Annual Plan 2014-15



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Abbreviations and Acronyms

ADP	Annual Development Programme
AEDB	Alternative Energy Development Board
BPD	Barrels Per Day
CAMB	Centre for Applied Molecular Biology
CCI	Council of Common Interests
CGT	Capital Gains Tax
CSF	Coalition Support Fund
CWHR	Council for Works and Housing Research
ECO	Economic Cooperation Organization
ELTR	English Language Teaching Reforms
ERRA	Earthquake Reconstruction and Rehabilitation Authority
FDI	Foreign Direct Investment
FEG	Framework for Economic Growth
FRDL	Fiscal Responsibility and Debt Limitation
GDP	Gross Domestic Product
GNP	Gross National Product
HEC	Higher Education Commission
HIES	Household Intergraded Household Survey
ICT	Information and Communication Technology
IMF	International Monetary Fund
NAVTTC	National Vocational and Technical Training Commission
NDA	Net Domestic Assets
NEC	National Economic Council
NIE	National Institute of Electronics
PAEC	Pakistan Atomic Energy Commission
PARC	Pakistan Agriculture Research Council
PCRET	Pakistan Council for Renewable Energy Technologies
PCRWR	Pakistan Council of Research in Water Resources
PCSIR	Pakistan Council for Scientific and Industrial Research
PDL	Petroleum Development Levy
PNAC	Pakistan National Accreditation Council
PRI	Pakistan Remittance Initiative
PSDP	Public Sector Development Programme
PSEs	Public Sector Enterprises
PSF	Pakistan Science Foundation
PSLM	Pakistan Social and Living Standard Measurement Survey
PSQCA	Pakistan Standards and Quality Control Authority
SAFTA	South Asian Free Trade Agreement
SECP	Securities and Exchange Commission of Pakistan
SMEs	Small and Medium Enterprises
STFP	Strategic Trade Policy Framework
TDS	Tariff Differential Subsidy
WTO	World Trade Organization

Foreword

This document has the unique distinction of being the first Annual Plan after approval of Pakistan Vision 2025 and Framework for 11th Five Year Plan (2013-18). The Vision 2025 provides country's long–term development agenda based on seven pillars, namely, developing human and social capital, achieving sustained, indigenous and inclusive growth, governance, institutional reform & modernization of the public sector, energy, water & food security, private sector led growth and entrepreneurship, developing a competitive knowledge economy through value addition, and modernization of transportation infrastructure & greater regional connectivity. The Framework for 11th Five Year Plan is a segment of the Vision 2025. The annual plan and the public sector development plan have been developed keeping in perspective the Vision 2025 and Framework for 11th Five Year Plan (2013-18).

The effort to build the vision, develop the framework of the five year plan, restructure the economy and change the composition and content of the development plan accordingly has challenged the Planning Commission from the time it sought to move in this direction. However, by the end of the cycle, with the concerted efforts of the Government, we have been able to lay the foundations for a promising beginning.

The Government's resolve in addressing the immediate macroeconomic stabilization issues that it inherited are already bearing fruit. As a result of these immediate corrective measures, inflation has begun to decelerate, the fiscal deficit has shrunk, growing foreign exchange reserves have reassured traders as well as the international markets, the stock market has revived, and international capital markets have expressed their confidence by oversubscription of the Eurobond. In the real sector likewise, the urgent measures have contributed to the resumption of healthy growth in large-scale manufacturing (unprecedented for the last 8 years), and respectable growth in the services sector.

The economy has shown enormous potential by quickly responding to concerted efforts of the economic team by registering highest ever growth in the last six years. The industrial sector has shown strength by growing at a faster rate of 5.8% thereby surpassing an ambitious target of 4.8% amidst continuation of energy outages and below par security situation. Three out of four major crops have attained unprecedented increases. Exchange rate has never recovered from high depreciation so quickly in the past. More importantly, fiscal adjustment of over 2% has not significantly affected short term growth. The targeted income support program has been geared up to meet the costs of the substantial fiscal adjustment.

The Annual Plan 2014-15 builds on these gains in macroeconomic stabilization and leverages the potential of the economy by placing it on the path of a long term Vision which is based on extensive consultation with the federal ministries, provincial governments and other stakeholders. The GDP growth is targeted at 5.1% with agriculture (3.3%), industry (6.8%) and services (5.2%). Inflation is projected at 8.0% for 2014-15 in view of the higher base effect, higher administrative prices, and

monetary overhang of the past. The current account will be hovering around one percent of GDP.

The size of National Development Outlay (PSDP 2013-14) has been set at Rs. 1175 billion including foreign aid of Rs. 192 billion. The development outlay comprises Rs. 525 billion as federal PSDP including foreign assistance of Rs.102 billion and Rs. 650 billion as provincial ADPs including Rs. 90 billion foreign assistance. While this amount is constrained by limited fiscal space, the effort has been made to: address the critical constraints to growth in infrastructure, modernize infrastructure to develop Pakistan as a hub for regional trade and investment, build the China-Pakistan Economic Corridor in this context, utilize the enormous potential of the private sector especially in the energy sector, focus on providing incentives and resources for the youth to develop skills and utilize their vitality and entrepreneurial strengths, build synergy in science, technology, research and education with the industrial, agriculture and services sectors of the economy, direct resources to the SME sector for creating job opportunities for the youth, support the provincial governments in meeting the MDG targets and providing additional resources for addressing the issues of regional inequities.

I would like to acknowledge the professionalism and hard work of the staff of Ministry of Planning, Development & Reform in preparing this important national document.

Prof. Ahsan Iqbal
Minister for Planning, Development & Reform
Islamabad

Executive Summary

Economic Performance and Prospects

The Annual Plan for 2013-14 envisaged real GDP growth of 4.4 percent with contributions from all major sectors. Underlying assumptions of the growth target included implementation of proposed reforms envisaged in the budget, enhanced fiscal prudence, improvement in energy supply, resolution of inter-corporate circular debt and improvement in enabling environment for investment. Initially, the economy remained confronted with endogenous and exogenous problems like persistent inflationary pressures and depreciation of exchange rate. The economy bounced back with relative stability in the latter half of the year: inflationary pressures receded, fiscal deficit remained well within the target during the first three quarters, confidence in exchange rate management was restored with substantial increase in foreign exchange reserves, stock market remained buoyant and regarded as the best performing markets of the region, successful auction of 3G/4G license, healthy growth in large-scale manufacturing unprecedented for the last 8 years and remittances bounced back from lows of last year.

Review of Annual Plan 2013-14

For the fiscal year 2013-14, the Annual Plan growth target for the real GDP was set at 4.4 percent with sectoral growth of 3.8 percent, 4.8 percent and 4.6 percent from agriculture, industry and services, respectively. The GDP growth target was consistent with assumptions of improvement in energy supplies, normal weather conditions, fiscal adjustment and better investment prospects. Uncertainty surrounding political transition for most part of the last year owing to holding back of consumption and investment decisions by economic agents adversely impacted GDP growth prospects during that year. However, smooth political transition has provided impetus for improvement in enabling environment. Consequently, GDP grew by 4.1 percent in 2013-14 against 3.7 percent of last year.

Total investment has decreased to 14 percent of GDP in 2013-14 against 14.6 percent in the previous year. Public sector investment has inched up to 3.5 percent of GDP from 3.3 percent last year, while private sector investment declined from 9.6 percent of GDP in 2012-13 to 8.9 percent in 2013-14. Recently, the private sector has shown some appetite for working capital but long spells of power outages, deteriorating law & order situation and other regulatory bottlenecks kept them shy of making investment. The idle capacity in the economy is another impediment to additional investment in the economy. National Savings have adjusted downward to 12.9 percent of GDP in 2013-14 from 13.5 percent in 2012-13. Pakistan's reliance on foreign savings has decreased as investment has fallen to converge towards lower savings level. The SBP decision to substantial easing of monetary policy last year has not significantly impacted the investment climate suggesting that the problem lies with other determinants of investment. The SBP tighten monetary policy to shave-off aggregate

demand in 2013-14 by 100 bps but the credit to the private sector expanded by Rs.320 billion.

Fiscal Developments: Government during 2013-14 planned to contain the fiscal deficit through enhancing revenues and controlling current expenditure. Fiscal adjustment was envisaged from 8.2 percent of GDP in 2012-13 to 6.3% of GDP in the current year. The consolidated total revenue during July-March 2013-14 stood at Rs 2,478 billion as compared to Rs 2,126 billion in the same period of last year, thereby posted 16.5% growth. This constitutes 66.4% of the revenue of Rs 3,732 billion budgeted for 2013-14. The growth in consolidated total revenue has been realized on account of 19.8% exceptional growth in federal non-tax revenues while tax revenues grew by 16.8%. Fiscal deficit remained at 3.2% of GDP during July-March 2013-14 and fiscal deficit during 4th quarter averaging 2.5% of GDP during 2007-2013. The overall fiscal deficit is likely to remain below the budgeted target of 6.3% of GDP.

FBR Tax Collection stood at Rs 1,742 billion during July-April 2013-14 against Rs 1,516.2 billion in the same period of last year thereby, reflecting growth of 15.9%. This collection constitutes 74.3% of the full year revised budget target of Rs 2,345 billion for 2013-14. FBR's direct and indirect taxes during the period under review have shown growth of 18.9% and 14.1%, respectively. The below target growth of FBR tax collection, during the period under review, could be attributed to considerable slowdown in dutiable imports, appreciation of the rupee and some disruptions in areas of major revenue sources. After adjusting for nominal GDP growth of 11.5 percent and tax measures including increasing GST from 16% to 17%, withdrawal of certain exemptions, enhancing FED rate on certain products etc; the figure reflects a marginally positive real growth in tax revenues.

Monetary Developments: Given the real GDP growth and inflation targets, M_2 was estimated to grow at around 13% in 2013-14. However, it grew by 7.3 percent during July 01, 2013 to May 09, 2014 as against 10.3% in the corresponding period of last year. Reserve money grew at a relatively faster pace of 9.8% in this period which also shows the impact of the monetary overhang of the past. During July 2013 to May 9, 2014, M_2 expanded by Rs. 648 billion (7.3% increase) as compared to Rs.789 billion (10.3% increase) in previous year. Net Foreign Assets (NFA) expanded by Rs.236 billion (88.1%) and Net Domestic Assets (NDA) of the Banking Sector expanded by Rs.411 billion (4.8% growth). Borrowing for budgetary support from SBP contracted by Rs. 10.4 billion compared to an expansion of Rs 416 billion in the corresponding period of last year. Borrowing from scheduled banks during this period increased to Rs.275 billion as compared to Rs. 658 billion in the comparable period of previous year.

The reserve money expanded by 9.8% in this period thereby, reflecting the impact of substantial retirement of the SBP debt by the federal government owing to strong external inflows. The period under review is unique as increase in the claims on private sector exceeded the amount of expansion of claims on the government. The net claims on the government has increased by Rs. 200 billion whereas the claims on private sector increased by Rs. 296 billion which demonstrate healthy developrnent in monetary account after almost six years. The contribution to monetary expansion of 7.3

percent came from NFA (2.7%) and NDA (4.6%). Almost two-thirds of the expansion in NDA came from government borrowing from the banking system.

Consumer Price Index (CPI) inflation for 2013-14 was targeted at 8% but inflation increased by 8.7 % during July-April 2013-14 as against an increase of 7.8 % in the comparable period. The surge in food inflation was more pronounced as it escalated by 9.3% in this period as against 7.1% in the previous year. The non-food inflation increased by 8.2% compared to 7.5% of last year in this period. Core inflation stood at 8.5% in the first ten months compared to 9% last year. In view of the current developments, the CPI inflation in the coming months would continue to witness deceleration. Average inflation for the year 2013-14 is likely to be within the range of 8.5-8.8 percent.

Balance of Payments: The Annual Plan 2013-14 had the underlying assumptions of global recovery, better fiscal management, improved energy availability, better business environment, higher crude oil prices and lower Coalition Support Fund (CSF) re-imbursement. With estimated trade deficit at $ 16.1 billion and remittances at $ 15.3 billion, the current account deficit for 2013-14 is estimated at $ 2.6 billion against a deficit of $ 2.5 billion in 2012-1.

