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HOW TO STIMULATE KHYBER PAKHTUNKHWA'S URBAN ECONOMY



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Bottlenecks Stifling Urban Economic Growth in KP

In-efficient land-use patterns

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.

Poor social service delivery

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.

Sub-optimal trading markets

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.

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.