trade assistance, procurement assistance, venture capital formation and rural development. For businesses in earlier stages of development, the clients will be provided with access to shared professional office space, meeting rooms and office equipment, as well as reception service and mailboxes.

Each center will have a manager, staff members, volunteers and part-time personnel. Qualified individuals recruited from professional and trade associations, the legal and



financial community, academia, chambers of commerce and CORE (the Corps of Retired Executives) will be among those, whose services are available. BDSPs databases will also be available for consultancy.

The Centers will be developed in tandem with different Colleges, Universities, Management and Engineering Institutions. They will be set up as an integral part of the Institutions selected. This would reduce the setting up and running costs drastically, as the Educational Institutions already have existing facilities, which can be modified for the purpose. Secondly, the highly qualified graduates of the Institutions are a huge potential source of new businesses.

SMEDA will develop a replicable & cost effective model for the Centers and will share in the initial setting up costs of the centers. To ensure long-term sustainability and to help these Centers become independent of SMEDA's assistance, they will be linked with different NGO's and donor agencies.

#### 14.8 E-Business Initiatives & Productivity Improvement Tools:

Productivity improvement is assuming ever more importance in the development of a country. The IT revolution is giving a chance to the developing countries to level the playing field in certain areas. However, action is needed, if we are to gain the advantage of productivity improvement.

PSEB (Pakistan Software Export Board) is already taking initiatives to promote software exports. They should also take initiatives to promote the use of e-commerce within Pakistan. In this regard, the Industrial Automation of the Domestic Industry is a good first step. However, more initiatives are needed, especially industry specific initiatives, from PSEB and as well as other organizations, for the SMMEs to take full advantage of the Internet age. Examples of industry specific productivity tools are, accounting and book keeping software for micro entrepreneurs, e-marketing and e-promotional initiatives etc.

SMEDA in collaboration with partner organizations (Chambers, Associations etc) will identify the sectors, areas and/or services, which are a need. PSEB will be requested to provide the services and fund the programs.

#### 14.9 Best Practices Unit:

Most of the problems faced by SMMEs in the World are the same. However, they need modification, before they can be applied in Pakistan. Best practices from all over the World must be collected and disseminated among the stakeholders (Chambers, Association, SMEDA and other Governmental Organizations). The stakeholders will then be made responsible for short-listing the most promising initiatives and adopting them to the local conditions. SMEDA will collect and compile the information and make it available for dissemination. SMEDA will also recommend implementation of the policy level best practices.

#### 14.10 Business / Industrial Extension Services:

Efforts need to be directed towards entrepreneurial activities at a community level in order to meet strong request and/or need among entrepreneurs. The aim of these activities will be to provide assistance at the doorstep of SMMEs.

These services may include technical/ production related, marketing and funds management advisory service through the network of TTC's and VTC's. Necessary steps in building the capacities of these centres will be undertaken by SMEDA, with the



collaboration of support institutions. The aim will be to have a network of people, who can go out from the Centers and assist the micro enterprises personnel deliver higher level services. The outreach will refer the entrepreneurs with advanced needs to the Centers.

The services will be designed to reinforce the concepts taught in the training programs, help the entrepreneurs adopt the necessary management skills and solve their problems. RSP's, Developmental Organizations, and Local Government Organizations will be assisted in offering these services.

#### 14.11 Awards / Appreciation:

Part of developing opportunities for SMMEs includes creating a culture, which celebrates the entrepreneur. Entrepreneurial behavior must be rewarded and held as a model of successful citizenship. Taking this position within the employment context will inspire a wider range of people to pursue entrepreneurial ventures.

The brilliant entrepreneurs will be short-listed for prizes by different Organizations, for example Shell Tameer Program etc. SMEDA will assist partner organizations in setting up the award / appreciation programs, identify the promising or accomplished SMMEs and help in disseminating the information about the programs.



**15. Stage 6: Entrepreneurship Coordination Committees & Forums:**

Aim: To create a holistic effort and thus increase the effectiveness of the efforts already being undertaken.

15.1 The aim is to promote enterprises at a national level by undertaking initiatives at the grass roots level. No single organization can achieve the objective of a vibrant entrepreneurial culture in the country on its own. A team effort is needed for the purpose, as no one has the financial or the human resources to undertake this task alone. So there is a need for collective efforts by all the partner organizations.