Trade deficit during the first ten months of this fiscal year deteriorated by $476 million as imports growth outpaced exports growth. Exports stood at $21 billion in July-April 2013-14, which is higher by 2.4% over last year's level. Imports stood at $34.3 billion in July-April 2013-14 which implies growth of 2.6 percent over last year's level of $33.4 billion. The exports of services have contracted by 28.5 percent owing to inflow of $1.8 billion re-imbursement from Coalition Support Fund (CSF) in the last fiscal year.

Workers' remittances have continuously witnessed an increasing trend after a brief interval in the last year when it seemed that a saturation point had reached. Average growth in remittances over the period of last six years was 19%, while remittances reached $12.9 billion during July-April 2013-14 as against $ 11.6 billion in the corresponding period of last year, thereby showing an increase of only 11.4%. Average monthly inflow of remittances was $1179 million last year and increased to $1290 million per month in the period July-April 2013-14.

Annual Plan 2014-15

The outlook for 2014-15 portends a significant recovery in growth momentum and trajectory amidst wide ranging challenges including persistent energy shortages, supply-side constraints, inefficiencies of production, further reduction in fiscal deficit besides security challenge. Similarly, regaining macroeconomic stability and adequate investment are critical for improved growth prospects and enhancing job creating ability of the economy. The constraining factors such as lack of structural reforms, high fiscal deficit, and accommodative monetary policies are no more desirable as they have serious consequences for inflation, balance of payments and foreign exchange reserves. In order to tackle these hurdles and place the economy on the right path, Annual Plan 2014-15 aims at higher growth rate and sectoral targets taking into consideration

assumptions of relatively better energy supplies, normal weather conditions, investor's positive sentiment about Pakistan economy's prospects and political stability.

The stage is set for economic revival in the next fiscal year. The industrial and services sector will steer the economy to higher growth trajectory whereas the agriculture sector will continue its lower growth in the short-run, unless major changes in cultivation techniques occur to pave way for bridging the yield gap between conventional and progressive farmers. Better fiscal discipline, sustainable balance of payments, stable exchange rate, improving availability of credit to the private sector, revival of investor and consumer confidence, improved energy availability, better governance and meaningful monitoring of economic activity will help in boosting economic growth in 2014-15.

Pakistan needs to mobilize substantial resources to enhance its long-term growth potential. Tax-to-GDP ratio at 9.7% is lowest in the region, private investment has fallen by nearly half between 2006-07 and 2012-13 from 15.4% to 8.7% contributed by decrease in both foreign and domestic investment, and exports fell from 12.5% of GDP in 2007-08 to 10.7% in 2012-13. Tax, Investment and Export (TIE) are crucial for enhancing growth potential. The steps to enhance these are priority areas in the 11th Five Year Plan.

The growth of GDP for 2014-15 is targeted at 5.1% with contributions from agriculture (3.3%), industry (6.8%) and services (5.2%). Nominal GDP is targeted to grow by 13.5% and GNP per capita is projected at Rs.161,063. The growth targets are subject to risks like deterioration in energy availability, extreme weather fluctuations, non-implementation of envisaged reform program and fiscal profligacy. The underlying assumption for inflation is 8% which is consistent with fiscal prudence, stable exchange rate and responsive monetary policy. The circular debt was cleared temporarily without addressing structural issues in June 2013 which had some positive implications for the economy in the short-run. However, it needs to be resolved permanently, so that it does not impede the growth momentum. Council of Common Interests (CCI) has devised a strategy to mitigate this debt.

Savings and Investment: The investment has been targeted to improve from current level of 14% of GDP to 15.7%. The increase in investment will primarily be contributed by the private sector while public sector will continue to support the private sector. Fixed investment will inch up from 12.4% to 14.1% of GDP. Foreign direct investment (FDI) net inflow has decreased substantially from $5.4 billion in 2007-08 to just $654 million in July-April 2013-14, which is 2.4% lower than the meager $670 million in the corresponding period of last year. The peculiar security environment and power sector bottlenecks were impeding factors. With expected gradual improvement in the security environment and power sector, the FDI will improve significantly. The entrepreneurship and innovation are important interventions of Vision 2025 and they are likely to boost private investment in the country. Inadequacy of national savings to finance investment has always led to increased dependence on foreign savings. However, national savings are expected to improve from 12.8% of GDP in 2013-14 to 14.2% in 2014-15.

Fiscal Policy: Fiscal policy during 2014-15 will build upon the gains of the current fiscal year and will focus on catalyzing economic growth, ensuring fiscal prudence, curtailing the fiscal deficit by mobilizing more revenues, controlling current spending through switching to more targeted subsidies and prioritizing development spending for critical sectors for realizing the stated objective. Growth prospects are dampened by the presence of loss-making public sector enterprises (PSE) which is drain on the budget and are creating distortions in the economy.

Monetary Policy: The strategic thrust of the monetary policy during 2014-15 envisages price stability and support to economic growth by improving implementation of monetary policy and the operational framework. Monetary expansion for the year 2014-15 will be in line with the projected GDP growth of 5.1% and CPI inflation at 8% to keep M_2 growth in the vicinity of the targeted level and to encourage private sector credit.

Inflation: Inflation has increased to 8.7% during July-April 2013-14 from 7.8% in the same period of last year. Inflation in 2013-14 is likely to be around 8.5-8.8%. In view of the rationalization of subsidies, monetary overhang and rising demand, inflation for 2014-15 is projected at 8%.

Balance of Payment: The outlook for 2014-15 regarding trade balance is encouraging due to the optimism prevailing on account of better availability of energy supply coupled with high targets set in Strategic Trade Policy Framework 2012-15. Hence, a sustainable and growth supportive balance of payments is envisaged.

Exports for 2014-15 are projected to grow by 5.8% to $ 27 billion from $ 25.5 billion estimated for 2013-14. Imports during 2014-15 are projected to increase by 6.2% to $ 44.2 billion from $ 41.6 billion estimated for 2013-14. Hence, the trade balance is projected to be in deficit by $ 17.2 billion in 2014-15. The current account is projected to be in deficit by $ 2.8 billion in 2014-15 (1.1% of GDP) as against a deficit of $2.6 billion (1.0% of GDP) estimated for 2013-14.

Pakistan Vision 2025

Vision 2025 builds upon the urgent measures already initiated by the government to address short term challenges. As a result of these measures, inflation has started showing deceleration trends, the fiscal deficit has shrunk, growing foreign exchange reserves have bolstered the confidence of traders as well as the international markets, the stock market has revived, and international capital markets have expressed their confidence by oversubscription of the Eurobond. In the real sector likewise, the urgent measures have contributed to the resumption of healthy growth in large-scale manufacturing (unprecedented for the last 8 years), and respectable agricultural growth. The Vision will also build upon the positive trends in the political domain, including a national consensus on democratic governance, strengthening of the parliament as well as the judiciary and emergence of pro-active civil society and vibrant print, social and electronic media.

Vision 2025 bifurcate its challenges and goals into a set of seven pillars identified as the key drivers of growth which will transform Pakistan into a self-reliant and prosperous nation by 2025. In addition to these seven pillars, Vision 2025 indentifies five key enablers, which are critical for success of the plan, namely; political stability, peace & security, rule of law, shared vision and social justice.

Finally, the PSDP 2014-15 has been formulated in line with development objectives emanating from Pakistan Vision 2025. The Vision provides country's long–term development roadmap to create a globally competitive and prosperous country by raising standard of living in both urban and rural areas. The Vision is to be realized through effective implementation of policies, programmes and projects within purview of seven pillars i.e. (i) social and human capital, (ii) sustained indigenous and inclusive growth, (iii) democratic governance, institutional reform & public sector modernization, (iv) energy, water and food security, (v) private sector & entrepreneurship led growth, (vi) developing a competitive knowledge economy through value addition and; (vii) modernize infrastructure & strengthen regional connectivity. In PSDP 2014-15, major investment has been envisaged in energy sector followed by transport and communication. Among new initiatives taken by the government to implement development agenda include major projects to implement China-Pakistan Economic Corridor (CPEC).

Sectoral Programs

Higher Education: The Higher Education has kept pace of the global developments and the government has taken numerous measures to meet the requirements of the contemporary demands. Accordingly, HEC has shifted its focus towards improving the standard of education, relevance to the national needs, enhanced research & innovation and encouragement of the private sector for promotion of the higher education institutions. Six Pakistani universities are now ranked among the top 300 Asian universities while two Pakistani universities are now ranked among the top 300 Science and Technology Institutions of the world.

Science & Technology: The policy focus on improved communication, coordination and collaboration among S&T, ICT and other sectors of socio-economic development with the aim to ensure that Pakistan acquires world-class expertise within 5-years in development of Innovative Incubation Centers & Technology Cluster Centers, nanotechnology, biotechnology and fuel cell technology, renewable energy technology etc. An amount of Rs. 2172.6 million were allocated for 54 development projects of Ministry of Science & Technology during 2013-14, out of which Rs. 1649 million have been released showing 79% utilization.

Skill Development: Skill development and human capital development is the only way to convert the threat of youth bulge into an opportunity for national development. The sector is fragmented into formal and informal, private and public sector service providers with hardly any coordination for an integrated skill development in the country. Moreover, the low level of outreach is evident from the fact that only 64 out of every 1,000 citizens in Pakistan have acquired some vocational skill formally or informally. In order to reap the economic dividend of the demographic transition in the

country, they need to impart some demand driven skills to about 20 million youth of Pakistan. In line with the spirit of devolution, the federal government is supporting the provinces as primary suppliers of skill development therefore; major resources are coming from the provinces. The focus of the federal government is to provide strategic vision through harmonizing the standards, curriculum development and training methodologies. These efforts would ultimately enhance the capacity of young labour force and will enable them to blend in relevant job opportunities. During the year 2013-14 an amount of Rs. 5.2 billion has been allocated to the Ministry of Education, Training & Standards in Higher Education including Rs. 350 million for NAVTTC and Rs. 200 million have been utilized till May 2014. However, for the next fiscal 2014-15 the allocation is Rs. 3.3 billion including allocation of Rs 350 million "Prime Minister's Special Initiatives (PMSI) for *Hunarmand* Pakistan Programme" which has attained 80% physical progress. Similarly 12,648 youth will be trained annually under the President *Fanni Maharat* Programme and Prime Minister's *Hunermand* Pakistan Programme.

Commodity Producing Sectors

Agriculture: Pakistan Vision 2025 focused on adopting the strategy for improving and value addition to the produce of agriculture sector and allied sub-sectors to accelerate agriculture growth for reducing rural poverty, achieving self-reliance in essential food commodities, as well as expansion of exportable surplus and galvanizing agro-business potential. An allocation of Rs. 750 million was made to development projects of national food security and research for 13 projects in the PSDP of 2013-14. Against this allocation, Rs. 672.3 million have been utilized implying 90% utilization. The allocation is enhanced to Rs. 1,071.3 million in addition to Rs.180 million of agriculture related projects of other Ministries for the year 2014-15.

Manufacturing: Vision 2025 envisages that industry and manufacturing will upgrade from low to high value added output. Business clusters will be developed to promote competitiveness across small, medium and large enterprises. On the back of comparatively better power supply to industrial units and increased domestic demand, manufacturing sector registered a growth of 5.5% in 2013-14 as against 4.5% growth of last year. Large-scale manufacturing posted a growth of 5.2% in July-February 2013-14 as against 2.9% in the same period last year. Important contributors to this surge in growth are fertilizer, chemicals, leather sector, petroleum products, food & beverages and construction related industries. However, small and medium manufacturing sub-sector is estimated to grow at a constant annual rate of 8.4%. The allocation in development sector for projects under Ministry of Industries stood at Rs.0.8 million, of which Rs. 0.7 billion has been released up-till May 09th, 2014 for 26 projects and out of Rs.1.1 billion allocated for 9 projects of Production Division, Rs. 0.72 billion has been released in this period.

