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# HOW TO STIMULATE KHYBER PAKHTUNKHWA'S URBAN ECONOMY



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# Bottlenecks Stifling Urban Economic Growth in KP

01

This is mainly due to underutilization of highly valuable inner-city (or downtown) land parcels. At the same time, rising sprawl is leading to an expansion of the urban footprint into previously fertile agricultural farmlands.

**In-efficient  
land-use  
patterns**

02

Rapid expansion of cities, lack of capacity & resource allocation at the local level has crippled municipalities' ability to provide basic urban public services that underlie quality of life for residents.

**Poor social  
service delivery**

03

Poor rural-urban economic integration via supply chains continue to inhibit equitable growth while entrepreneurial venture is being stifled due to low awareness and risk-aversion.

**Sub-optimal  
trading markets**

**Spatial  
disparities across  
districts**

04

There are massive spatial disparities within KP with an overconcentration of economic activity in cities. Lagging districts appear disconnected from the greater Peshawar growth cluster.

# **POLICY REFORM, INTERVENTION & ACTION POINTS**

If the path to prosperity for KP's population starts from CPEC and ends in measurable improvements in social welfare, it will likely go through its urban economy.

## Complementary Urban Investments to Benefit from Megaprojects

### Policy Interventions

Enhance the benefits of agglomeration by investing in improving service delivery and skills development.

### Policy Direction

- Improve urban livability through public service delivery.
- Supply a skilled workforce to fill growing job demand.
- Improve the business climate.

### Specific Initiatives

The economic benefits from the Rashakai SEZ could be broadened to the local economy and sustained over time by:

- Introducing programs for local workforce development in line with expected demands from industry.
- Reviewing land-use regulations to facilitate new housing construction.
- Upgrading service delivery units to effectively meet expected demands on services such as water and sanitation.



## Develop new policy coordination mechanisms across federal, provincial and local tiers

### Policy Interventions

Create singular focus across all levels of government on economic development policies.

### Policy Direction

- Government interventions to improve development outcomes should be aligned to the economic potential of each district.
- To achieve the development objectives, municipal finance must be strengthened to generate revenue.
- Local economic planning must be improved by strengthening local governance.

### Specific Initiatives

- Give Tehsils with large shares of non-agricultural workers 'urban' status under the Local Government Act to make them eligible for urban development funding and technical assistance.
- Improve inter-district coordination around mega projects through new mechanisms e.g. a Greater Peshawar Valley Authority for Rashakai SEZ.
- Strengthen UPU-KP as a technical arm to enhance local economic development planning

## Improving Service Delivery and Land-Use Planning via Local Governments

### Policy Interventions

Truly empower urban elected local governments to undertake decisions around local economic development planning & public service provision.

### Policy Direction

- Undertaking smaller steps within local government jurisdiction in close coordination with provincial and federal agencies to improve service delivery.
- Contribute to master planning of cities and SEZs.

### Specific Initiatives

- Strengthen fiscal position of local governments, for instance, by allowing Tehsil governments to set rates, levy and collect the Urban Immoveable Property Tax as empowered by the Local Government Act.
- Strengthen social compact and quality of service position, for instance, by introducing participatory budgeting (first piloted in Porto Allegre, Brazil) to allow local citizens more influence over local public spending.
- Improve land use policies by finalizing and adopting land-use plans being developed by the Urban Policy and Planning Unit.

## Developing Identity of Cities as Hubs of Economic Activity & Trade

### Policy Interventions

Help urban centers define their economic identity to inform economic planning and investment decisions.

### Policy Direction

- Reclaim Peshawar's role as a hub of regional trade and as a commercial center to become a major growth node in the country.
- Focus on trade links with India, China & Central Asia by playing KP's natural role as a connector between Central Asia and India and China with the potential rents accruing to the province that can be later invested in building a strong manufacturing and export base for the future.

### Specific Initiatives

- Define a city's economic identity, for instance, through tourism projects which leverage private investment through PPPs.
- Make economic planning a function of local government with assistance from a central hub such as the UPU-KP in collaboration with local business forums.
- Improve trade facilitation by building on transit trade to Central Asia with added services such as dry fruit processing, cleaning and packaging.