15.2 A large number of Governmental, Non-Governmental Organizations and Donor Agencies are working towards promoting different stages of entrepreneurship in the Country. But this is being done on a piece meal basis without creating a wholesome effect. Developing coordination forums at district, provincial and federal level can have a synergetic multiplier effect on all the programs.

15.3 At first, if just a database of the different organizations and individuals involved in EDP is built, it would be a great help. Eventually a coordinating effort by SMEDA can be translated in to a formal forum. The result would be better-dovetailed entrepreneurship programs and improved services for entrepreneurs. For this purpose, SMEDA will act as a coordinating and facilitative body at first.

15.4 It is planned that at the later stages, EIRCs with assistance of local / provincial Governments will act as the coordinating bodies at the grass roots and regional level, with SMEDA coordinating efforts at the Provincial & Federal levels.



## 16. **Stage 7: Entrepreneurship Friendly Policy Regime**

**Aim:** To create an environment conducive to SMEs.

16.1 Accumulating evidence suggests that sustainable, long-term economic growth is dependent upon an economy's capacity to generate new, high-growth businesses. The decisions made by the entrepreneurs who start and scale up these businesses are shaped by an array of public policies, including education policy, research funding, capital market regulation, and many others. These policies are implemented at the local, regional, and national levels, often with little attention to their likely effects on entrepreneurship.

16.2 Regulatory policies, which define the framework for business operations in any given country, often represent significant obstacles to the development of the SME sector. The parameters created by the laws and regulations of any country can pose serious constraints on SME prospects for growth and integration into the mainstream economy.

16.3 Developing a business friendly environment is critical to the success of the small business sector. This environment includes affordable credit, well-developed infrastructure, a simple, clear and flexible regulatory and legal framework and a wide range of other labor, trade and fiscal policy issues.

16.4 BDSPs can play a pivotal role in identifying the issues negatively effecting small businesses and supporting advocacy efforts to change the business environment. Their understanding of the constraints faced by SMMEs and advocating for change can greatly affect SMMEs long-term sustainability.

16.5 SMEDA was established to function as the apex policy-formulation body for the SMMEs. As part of its mandate, it will focus public policy on the role of entrepreneurship in the national economy and will articulate policies that will foster its continued growth. SMEDA will provide policy makers with practical recommendations on how they can foster entrepreneurship in the 21st century



17. **Stage 8: Human Resources Development:**

**Aim:** To inculcate an entrepreneurial spirit from an early age, and at the same time create knowledge workers for the new enterprises.

17.1 "It's not enough anymore just to create a safe legal, financial, and economic environment". To keep pace in the global economic race, we will have to use their heads more than their hands.

17.2 However, our educational system is not contributing towards strengthening the base for producing the right mix, in terms of quantity and quality, of the human resources required at each stage of the industrialization process.

17.3 To address this shortcoming, a separate national level strategy is needed. The strategy should facilitate linkages among the national educational system, science and technology and industry, thus more closely linking the program of the educational system to the requirements of industry for well-trained scientists/technologists, engineers and managers.

17.4 This effort has to begin at the grass roots level and go up. This is a full time effort, requiring continuous revision of the curriculum and development of new material. For the purpose, one Central Educational Body should be set up or assume charge of this initiative. The body will have linkages with all Boards of Education, Boards of Technical Education and the Higher Education Commission. It will identify the best practices in vogue all over the World and communicate them to the Education Authorities for adoption and implementation.

17.5 SMEDA in collaboration with stakeholders (Chambers, Associations etc) will identify the skills and competencies needed. It will then transmit the needs to the Central Educational Body. The Central Educational Body, in collaboration with the relevant educational authorities set out the curricula and will develop the necessary educational material.

17.6 To take advantage of local opportunities, laws must be created that allows industry groups to supervise curriculum and teaching materials at vocational schools. SMEDA will help stakeholders (Chambers, Associations etc) in identifying the needs and will assist the Boards of Technical Education in setting the curricula.



## **Conclusion**

Promotion of an entrepreneurial culture is compulsory for sustainable growth of a country. But for enterprises to flourish, a network of support services is needed. This strategy, lays out a blue print for sustained economic growth by creating these support services.