Physical Infrastructure

Energy: Pakistan Vision 2025 recognizes that energy is life blood of the economy and sufficient, reliable, clean and cost-effective availability of energy is indispensable for ensuring sustainable economic growth and development. Load shedding continued

driving seat for providing basic education facilities to the population. An amount of Rs. 5.7 billion was allocated in PSDP 2013-14 for capacity building of teachers, establishment/strengthening/expansion of schools/ colleges and others but reduced to Rs.4.2 billion in 2014-15, mainly because of the fact that in post 18th amendment scenario, federal government is creating space for the provinces.

The government has prepared National Plan of Action (NPA) for MDGs Acceleration Framework 2013-16. The said Framework reflects that there are 3.2 million existing schools in Pakistan. During this period 1.3 million new schools will be added in the country at a cost of Rs.784 billion.

Area Development: Besides conventional division of rural and urban areas, the diversity of Pakistan is manifest from special areas including Federally Administered Tribal Areas (FATA), Provincially Administered Tribal Area (PATA), Azad Jammu & Kashmir and Gilgit-Baltistan. The sustainability of economic development requires, balanced growth approach encompassing development of these special areas to bring at par with rest of the country. However, these areas have been left behind in economic resource allocation due to peculiar governance structure, inaccessibility, lack of infrastructure and security related factors. Special consideration has been given to these areas to improve standard of living of the people through reinvigorating area development, raising agricultural productivity, providing employment opportunities to landless labours, promoting a sustainable environment for the uplift of rural community and providing help in accessing basic necessities and management of the rural commons. For this purpose, an amount of Rs 45.8 billion was proposed for Accelerated Development for Less Developed Regions in Pakistan in 2013-14 but the allocation is slightly downward adjusted to Rs.44 billion in 2014-15 mainly because of the fact that the government has initiated a separate program for backward areas of other provinces as well.

Health and Population: Healthcare is a top priority of Pakistan Vision 2025, and a significant sustained increase in public spending on health is foreseen in upcoming five years. After devolution provincial governments are at the forefront of health services. Federal PSDP 2013-14 has earmarked Rs. 21.1 billion with approximate utilization of Rs.18.2 billion for improvement of health status of the people and reduction of burden of disease, a series of programs and projects are on track. To improve health status of the people and to reduce burden of disease, a series of programs and projects are being implemented.

An amount of Rs 20.8 billion has been proposed in Federal PSDP 2014-15 including different preventative and curative programs in health sector for improvement in quality of healthcare and achievement of MDG targets. All the vertical programmes in health sector shall continue to be funded by federal government during FY 2014-15. Pakistan pioneered launch of the Population Program in the public sector in SAARC region, yet it has the highest population growth rate among the region. Pakistan adds up some 2.8 million people to its population every year. Pakistan's population is projected to reach 315 million by 2050, with evident ramifications in the living conditions of the people.

Better Governance: Governance is perhaps the single most important factor in ensuring objectives of effective service delivery. Governance and quality of institutions is the defining element of progress. A responsive, inclusive, transparent and accountable system of governance is envisaged through adoption of a holistic approach - from policy to strategy to implementation and delivery, encompassing all administrative levels - federal, provincial, regional, district and local – in a rules based, results oriented perspective. Pakistan Vision 2025 seeks an efficient and transparent government which operates under the rule of law and provides security of life and property to its people. The goal is to enable consistent excellence in the management of political, economic, and administrative infrastructure by strengthening and streamlining institutions. The reform agenda of the government lays emphasis on strengthening institutions, fostering markets and initiating reforms in the areas of judicial system, civil service, systems and procedures, tax administration, procurement, financial management, enforcing property rights, and Public Sector Enterprises.

Keeping in view, the important of this sector, an amount of Rs. 5.5 billion including foreign aid of Rs. 2.2 billion was allocated for the governance sector during 2013-14 and Rs 3.4 billion are actually utilized, thereby showing a utilization of 61 percent. The allocation for 2014-15 at Rs 4.8 billion including foreign aid of Rs 1.4 billion for the governance sector is lower by 14% over last year's allocations.

Part – I

Growth Framework

Chapter 1 Growth, Investment and Savings

1.1 Policy and Strategy

The growth experience of Pakistan highlights that the country needs to move towards high and inclusive growth trajectory of 7-8% or double digit growth on sustained basis for longer duration targeting to improve quality of life of its citizens and absorbing substantial additions to its job market in near future. Currently, economy is growing at the rate of 3.2% per annum but jobs provision is at less than 1.4%. Unfortunately, Pakistan is the only country in the region which has downward trend of potential GDP growth owing to continuous adjustment programs. While all regional countries have improved their potential growth trend, the stabilization mode and delayed key reforms is adversely impacting productivity growth in the country.

A fundamental change is required not only in the direction of the development effort but also in the structure, composition and drivers of economic growth. Practically, both hardware and software of growth have an equal contribution in economic development but unfortunately, growth path of the country reflects that software of growth is missing in development calculus. New drivers of growth include human capital/skill development, innovation & technology, Knowledge & brainpower and best management practices.

Pakistan as a resource starved country could witness the healthy growth only due to exogenous factors in the past. There is a need to shift the paradigm of growth from exogenous factors to endogenous factors by way of mobilizing domestic resources such as increase in both the level of domestic savings to finance the investment with significant revenue-generating efforts and promoting exports. The country should seek to transform its low value product base to high value products by using technology, innovation, and better management.

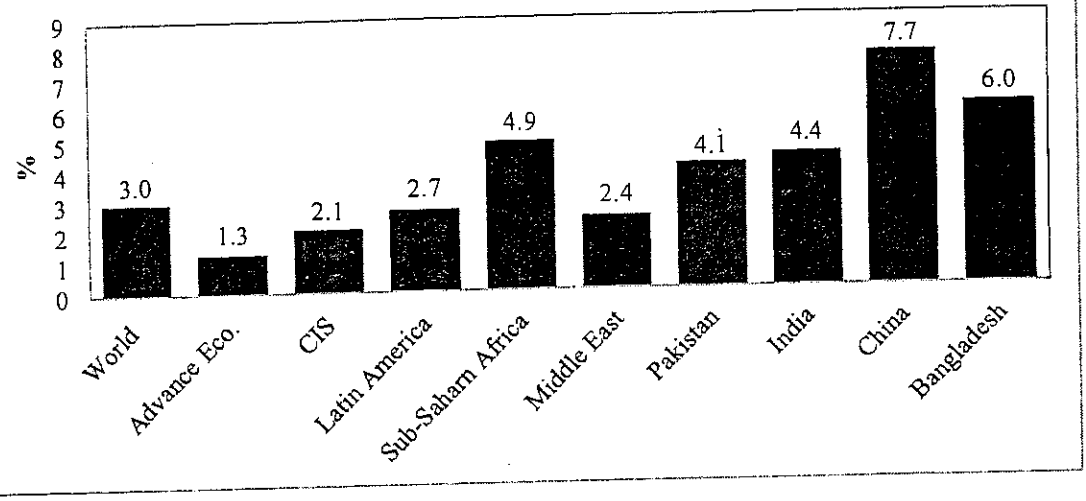
1.2 Global Growth Scenario 2013-14

The higher growth in world economy implies global recovery however fragility remained strong with significant downside risks, including geopolitical. Global growth is expected to continue surge in economic growth in next two years, on the back of fiscal prudence and highly accommodative monetary conditions in advanced economies. In emerging market and developing economies, growth will be fueled by stronger external demand, however partly offset by the dampening impact of tighter financial conditions.

Activity in Asia picked up in the second half of 2013 as exports recovered owing to stronger demand from advanced economies. With domestic demand still robust, growth is projected to rise to 6.5 percent in 2014 as external demand recovers further. Advanced European economies are expected to display robustness in growth in 2014, but deflationary pressures will mount. Domestic demand in the euro area has finally stabilized and turned toward positive territory, with net exports also contributing to

ending the recession. But high unemployment and debt, low investment, persistent output gaps, tight credit, and financial fragmentation in the euro area will weigh on the recovery.

Figure 1.1: Real GDP Growth (Comparision 2013-14)



Source: World Economic Outlook; April, 2014

Growth was tepid across the Middle East and North Africa, Afghanistan, and Pakistan (MENAP) in 2013, as declines in oil production and weak private investment growth amid continued political transitions and conflict offset increases in public spending. Economic activity will strengthen in 2014–15 as export growth improves in line with trading partners' recoveries and public and private investment accelerates. However, weak confidence, high unemployment, low competitiveness, and in many cases, large public deficits will continue to weigh on economic prospects in the region. Risks are tilted to the downside on slow progress in reforms during complex political transitions.

Growth in sub-Saharan Africa remains robust and is expected to accelerate in 2014. Tight global financing conditions or a slowdown in emerging market economies could generate some external headwinds, especially for middle-income countries with large external linkages, producers of natural resources, and frontier economies.

1.3 Review of Annual Plan 2013-14

The Annual Plan for 2013-14 envisaged real GDP growth of 4.4 percent based upon sectoral growth projections for agriculture, industry, and services sectors at 3.8 percent, 4.8 percent, and 4.6 percent, respectively. The assumptions underlying the growth target included implementation of proposed reforms envisaged in the budget, enhanced fiscal prudence, financial discipline, better energy availability, resolution of inter-corporate circular debt and improvement in enabling environment for investment.

Initially, the economy remained confronted with endogenous and exogenous problems like persistence of inflationary pressures and depreciation of exchange rate. The economy bounced back with relative stability in the latter half of the year: inflationary pressures receded, fiscal deficit remained well within the target during the first three quarters, confidence in exchange rate management was restored with substantial

increase in foreign exchange reserves, stock market remained buoyant and regarded as the best performing markets of the region, successful auction of 3G/4G license, healthy growth in large-scale manufacturing unprecedented for the last 8 years and remittances bounced back from lows of last year.

The additional availability of power owing to clearance of past inter-corporate circular debt, appreciation of Pak rupee and reserve build-up beyond $12 billion, fiscal discipline, better growth performance by industry and adherence to a business friendly posture have helped in improving economic growth prospects for next year. However, these initial steps for restoring confidence in the revival of the economy would necessarily have to be bolstered by a focus on long term measures required to fully harness the growth potential of Pakistan's economy.

The improvements in and prospects for the three main macro variables remained particularly significant given the earlier skepticism. The fiscal deficit remained on track during the first nine months of the current fiscal year. Current account deficit remained low and financing was available higher than demanded thereby leading to substantial accretion of reserves.

Inflationary pressures gradually receded after remaining pronounced in the early few months of 2013-14 which were driven by supply shortages and upward adjustment of administered prices. However, since November 2013 the inflationary pressures subsided mainly because of three reasons: i) enough supplies of essentials; ii) substantial relief from pass through of imported inflation owing to lower commodity and crude oil prices in the global markets; and, iii) appreciation of exchange rate and recovery of lost ground by Pak rupee. Generally inflation remained in the vicinity of the targeted level. The policy rate was increased by 100 basis points in the first three quarters to shave-off excessive demand from the market. More importantly, the government reduced its demand for budgetary support to create space for the private sector and resultantly the credit to the private sector has doubled in absolute terms. These developments have helped in containing the fiscal deficit at the budgeted level.

The government provided detailed action plan to tackle these issues and first of all the pending problem of the large 'circular debt' was resolved on a priority basis by payments of Rs 480 billion. A comprehensive energy policy followed by National Security policy was given and a national economic agenda in the form of Vision 2025 is prepared.

To avoid a full-blown crisis and a collapse of the currency, the government successfully negotiated with the IMF in July 2013 as part of the Extended Fund Facility (EFF) of $6.6 billion. This facility focuses more on structural reforms and helped in stabilizing the economy in the short-run. Despite these initial odds, the economy has started the journey of revival and there is a noticeable improvement in the country's macroeconomic indicators. Economy grew by 4.1 percent which is the highest ever economic growth since 2007-08 BoP crisis. The growth is broad based as all major sectors of the economy contributed positively to this growth. The sectoral review of the annual plan is given below.

momentum are slackening of growth in finance & insurance (9% to 5.2%) and general government services (11.3% to 2.2%). Transport sector performed below par mainly because of sluggish performance of ailing rail and air transport sub-sectors; however betterment in road transport helped in maintaining its growth.

