IGC International Growth Centre

PROJECT MEMO

KHYBER PAKHTUNKHWA'S ECONOMIC STRATEGY

Partner organisation: Government of Khyber Pakhtunkhwa

IN BRIEF

» Khyber Pakhtunkhwa has the 3rd largest provincial economy in Pakistan but its growth has been poor

» The provincial government needed a strategy to put the economy on the path to growth

» IGC researchers found that remittances, regional trade, and emerging urban expansion provide ideal engines for growth

» The provincial government has used the framework developed in this study to put together the official Integrated Development Strategy

Khyber Pakhtunkhwa (KP) has the 3rd largest provincial economy in Pakistan but its growth has been relatively poor. The new government asked the IGC to conduct a study that would double as a strategy for economic growth in the region.

The purpose of this study was to first provide a fact-based picture of the provincial economy (as there are currently no official estimates of the size of the economy) and, based on this, to propose a policy framework to spur economic growth.

The IGC report identified the policies that would generate the best growth for KP, with the caveat that the province is still not entirely the master of its own fate. Key policy areas that impact critically on the private sector in the province — such as monetary and fiscal policies, law and order, and the overall macroeconomy — lie mostly within the domain of the federal government. The researchers found that Khyber Pakhtunkhwa has 4 possible paths to growth available: 1) increased transfers from federal government; 2) urban agglomeration; 3) regional trade and; 4) remittances from abroad. The provincial government needs to attract investment in industry, construction, agriculture, livestock, mining and tourism through private sector-friendly policies. The report also suggests there is a need to improve the general business environment in the province, which can be done through public investments in energy, transport, and the rule of law. The report notes that growth alone will not benefit the ordinary citizens of the province unless there is an effort to promote inclusivity through investment in skills development, education, and health.

The recommendations from this project have now been formally adopted by the Government and is feeding into the KP growth strategy.

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