Wholesale and Retail contributes 31.5% in overall value addition and is expected to surpass the Annual Plan target of 4%. The sector includes agriculture and manufacturing output and commodity imports. Moreover, hotel and restaurant are also part of wholesale & retail sector. The major reason behind this improvement is impressive growth performances of manufacturing sector; however, slow growth of some major crops may hurt the growth momentum of this sector.

Transport, Storage & Communication sub-sector consists of the value added of Railways, Water transport, Air transport, Pipeline transport, Road transport, Communication and Storage. It is expected that telecom sector would post positive growth because of Strong telecom imports, an increase in the subscriber base. Besides that, revenue of telecom sector went up by 4.07% from 105.6 billion rupees to 109.9 billion rupees, whereas, transport sector had a mixed performance.

Finance & Insurance The services provided by finance & insurance companies are the output of the sector and value addition is calculated through Financial Intermediation Services Indirectly Measured (FISIM). This sector will post lower growth against the target of 6.0 set in Annual Plan 2013-14 due to decline in profitability of commercial banks.

Housing Services sub-sector is showing constant growth of 4% per annum, on the other hand, General **Government Services** is expected to grow at 6.0 in 2013-14 compared with the growth of 5.6 % last year. Estimation of this sub-sector is based on budgetary statistic which may be revised. **Other Private Services** registered the growth of 6.0% this year against the growth of 4.0% last year.

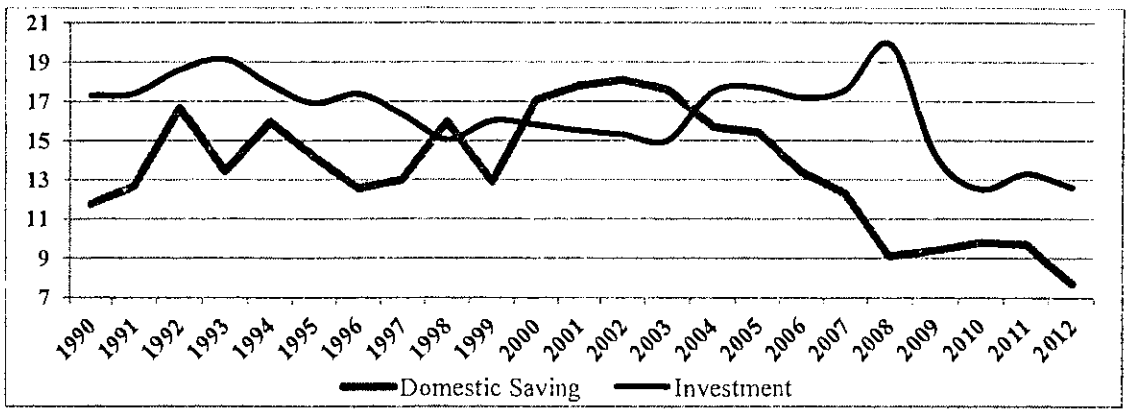
1.4 Savings and Investment

Pakistan's investment rate fell drastically in recent years and downslide continued unabated during 2013-14 as well. Although credit to the private sector increased from Rs.141 billion last year to Rs.320 billion in 2013-14 but borrowing for the fixed investment was limited. Pakistan's investment rate in the most recent decade has been significantly below that of China, India, Thailand, and even Bangladesh. However, to make matters worse, inadequate mobilization of domestic savings has left the savings rate even lower than the unsatisfactory investment rate. Going forward, Pakistan needs substantial resources to finance its development efforts and to this end has to mobilize adequate quantum of domestic savings. The current level of domestic savings in the single digit is lowest in the region and highly insufficient to finance a growing economy. The public policy has to create incentives for savings and investment as the current incentive package is not commensurate with many developing countries.

The figure 1.3 presents the historical behavior of savings and investment. Investment was greater than savings for the period of 1990-1997. First, interest rate was low which discourages savings and encourages private investors to invest in productive sectors,

second, average growth was less than 4% in the same period hindering to save. On the other hand, savings are more than investment for the period of 2000-2004 because of higher interest rate but since then the savings started falling mainly due to consistent cuts in the discount rate. Savings may increase if savings are properly channelized.

Figure 1.3: Savings and Investment (% of GDP)



Source: Economic Survey of Pakistan 2012-13

The investment-to-GDP ratio has declined substantially during the last five years from 19.2 percent in 2007-08 to 14 percent in 2013-14. Both domestic and foreign direct investment (FDI) contributed to this downslide. The fiscal dominance over financing needs crowded out private sector investment. Other contributing factors include peculiar security environment, structural rigidities surrounding governance and regulatory environment. The downward sliding investment has detrimental effects on future productive capacity of the economy and growth prospects. Total investment has decreased to 14 percent of GDP in 2013-14 as against 14.6 of last year. Public sector investment has inched up to 3.5 percent of GDP from 3.3 percent last year, while the private sector declined from 9.6 percent of GDP in 2012-13 to 8.9 percent in 2013-14. Recently, the private sector has shown some appetite for working capital but long spells of power outages, deteriorating law & order situation and other regulatory bottlenecks kept them away from investment.

Table 1.3: Distribution of Private Investment (% share)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-12	2012-13	2013-14
Agriculture	23.0	23.4	22.7	25.2	28.4	30.7	30.0	30.3	30.3
Manufacturing	25.6	22.7	21.6	21.4	15.2	12.8	12.9	15.2	11.3
Construction	1.3	1.1	1.1	1.5	1.1	0.6	0.8	0.8	1.5
Transport & Communication	19.3	20.8	21.8	15.3	16.3	12.4	10.5	10.2	10.0
Other Services	7.5	7.9	8.0	8.8	9.9	11.3	12.1	12.4	13.3
Housing Services	17.1	18.0	18.0	19.4	21.4	23.8	25.0	25.3	26.7
Others	6.2	6.1	6.7	8.4	7.8	8.4	8.7	5.9	6.8
Total	100	100	100	100	100	100	100	100	100

Source: Pakistan Bureau of Statistics

Private investment has increased only in three areas, namely, agriculture, other services and housing services whereas, it has witnessed downslide across all sectors [See Table 1.3]. The agricultural output prices were the main incentives in this period whereas, property or housing services was safe bid and other services include private security companies as well. The peculiar security environment had created right kind of investment in this field.

National Savings has adjusted downward to 12.9 percent of GDP from 13.5 percent in 2013-14. Pakistan's reliance on foreign savings has decreased as investment has fallen to converge towards lower savings level. The SBP decision to tighten monetary policy after easing last year has not impacted much investment climate which suggests that the problem lies with other determinants of investment.

1.5 Proposed Annual Plan 2014-15

The outlook for 2014-15 depicts a significant recovery in growth momentum and trajectory amidst wide ranging challenges including; persistent energy shortages, supply-side constraints, inefficiencies of production, further reduction in fiscal deficit by mobilizing additional revenues and demand for structural reforms besides security challenge. Similarly, re-gaining macroeconomic stability and adequate investment are critical for improved growth prospects and enhancing job creating ability of the economy. The constraining factors such as lack of structural reforms, high fiscal deficit, and accommodative monetary policies are no more desirable as they have serious consequences for inflation, balance of payments and foreign exchange reserves. In order to tackle these hurdles and place the economy on the right path Annual Plan 2014-15 aims at higher growth rate and sectoral targets taking into consideration assumptions of better energy supplies, normal weather conditions, investor's upbeat about Pakistan economy's prospects and political stability.

The stage is set for economic revival in the next fiscal. The industrial and services sector will steer the economy to higher growth trajectory whereas, the agriculture sector will continue its lower growth in the short-run, unless major change in cultivation techniques pave the way for bridging the yield gap between conventional and progressive farmer. Better fiscal discipline, sustainable balance of payments, stable exchange rate, rising availability of credit to the private sector, revival of investor and consumer confidence, improved energy availability, better governance and meaningful monitoring of economic activity will help in boosting economic growth in 2014-15.

The growth of GDP for 2014-15 is targeted at 5.1% with contributions from agriculture (3.3%), industry (6.8%) and services (5.2%). Nominal GDP is targeted to grow by 13.5% and GNP per capita is projected at Rs.161,063 **(Annexure-1.2).** The growth targets are subject to risks like deterioration in energy availability, extreme weather fluctuations, lackluster attitude towards envisaged reform program and fiscal profligacy. The underlying assumption for inflation is 8% which is consistent with fiscal prudence, stable exchange rate and responsive monetary policy. The sectoral detail of targets is given in the following paragraphs.

1.5.1Agriculture Sector: The agriculture sector of Pakistan is very resilient and if its potential is properly harnessed, it can turn Pakistan into one of the largest exporter of

agro-based products. The most important policy effort/ reform to make the agriculture sector efficient – profitable for the farmers, competitive for the consumer and responsive to the changing demand pattern – has to be in the area of agriculture research, vale addition and marketing.

Box 1.1: Value Addition to Boost Dates Exports

Pakistan is the 4th largest producer and 3rd largest exporter of dates, capturing 18% of the world dates market. The annual production of dates in Pakistan is estimated at around 535,000 tonnes of which only 86,000 tonnes are exported and the rest are either consumed locally or perish.

Of the 300 varieties of dates produced in Pakistan, Begam Jangi of Balochistan, Aseel of Sindh and Dhakki of Dera Ismail Khan are the varieties which are sought after the world over due to their exotic taste. Dates could fetch many more millions of dollars if focus was given to value addition such as the use of dates in preparing date sweets, jams, date vinegar, non-alcoholic sparkling drinks, chocolates and other products. Even date seeds are used for coffee making in Morocco and the damaged crop is used for medical purposes and date oil is fit for use in cosmetics. Since 1999, per acre yield of dates in Pakistan has not increased much, whereas worldwide production has increased by 166 per cent.

India is the largest importer of dates with 38% share in international market. . India's share in export of Pakistan's dry dates ranges between 84 to 95 percent. Unfortunately dry date gets the lowest per unit value in dollar terms. Share of fresh dates in export ranges between only 7 to 13 percent.

Importers of dates such as Germany, Denmark, India, Nepal, USA, UK, Afghanistan and Canada are re-exporting Pakistani dates after quality enhancement and preparation of by-products, at a price that is four to six times higher than their import price. Pakistani dates exports could be raised to $200 million from the current $28 million with proper processing and packaging. Country lack storage facilities and thus exports only limited quantity of dates while the rest perish. Pakistan has best packaging infrastructure and good quality dates. Some value addition with proper packaging could enable Pakistan to capture the high value export market in the world.

In Annual Plan 2014-15, the agriculture sector is targeted to grow by 3.3 percent on the basis of expected contributions of important crops (1.2%), other crops (4.5%), cotton ginning (5%), livestock (3.8%), fishing (2.0%) and forestry (2.0%) **(Annexure-1.1)**. Pakistan's performance in the livestock sector has been relatively better over the past decade, yet there is a huge potential for growth both in dairy development and meat production. In a nutshell, due to water availability and revival of minor crops and increased productivity of livestock, agriculture sector is well placed to achieve the envisaged growth of 3.3% in 2014-15.

1.5.2 Industrial Sector: The industrial sector has exhibited some signs of recovery during the current fiscal year by marginally missing the target of 3.8%. It is expected that it would sustain its growth and will grow by 4.8% during 2013-14. The mining and quarrying sector is projected to grow by 6%. The ***manufacturing sector*** is expected to grow by 4.5% based on the growth rate of large-scale manufacturing sector 4%, small & household manufacturing 8.2% and slaughtering 3.6%. The likely growth of the large-scale manufacturing is based on the assumption of relatively better energy supply

and some rise in demand as well. Growth of construction sector would help growth in allied industries such as cement, steel, glass, paints and varnishes.

1.5.3 Services Sector: The services sector is targeted to grow by 5.2 percent with contribution of transport, storage and communication (4.5%), wholesale and retail trade (6.1%) and finance and insurance (5.8%). The revival in the commodity producing sector will support growth in the services sector via recovery of transport and finance sub sectors especially after the better wheat and sugarcane crops and revival of the LSM. Although, services sector is performing well over the last few years, yet there is a great potential for growth in this sector.

The recovery in agriculture and industry will impact the performance of the services sector via improvement in whole sale and retail trade. Although, our services sector is performing well over the last few years, yet there is a great potential for growth in this sector. The initiatives by the new government like Metro Bus Service, Ashiyna Housing Scheme and Pak-China Trade Corridor will give boost to the services sector growth and contribute to the overall GDP growth.

Box 1.2: Housing, Construction & Economic Growth

Pakistan has a great shortage of housing units. The estimate of the housing shortage in the country is about 8 million housing units, of which 2.7 to 3 million are in urban areas (House Building Finance Corporation 2008). Pakistan is thus confronted with the challenge of constructing 1 million housing units every year; about 600,000 units in rural areas and 400,000 in urban areas, to clear the backlog and meet annual incremental demand. The supply side is extremely weak, meeting about one-third of the requirements. Most of these houses are being built by the private sector, which tend to exclude the coverage of low-income groups.

The government is committed to provide cheap and good quality houses to the lower income group through Ashiana Scheme. To facilitate poor, special financial arrangements will also be made in cooperation with provincial government. At least 1000 clusters of 500 houses each for lower income families will be developed on a public private partnership mode and the industry will be encouraged to expand investment and to provide employment.

The Ashiana Scheme will boost the economic activity in construction industry. Construction industry has a very high multiplier effect on economy. According to a World Bank study (2008), a unit increase in expenditure in construction sector has a multiplier effect and the capacity to generate income as great as five times the cost of the unit. It is because of the fact that construction industry has strong backward and forward linkages. Increasing construction activity in the economy can have snowball effects in allied industries such as, cement, iron, steel, timber and wood, marbles, tiles and stones, electrical and sanitary works, glass, paints and varnishes, electrical lightning, power and gas, horticulture, interior decoration, transport, light-heavy construction machinery, plastics, fibers, furniture, electrical appliances, and many more. Most importantly millions of jobs specifically for lower-income group can be generated during the chain reaction process.

1.5.4 Savings and Investment: The investment is targeted to improve from current level of 14% of GDP to 15.7%. The increase in investment will be primarily contributed by the private sector while public sector will continue to support the private sector. Fixed investment will inch up from 12.4% to 14.1% of GDP. Foreign direct investment (FDI) inflow has decreased substantially from $5.4 billion in 2007-08 to just $892 million in July-March 2013-14, however this is more than double the mere $440 million in the comparable period of last year. The peculiar security environment and power sector bottlenecks were impeding factors. With gradual betterment in the security environment, improvement in power sector and effective investment promotion, the FDI will improve significantly (See Box 1.3).

Box 1.3: Role of Investment Promotion Intermediaries for Attracting FDI

Global Investment Promotion Bets Practices (GIPBP) report 2012 states that an analysis of 30,000 high value-added FDI projects conducted by University of Oxford reveals that government-provided information and assistance has a significant influence on investor's decisions to locate in one economy or another known as investment facilitation; these efforts are typically the responsibility of a public investment promotion intermediary (IPI). It further revealed that one dollar spent on investment promotion increases FDI inflows by 189 dollars and that 78 dollars spent on investment promotion creates an additional job by a foreign affiliate. This estimated effect is of course an average, with the largest individual marginal effects occurring where IPIs start with the least funding. BOI, if run on professional basis can make a difference in investment environment of Pakistan. The Global Competivenes Index 2013-14 ranks Pakistan at 133rd out of 148 countries and Doing Business Report, 2014 ranks Pakistan at 110th out of 189 economies in terms of ease of doing business. Pakistan needs serious efforts to improve these indicators to attract investment in the country.

The entrepreneurship and innovation are important interventions of Vision 2025 and they are likely to boost private investment in the country. Inadequacy of national savings to finance investment has always led to increased dependence on foreign savings. However, National savings are expected to improve slightly from 12.9% of GDP in 2013-14 to 14.6% in 2014-15.

Annexure-1.1

Gross Domestic Product
(2005-06 Prices)

Items	% Change			
	2012-13	2013-14		2014-15
	Revised	Target	Prov.	Target
1. COMMODITY PROD. SECTORS	**2.1**	**4.2**	**3.9**	**5.0**
A) AGRICULTURE	**2.9**	**3.6**	**2.1**	**3.3**
Important Crops	1.2	2.7	3.7	1.5
Other Crops	6.1	4.0	-3.5	4.5
Cotton Ginning	-2.9	6.0	-1.3	5.0
Livestock	3.5	3.9	2.9	3.8
Fishery	0.7	2.0	1.0	2.0
Forestry	1.0	2.0	1.5	2.0
B) INDUSTRY	**1.4**	**4.8**	**5.8**	**6.8**
Mining & Quarrying	3.8	6.0	4.4	6.5
Manufacturing (I+II+III)	**4.5**	**4.5**	**5.5**	**6.9**
I) Large-Scale Manufacturing	4.1	4.0	5.3	7.0
II) Small & Household	8.3	8.2	8.4	8.4
III) Others*	3.6	3.6	3.5	3.6
Construction	-1.7	6.0	11.3	7.5
Electricity Generation & Gas Distribution	-16.3	4.0	3.7	5.5
II) SERVICES	**4.9**	**4.5**	**4.3**	**5.2**
Transport, Storage & Communications	2.9	3.5	3.0	4.5
Wholesale & Retail Trade	3.4	4.0	5.2	6.1
Finance and Insurance	9.0	6.0	5.2	5.8
Housing Services	4.0	4.0	4.0	4.0
General Government Services	11.3	6.0	2.2	4.3
Other Private Services	5.2	6.0	5.8	5.8
GDP(bp)	**3.7**	**4.4**	**4.1**	**5.1**

Source: Pakistan Bureau of Statistics and Planning Commission

Annexure-1.2

Macroeconomic Framework
(Current Market Prices)

Items	2012-13	2013-14		2014-15	2012-13/	% Growth 2013-14/	2014-15/
	Revised	Target	Provisional	Target	2011-12	2012-13	2013-14
	(Rs. Billion)				% Growth		
GDP (bp)	21,607	24,392	24,085	27,348	11.6	11.5	13.5
Indirect Taxes (Net)	882	1,609	1,317	1,729	28.8	49.2	31.3
GDP (mp)	22,489	26,001	25,402	29,078	12.2	13.0	14.5
Net Factor Income from Abroad	1,161	1,261	1,374	1,499	12.1	18.3	9.1
GNP (mp)	23,650	27,262	26,776	30,576	12.2	13.2	14.2
External Resources Inflow (net)	241	298	266	307	-41.9	10.0	15.6
Total Resources/ Uses	**23,892**	**27,560**	**27,041**	**30,883**	**11.1**	**13.2**	14.2
Total Consumption	**20,615**	**23,631**	**23,488**	**26,316**	**11.6**	**13.9**	12.0
Total Investment	**3,276**	**3,929**	**3,554**	**4,567**	**8.4**	**8.5**	**28.5**
Fixed Investment	2,917	3,513	3,147	4,102	8.0	7.9	30.3
Public incl. General Govt.	748	1,172	877	1,106	-0.3	17.1	26.1
Private	2,168	2,340	2,271	2,996	11.2	4.7	31.9
Changes in Stocks	360	416	406	465	12.2	13.0	14.5
National Savings	**3,035**	**3,631**	**3,288**	**4,260**	**16.4**	**8.3**	**29.6**
	As % of GDP (mp)						
Total Investment	14.6	15.1	14.0	15.7			
Fixed Investment	13.0	13.5	12.4	14.1			
Public incl. General Govt.	3.3	4.5	3.5	3.8			
Private	9.6	9.0	8.9	10.3			
National Savings	13.5	14.0	12.9	14.6			
External Resources Inflow (net)	1.1	1.1	1.0	1.1			
Memo Items							
Inflation	7.6	8.0	7.0	8.0			
GNP (mp) Per Capita (Rs)	129,569	146,445	143,808	161,063	10.0	11.0	12.0

Source: Pakistan Bureau of Statistics and Planning Commission

Chapter 2 Balance of Payments

Balance of payments is a comprehensive record of all economic transactions between the residents of home country and residents of foreign country during a given period of time say a year. There are two principal divisions of the balance of payments statement: the current account and the capital & financial account. The current account typically consists of three subaccounts: trade balance, services balance and current transfers balance while the capital and financial account measurers the flows of financial securities across national borders.

Pakistan had faced serious balance of payments crisis since 2008. IMF stand-by arrangements (SBA) in 2008 after short-term stabilization is followed by Extended Financing Facility (EFF) in 2013. During 2008-13, Pakistan faced very low current account deficits; however, even financing this lower current account deficit remained problematic. Enormous pressure was exerted on the adequacy of foreign exchange reserves and the exchange rate. The current fiscal year started with rising current account deficit as successive two quarters of the last fiscal witnessed $ 1 billion plus current account deficit and the first quarter was exactly in line with this pattern. To exacerbate the situation, IMF repayments worth around $3.2 billion were to be paid in the current fiscal.

2.1 Strategy

The strategy is to increase those sources of balance of payments financing that are stable, sustainable and have positive impact on economic growth. The first major component of balance of payments is exports. Central to achieving the objective of export competitiveness is the role of the private sector. However, policy unpredictability and the previous government's short-term view to policy-making has significantly increased the risk of investment, reduced planning horizon of entrepreneurs and led to non-optimal allocation of resources. To encourage the private sector to be export oriented, the present government has embarked upon Vision- 2025 and 11th Five Years Plan (2013-18) to build a policy framework – two main pillars of which should be consistency and continuity. The government is setting new benchmarks that will lead the nation to great future. Moreover, the government has adopted a participatory approach by devising an appropriate incentive structure to ensure active private sector involvement. Vision 2025 envisages export-oriented strategy led by the private sector and a sustainable balance of payments

Internally, two major challenges faced by the country today are shortage of energy and security-related issues. For the former, it will take some time to eliminate the deficit in energy generation capacity. Therefore, in the near future, export oriented industries must be given priority in energy allocation. In the case of the latter, Pakistani businesses suffer from cost of terrorism prevalent in the country. There is a need to

previous year. Improvement in the country's external account largely owes to increase in remittances and capital account during the same period.

The most notable development during Jul-April 2013-14 was 11.2% growth in remittances that reached to a level of $12.9 billion compared to about $11.6 billion recorded during the corresponding period of last year. The other notable development is surge in capital account primarily owing to generous grant of $1.5 billion from a friendly country.

Table 2.2: Balance of Payments

($ Million)

		July-April		% Change
	2012-13	2012-13	2013-14	
Current Account Deficit	-2496	-1,574	-2,162	
Trade Balance	-15,431	-12,892	-13,259	2.8
Exports	24,795	20,544	21,038	2.4
Imports	40,226	33,436	34,297	2.6
Services (Net)	-1,472	-931	-2,171	133.2
Credit	6,733	5,860	4,189	-28.5
Debit	8,205	6,791	6,360	-6.3
Income (Net)	-3,685	-2,958	-3,156	6.7
Current Transfers (Net)	18,092	15,207	16,424	8.0
Worker Remittances	13,922	11,570	12,895	11.5
Financial & Capital Account	813	-440	4,998	1,235.9
Direct Investment (net)	1,258	670	654	-2.4
General Government	248	219	143	-34.7
Disbursement	2,530	2,089	2,501	19.7
Amortization	2,282	1,870	2,358	26.1
Overall Balance	-1,992	-2,090	1,938	
Gross Official Reserve	7,198	7,853	8,849	

Source: State Bank of Pakistan

The foreign direct investment remained almost at the previous year level and was less than $1 billion. SBP Gross foreign exchange reserves stood at $8.8 billion during July-April 2014 as against $7.8 billion in the corresponding period of last year. This is enough to finance 10 weeks of imports. The Pak rupee recovered its lost ground and strengthened after earlier depreciation.

Balance of Trade

In 2012-13 the trade deficit decreased from the previous year as growth in exports remained higher (0.4%) as compared to negative growth in imports (-0.6%). However, the trade deficit was recorded at $13.3 billion in July-April 2013-14 as against $12.9 billion in the corresponding period of last year [Annexure 2.1].Trade deficit in the Annual Plan 2013-14 was targeted at $ 16.7 billion. Keeping in view the prevailing trend of exports and imports, it is expected that trade deficit will remain below the target.

Exports: Exports (goods) stood at $21.0 billion during July-April 2013-14 against $20.5 billion in the corresponding period of previous year showing an increase of 2.4 percent. Exports (fob) for the full year of 2013-14 are estimated to be around $ 25.5 billion against the Annual Plan target of $ 26.5 billion [Annexure 2.1].

Component wise analysis of export items during Jul-April shows positive growth in all the items except other manufactures group.

Table 2.3: Exports in Quantum Terms (July-April)

	2012-13	2013-14	Change (%)	Impact ($ Million)
Raw cotton (MT)	222	293	32.0	47.6
Cotton Yarn(MT)	613	569	-7.2	-132.8
Cotton Cloth (Th.sqm)	1,776	1,969	10.9	230.0
Readymade Garments (Th. DOZ.)	22	24	8.2	120.3
Hosiery (Th.Doz.)	82	96	17.3	271.2
Synthetic Textile (Th.SQ.MTR.)	268	248	-7.5	-26.0
Leather(Th.sq.mtr)	22	22	-0.4	-12.0
Rice (000 Metric tons)	2,874	3,115	8.4	104.0
Basmati rice	551	527	-4.3	-26.3
Other varieties	2,323	2,588	11.4	130.2
Petroleum products (Million MT)	7.2	223	219	-1,008.1
Cotton manufactures ($ Million)	10,602	11,242	6.0	146.0
Other traditional exports ($ Million)	4,228	3,852	-8.9	-91.1
Food exports ($ Million)	3,406	3,590	5.4	2.7
Net loss/ gain owing to Incr/Decr in Quantity ($ Million)				-412.1

Source: Pakistan Bureau of Statistics

Imports: Imports during July-Apr 2013-14 increased by 2.6% over the corresponding period of previous year. Imports (fob) for the full year 2013-14 are estimated to be around $ 41.6 billion.

During the first ten months of the current fiscal year the importers have benefited immensely from global crash of fertilizer prices and the import of fertilizer was up by 69.1 percent in this period but thanks to lower prices in value terms the import of fertilizer was only up by 17.2 percent. Machinery group has registered an increase of

9.8 percent in value terms which is encouraging for revival of the economy. Textile machinery imports surged by 59.7 percent, followed rise in import of construction machinery and electrical appliances by 71.4 percent and 34.5 percent, respectively. Inordinate rise in import of machinery suggests revival of the economy in the next fiscal year.

Table 2.4: Imports in Quantum Terms (July-Apr)

	2012-13	2013-14	Change (%)	Impact ($ Million)
Tea(M.KG)	106.5	110.5	3.7	8.9
Palm Oil (000 Tons)	1,849.3	1,848.1	-0.1	-0.9
Pulses (M. MT)	403.3	399.7	-0.9	-2.2
Petroleum Products (M.MT)	9.8	10.4	5.9	418.0
Petroleum Crude (M. Barrels)	43.8	44.5	1.5	70.3
Fertilizer Manuf. (000 MT)	936.9	1,584.2	69.1	238.7
Plastic material (000 MT)	671.9	782.6	16.5	191.3
Medicinal Products (M.MT)	18.7	18.2	-2.8	-19.2
Iron steel & scrap (M.MT)	1489.o	1,575.7	5.8	32.4
Iron & steel (M.MT)	1,735.7	1,495.5	-13.8	-177.5
Rubber tube & tyres (M.Nos.)	3.6	3.7	0.7	1.1
Synthetic Fiber (000 MT)	161.9	178.6	10.3	32.6
Total Imports ($ Million)	36,665	37,105	1.2	
Non-Oil Imports ($ Million)	24,302	24,899	2.5	
Non-oil non-food imports ($ Million)	20,670	21,476	3.9	
Net Increase owing to Incr. in Quantity ($ Million)				793.2

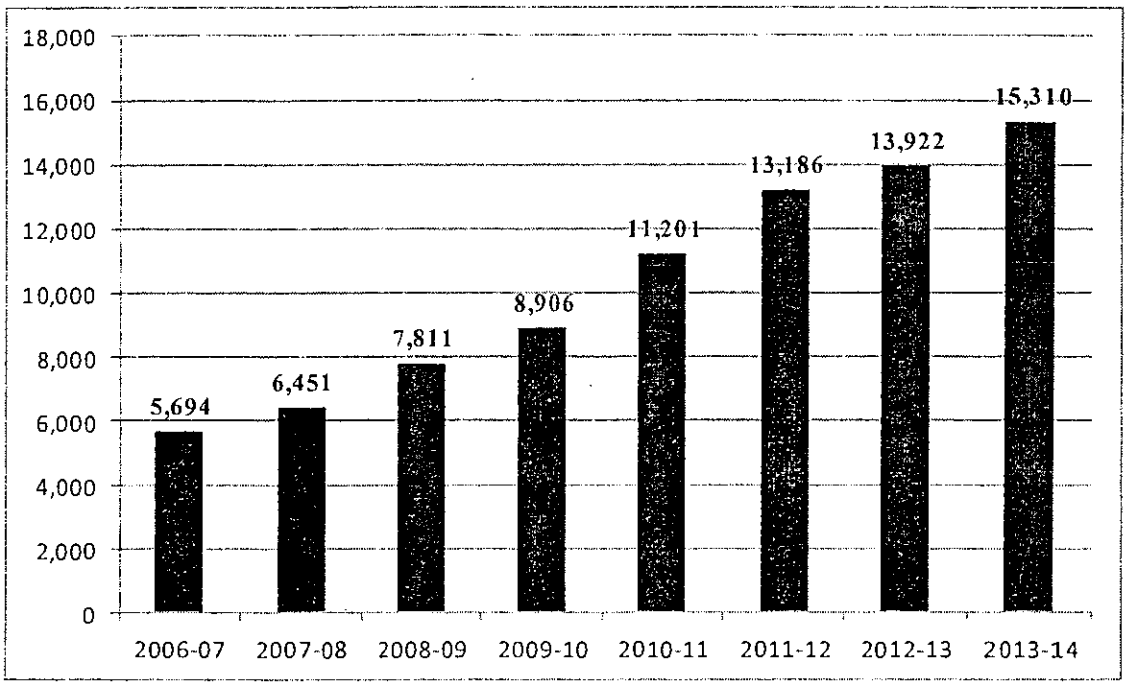
Source: Pakistan Bureau of Statistics

It is estimated that imports (fob) for 2013-14 will be about $41.6 billion compared to the Annual Plan target of $ 43.2 billion (Annexure 2.1). There was decrease in imports of food, petroleum, transport and metal group while all other sectors showed positive growth in imports during Jul-April 2014. In the food group, 10.1 percent decrease in import of palm oil due to lower international prices was responsible for negative growth. Less import of motor vehicles led to negative growth in transport group and iron & steel was reason for lower metal group.

Workers' Remittances: Workers' remittances have witnessed continuously positive growth thereby reflecting greater confidence of non-resident Pakistanis on prospects of the economy. Remittances reached to $12.9 billion during July-April 2013-14 from $11.6 billion in the corresponding period of last year (Annexure 2.1) thereby registering an increase of 11.2%. Monthly average remittances during this period stood at $1.3

billion as compared to $1.2 billion during the same period of previous year. This implies enhanced confidence of non-resident Pakistanis on prospects of Pakistan economy. Keeping this trend in view, remittances are expected to cross the annual plan target of $15 billion. Increasing trend of worker's remittance is reflected in Figure 2.1.

Figure 2.1: Flow of Worker Remittances



Source: State Bank of Pakistan

Current Account Balance: The current account deficit was targeted at $ 2.9 billion (-1.1% of GDP) in the Annual Plan 2013-14 as against a deficit of $ 2.5 billion (-1.1 % of GDP) recorded in 2012-13 (Annexure 2.1). This was largely based on the assumption of higher growth in exports and imports as well as better inflows in the services accounts. With estimated trade deficit at $1 billion and remittances of $15.3 billion during 2013-14, the current account 2013-14 is estimated to be in deficit by $2.6 billion against a deficit of $2.5 billion recorded during 2012-13. (Annexure 2.1)

Capital & Financial Account: Gross aid disbursements during Jul-March 2013-14 have increased to $2 billion as compared to $ 1.9 billion recorded last year. (Annexure 2.1)

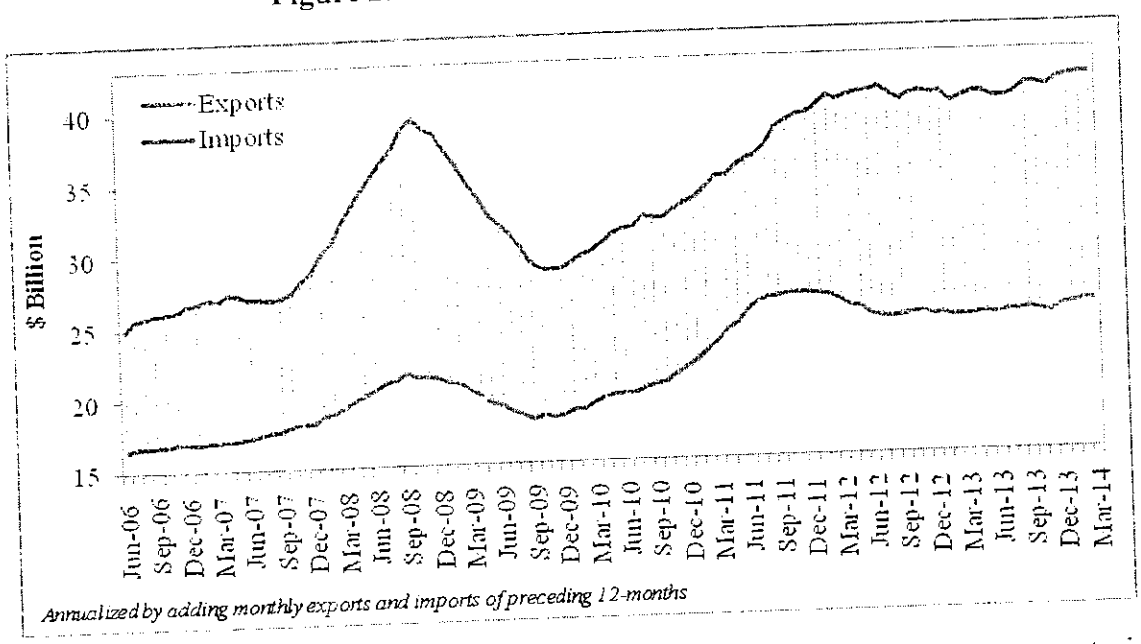
Overall Balance: The overall balance is in surplus by $1.9 billion in July-April 2013-14 compared to a deficit of $2.1 billion recorded in the corresponding period of 2012-13 (Annexure 2.1).

2.3 Outlook for 2014-15

The outlook for 2014-15 overall balance is promising on account of momentum building in exports due to GSP Plus status, underlying assumption of improvement in energy situation and increase in trade with regional partners materialization from Privatization proceeds. If we analyze trend of the past many months, it emerged that trend suggest persistent widening of trade imbalance since November 2009. The period of steep rise continued during November 2009 to July 2012 and stagnation for July 2012 to July 2013 and then buoyancy in imports bounced back. Exports on the other hand trended upward sharply between October 2009 and November 2011 but since then exports are trending downward (See figure 2.2). An upward trend is started in November 2013 but has declined sharply in April, 2014. It is expected that exports will continue to grow at healthy rate and imports will continue to rise more sharply than in the last year.

Bilateral trade relations between Pakistan and China are the cornerstone through establishment of China-Pakistan Economic Corridor. Both countries will continue to enhance cooperation in energy, transport infrastructure, trade and economic development. Pakistan is gradually moving to expand trade with other regional players' as well.

Figure 2.2: Annualized Imports & Exports



Trade Account: On account of favorable situation in the external sector exports in 2014-15 are projected to grow by 5.8% to $27 billion from $25.5 billion estimated for 2013-14. Imports during 2014-15 are projected to increase 6.2% to $44.2 billion from $41.6 billion estimated for 2013-14. Hence, the trade account is projected to be in deficit by $ 17 billion in 2014-15 from $16 billion estimated for 2013-14. (Annex 2.1)

Current Account Balance: The current account is targeted to be in deficit by $2.8 billion 2014-15 (-1.1% of GDP) as against a deficit of $2.6 billion (-1.0% of GDP) estimated for 2013-14 (Annexure 2.1). The outlook for current account will be worse off primarily because of higher imports for growing economy and more services imports for 3G/4G upgradation in the economy while recent upward trend in the commodity prices is also taken into account.

Capital & Financial Account Gross aid disbursements during 2014-15 are expected to remain at the level of $2.8 billion against $4.2 billion estimated for 2013-14.

Overall Balance It is forecasted that a increased trade deficit may result .Allowing for other capital inflows, the overall balance is likely to be in surplus by $ 3.8 billion in 2014-15 compared to an estimated surplus of $2.3 billion in 2013-14. Gross reserves of SBP are likely to witness accretion of over $4 billion in 2014-15. Details are given in Annexure 2.1.

Overall balance of payments outlook will be encouraging and supportive of higher growth momentum in the economy with greater exchange rate stability.

Annexure-2.1

Balance of Payments

(US$ Million)

ITEM	2012-13	July-Apr		2013-14		2014-15
	Actual	2013	2014	Target	Estimate*	Target**
Current Account Balance	**-2496**	**-1574**	**-2162**	**-2902**	**-2560**	**-2817**
Balance on Goods	**-15431**	**-12892**	**-13259**	**-16666**	**-16080**	**-17198**
Exports f.o.b	24795	20544	21038	26592	25521	26990
Imports f.o.b	40226	33436	34297	43259	41602	44188
Services Balance	-1472	-931	-2171	-1113	-2004	-2705
Income (net)	-3685	-2958	-3156	-4261	-3882	-4225
Balance on Goods, Services & Income	**-20588**	**-16781**	**-18586**	**-22033**	**-21966**	**-24128**
Current Transfers (net)	18092	15207	16424	19130	19406	21311
Current Transfers: credit, of which:	18183	15273	16510	19240	19516	21430
Worker's Remittances	13922	11570	12895	15082	15310	16673
Capital Account	**264**	**244**	**1755**	**250**	**2018**	**464**
Financial Account: of which	**549**	**-684**	**3243**	**3126**	**4895**	**5619**
Direct Investment in Pakistan	1456	862	751	2070	1770	4317
Portfolio Investment (net)	-26	-532	-2210	1358	2282	1460
General Government	248	219	143	621	713	-1062
Disbursements	2939	2089	2501	4720	4229	2788
Amortization	2900	1870	2358	4199	-3516	-3850
Overall Balance	**-1992**	**-2090**	**1938**	**-473**	**2326**	**3818**
Memorandum Items						
Current Account Balance (% of GDP)	-1.1	-0.7	-1.0	-1.1	-1.0	-1.1
Exports f.o.b (growth rate %)	0.4	0.4	2.4	5.1	2.9	5.8
Imports f.o.b (growth rate %)	-0.6	0.3	2.6	7.0	3.4	6.2

* Revised Estimates

** Annual Plan

Source: State Bank of Pakistan and Planning Commission Estimates

Annexure-2.2

Structure of Exports and Imports

$ Million

	2012-13	July-April		2013-14		2014-15	% Share Jul-Apr 2014
		2012-13	2013-14	Target	Estimate	Target	
Exports (fob)	**24,795**	**20,544**	**21,038**	**26,592**	**25,542**	**26,990**	**100**
Exports (Shipment basis)	**24,460**	**20,143**	**20,997**	**26,045**	**25,017**	**26,435**	
Textile Group	**12,811**	**9,617**	**10,385**	**13,168**	**12,349**	**14,486**	**49.4**
Knitwear, bed wear	3,828	2,832	3,268	3,964	3,886	4,600	15.5
Cotton Cloth	2,690	1,986	2,125	2,869	2,527	3,014	10.1
Cotton Yarn	2,253	1,669	1,570	2,376	1,867	2,088	7.5
Readymade Garments	1,800	1,308	1,430	1,919	1,701	2,009	6.8
Other Manufactures group	**5,065**	**3,849**	**3,488**	**4,186**	**4,148**	**5,182**	**16.6**
Chemical and Pharma	874	560	871	788	1,036	1,269	4.1
Leather & Leather items	1,166	336	387	724	461	582	1.8
Cement	577	421	375	494	446	449	1.8
Engineering Goods	290	194	228	292	271	317	1.1
Jewellery	1,177	1,108	317	892	377	502	1.5
Food Group	**4,200**	**3,406**	**3,590**	**3,348**	**4,269**	**5,023**	**17.1**
Rice	1,922	1,387	1,667	1,998	1,982	2,406	7.9
All Others	**2,718**	**3,673**	**3,574**	**5,890**	**4,250**	**1,850**	**17.0**
Imports (fob)	**40,199**	**33,436**	**34,297**	**43,259**	**41,556**	**44,188**	
Imports (Shipment basis)	**44,951**	**36,664**	**37,105**	**47,334**	**44,958**	**46,948**	**100**
Petroleum Group	**14,973**	**11,082**	**10,939**	**15,960**	**13,254**	**15,681**	**29.5**
Petroleum Products	9,529	7,031	6,635	10,027	8,040	9,671	17.9
Crude Oil	5,444	4,051	4,303	5,933	5,214	6,009	11.6
Machinery Group	**4,200**	**4,280**	**4,621**	**4,416**	**5,599**	**6,807**	**12.5**
Telecom	1,494	1,195	934	1,659	1,132	1,455	2.5
Electrical Machinery	844	593	809	873	980	1,127	2.2
Power Machinery	959	776	784	1,064	950	1,080	2.1
Road Motor Vehicles	1,379	1,064	918	1,539	1,113	1,408	2.5
Agriculture & Other chemicals group	**3,004**	**4,677**	**4,860**	**3,073**	**5,889**	**6,620**	**13.1**
Plastic Materials	1,425	1,029	1,203	1,487	1,457	1,737	3.2
Fertilizer Manufctured	659	495	516	644	625	728	1.4
Food Group	**2,819**	**3,352**	**3,076**	**3,201**	**3,728**	**4,319**	**8.3**
Palm Oil	1,963	1,544	1,367	2,195	1,657	2,019	3.7
Tea	368	296	222	417	269	376	0.6
Metal Group	**2,737**	**2,328**	**2,191**	**2,798**	**2,654**	**3,192**	**5.9**
Iron Steel & Scrap	655	1,619	1,501	2,363	1,819	2,207	4.0
All Others	**17,218**	**10,945**	**11,417**	**17,886**	**13,833**	**10,329**	**30.8**
Trade Balance	**-15,404**	**-12,892**	**-13,259**	**-16,667**	**-16,014**	**-17,198**	

Source: Pakistan Bureau of Statistics & Planning Commission

Chapter 3

Fiscal and Monetary Developments

Economic policies aim to increase the welfare of general public, encourage economic activities and create conducive environment for facilitating the economic agents. The Monetary and Fiscal Policies support this broad objective by focusing on promoting price stability, fiscal prudence by directing resources for optimal social returns, and use taxation to enhance allocative efficiency of the economy. The objective of these policies in Pakistan, as outlined in the State Bank of Pakistan Act 2012, is to achieve and maintain monetary stability and soundness of the financial system in line with the targets of inflation and growth set annually by the government.

3.1 Review of 2013-14

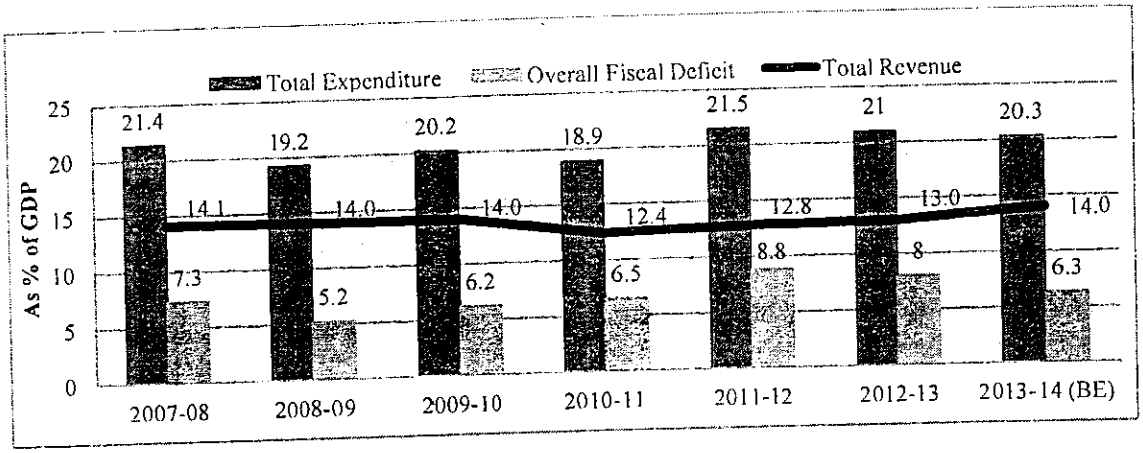
The government's first Federal Budget for the fiscal year 2013-14 aimed primarily to stabilize the economy and enhance the fiscal sustainability. Besides, the budget also contained various measures to encourage economic activity in the country and create conducive environment to facilitate the investors and businesses. The budget aimed at achieving acceleration in real GDP growth rate at 4.4% and restricting inflation at around 8.5% during 2013-14.

3.1.1 Fiscal Developments

The government made a strong commitment to contain the consolidated fiscal deficit at Rs. 1,651 billion (6.3% of GDP) during 2013-14 as compared to Rs. 1,834 billion (8% of GDP) in 2012-13. Revenue strategy was focused on raising tax revenue through broadening of the tax net, increasing the General Sales Tax (GST) rate by one percent, rationalization of Statutory Regulatory Orders (SROs) and tax administration reforms. Non-tax revenues were primarily relying on Coalition Support Fund (CSF) inflows and as well as proceeds of auction of 3G/4G licenses. An expenditure strategy was planned that was based on austerity drive primarily through reducing expenditures by 30% other than obligatory expenditures of debt servicing, defence, pay and allowances of civil servants and grants, around 45% reduction in Prime Minister's Office and House's expenses, minimizing the untargeted subsidies, controlling the bleeding of Public Sector Enterprises(PSEs) and implementing better expenditure management, ban on new recruitment except for security personnel and abolishing discretionary grants of the ministries.

Past fiscal situation necessitated the incumbent government to take measures to address the persistently higher fiscal deficits observed in the recent past. Slippages in revenue and current expenditure during the last six years had kept the fiscal situation under stress which is evident from Figure 3.1.

Figure 3.1: Trends in Fiscal Indicators



Review of Fiscal Developments July-March 2013-14

Fiscal developments during July-March 2013-14 have shown noticeable improvement as compared to the same period of last year. Consolidated fiscal deficit during the period under review stood at 3.2% of GDP as compared to 4.7% of GDP during the same period of last year. A summary of fiscal developments during July-March 2013-14 with respect to Budget Estimates 2013-14 is given in Table-1 whereas their details are given at **Annexure 3.1**.

Table 3.1: Summarized Position of Consolidated Fiscal Operations

	(Rs. Billion)		Jul-Mar as % of 2013-14 (BE)	As % of GDP		
	2013-14 (BE)	Jul-Mar 2013-14		2013-14 (BE)	Jul-Mar 2012-13	Jul-Mar 2013-14
Total Revenue	**3646**	**2,477**	**67.9**	**14.0**	**9.4**	**9.8**
Tax Revenues	2768	1786	64.5	10.6	6.8	7.0
FBR	*2475*	1575	*63.6*	*9.5*	*5.9*	*6.2*
Non-Tax Revenues	878	691	78.7	3.4	2.7	2.7
Total Expenditure	**5297**	**3,289**	**62.1**	**20.4**	**14.1**	**12.9**
Current Expenditure	3963	2905	73.3	15.2	11.7	11.4
Dev. Exp. (including net lending)	1334	556	41.7	5.1	2.0	2.2
Development Expenditure	1327	470	35.4	5.1	2.0	1.8
Overall Fiscal Deficit	**-1651**	**-812**	**49.2**	**6.3**	**4.7**	**3.2**

Source: Finance Division

Consolidated total revenue during the period under review stood at Rs. 2,477 billion as compared to Rs. 2125 billion in the same period of last year, thus recording a growth of 16.6%. This collection constitutes 68% of the full year revenue target. This growth was

shared by both tax and non-tax revenues as they recorded growths of 16.9% and 15.8% respectively. During the period under review, FBR tax revenue has witnessed a growth of 17.9% and stood at Rs. 1,575 billion as compared to collection of Rs. 1,335 billion in the same period of last year. Petroleum development levy (PDL) collection has witnessed a decline of 11.3% and stood at Rs. 72 billion as compared to collection of Rs. 81 billion in the same period of last year. Provincial tax collection has witnessed a surge of 24.3% and stood at Rs. 136 billion as compared to a collection of Rs. 110 billion in the same period of last year. This higher growth is deceptive as provinces have recently started collection of taxes which were previously collected by the FBR on their behalf.

Non-tax revenue during the period under review stood at Rs. 691 billion, higher by 15.8% as compared to Rs. 597 billion in the same period of last year. This growth is mainly on account of 36.7% increase in SBP profit, 739.6% higher mark-up (PSEs & others), 172.3% higher development surcharges on gas and Rs. 68 billion revenue gained under C-01010 Others (Profit) head despite lower collections than the last year levels under other heads like CSF, Gas Infrastructure Development Cess (GIDC) which was levied in December 2013. With increased rate of GIDC, it is expected that it will generate additional revenues of about 0.36% of GDP on annualized basis during 2013-14. Provincial non-tax revenue remained 29.2% lower than the last year level.

During July-March 2013-14, total consolidated expenditure stood at Rs. 3,289 billion, higher by 3.7% as compared to Rs. 3,171 billion during the same period of last year. This constitutes 62.1% of the full year expenditure target. Consolidated current expenditure stood at Rs. 2,905 billion, higher by 9.9% as compared to Rs. 2,642 billion in the same period of last year. This constitutes 73.3% of the full year current expenditure target. Federal current expenditure has increased by 10.4% and stood at Rs. 2,083 billion. Spending on defence and interest payment has increased by 11.3% and 17.7% respectively. During this period, federal interest payments and defence expenditure constitutes 65.3% of the federal current expenditure. Net federal receipts were not able to finance interest and defence as their combined expenditure was 104.8% of the net federal receipts of Rs. 1,299 billion. Provincial current expenditure (excluding mark-up payments to federal government) increased by 8.8% during the period under review and stood at Rs. 821 billion.

National Energy Policy 2013 entails periodic increases in the average tariff, aimed at eliminating the Tariff Differential Subsidy (TDS) for all consumers except the most vulnerable over the next three years. The first adjustments to commercial, industrial, bulk, and large consumers reduced subsidies of about 0.75% of GDP on an annualized basis during 2013-14.

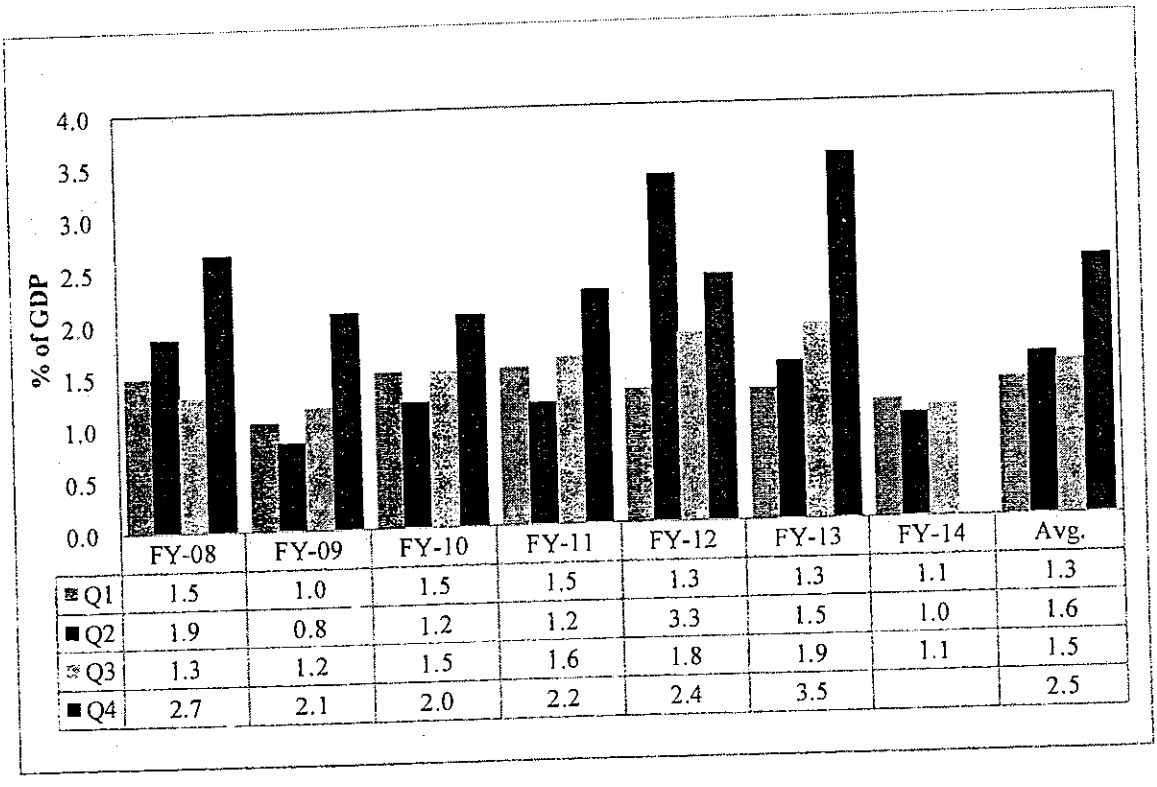
During the period under review, development expenditure stood at Rs. 470 billion, 5.7% higher as compared to Rs. 445 billion in the same period of last year. This constitutes 35.4% of the full year's development expenditure target. Decomposition of PSDP at federal and provincial levels reveals that federal PSDP inched up by 3.1% while provincial PSDP spending decreased by 9.2%. Net lending to PSEs mainly on account of clearance of circular debt has jumped to Rs. 86 billion as compared to just Rs. 1 billion in the same period of last year. The statistical discrepancy (total financing

minus booked expenditure) during July-March 2013-14 stood at negative Rs. 171 billion, substantially lower than Rs. 83 billion in the same period of last year.

Consolidated fiscal deficit stood at Rs. 812 billion (3.2% of GDP) as compared to Rs. 1,046 billion (4.7% of GDP) during the same period of last year. Federal fiscal deficit has deteriorated by Rs. 98 billion and stood at Rs. 1,200 billion (4.7% of GDP) as compared to Rs. 1,102 billion (4.9% of GDP) in the same period of last year. Provinces managed higher surplus of 0.9% of GDP during the period under review as compared to 0.6% of GDP in the same period of last year. Financing of consolidated fiscal deficit in the same period relied entirely on domestic resources as external financing (net) remained negative. During the period under review, within domestic financing, recourse to bank borrowing decreased by 49.0% while non-bank borrowing increased by 119.4% over the corresponding period of last year. Trends in quarterly fiscal deficit from FY-08 to 3rd quarter of FY-14 are depicted in Figure-3.2. It reveals that quarterly fiscal deficit on average basis remained higher in 2nd and 4th quarters as compared to 1st and 3rd quarters.

In August 2013, Pakistan signed an agreement with IMF wherein the government has planned to reduce fiscal deficit by 4-4½% of GDP over a period of three years from 8% of GDP in 2012-13. Emphasis will be on making tax system more efficient and equitable, curtailing the non-development expenditure like untargeted energy subsidies while providing the resources required to finance infrastructure and support the poor through targeted programs.

Figure 3.2: Trends in Quarterly Fiscal Deficit



	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13	FY-14	Avg.
Q1	1.5	1.0	1.5	1.5	1.3	1.3	1.1	1.3
Q2	1.9	0.8	1.2	1.2	3.3	1.5	1.0	1.6
Q3	1.3	1.2	1.5	1.6	1.8	1.9	1.1	1.5
Q4	2.7	2.1	2.0	2.2	2.4	3.5		2.5

FBR Tax Collection Performance July-April 2013-14

During July-April 2013-14, FBR tax collection stood at Rs. 1,745 billion, higher by 15.9% over the corresponding period of last year and it constitutes 70.5% of the full year target of Rs. 2,475 billion. FBR direct and indirect taxes have shown a growth of 18.9% and 14.1%, respectively during the period under review. Sales tax, the largest contributor to FBR tax collection, recorded a noticeable growth of 18.8%. One of the major factors for the higher growth in sales tax owes to hike in general sales tax rate from 16% to 17%. Hike in GST rate accounts for approximately 1/3rd of the 18.8% growth achieved in sales tax. Customs duty collection, during the period under review, has registered a negative growth of 1.9%. Federal excise duty recorded an increase of 13.8%. Table 3.2 explains the performance of FBR tax collection during July-April 2013-14:

Table 3.2: FBR Tax Collection

(Rs. Billion)

	Target 2013-14	July-April		% Change =IV/III	FBR's Collection as % of Full Year Target
		2012-13	2013-14		
I	II	III	IV	V	VI
Total Taxes	**2,475**	**1,506**	**1,745**	**15.9**	**70.5**
Direct Taxes	976	554	658	18.9	67.4
Indirect Taxes	1,499	952	1,087	14.1	72.5
Sales Tax	1,054	669	795	18.8	75.5
Federal Excise	167	91	104	13.8	62.4
Customs	279	191	188	-1.9	67.3

Source: Federal Board of Revenue

The growth in FBR tax collection during the period under review may be attributed to better growth of 5.2 % in quantum index of large scale manufacturing (LSM) during July-February FY-14 as compared to 2.9% during the same period of last year, marginal increase in imports and slightly higher inflation. Customs duty collection recorded a negative growth during July-April 2013-14 thereby reflecting fall in dutiable imports. In order to promote tax compliance culture, during 2013-14 FBR has published a tax directory of parliamentarians (both federal and provincial) and under Prime Minister Incentive Package, has launched Taxpayer's Privilege and Honor Card Scheme. To enhance tax-to-GDP ratio in the next few years, FBR has devised a comprehensive reforms program and strategy. Main features of FBR tax strategy are given in Box 3.1.

Box 3.1: Main Features of FBR Tax Strategy

Broadening of Tax Base: For broadening of tax base several initiatives have been taken and some are in pipeline. Initially the objective is to incorporate 300,000 new taxpayers. In this regard, 82,000 notices have already been issued, and a total of 100,000 notices will be issued by June 30, 2014. Similarly, a detailed plan for outreach program including provisional assessment, collection procedures, penal actions and prosecution proceedings has been chalked out.

Rationalization of exemptions/SROs: In order to provide level playing field and equitable tax system in the country, FBR has devised a plan for rationalization of concessionary regime and withdrawal of exemption. The plan has been approved by the Government. In order to suggest phase-wise withdrawal of exemptions, a high powered committee is working.

Administrative Improvement Initiatives: Initiatives for administrative improvement in all the taxes have been finalized and implementation strategy is developed and launched. Certain policy reforms have already been taken and GST coverage has been expanded. Exemptions have been restricted to food items, health, education and agriculture produce. In order to resolve inadmissible input adjustment and illegal refunds in sales tax, FBR has successfully prepared and implemented Computerized Risk Based Evaluation of Sales Tax (CREST). Another major step has been the development of a fully automated tax refund processing system for manufacturers/exporters where refund claims are processed within 48 hours.

Taxpayers Facilitation: Introduction of an e-filing process accessible to taxpayers for income tax, sales tax and excise at e-FBR portal has been ensured. Automation of systems has helped in minimizing the contact between taxpayer and tax officer and as a consequence the complaints of harassment has been reduced accordingly.

Strengthening Tax Audit: A risk based audit has been reintroduced to accompany the self-assessment scheme and to overcome weak tax compliance. Substantial progress has been achieved for infrastructure up-gradation and development with the introduction of the integrated tax management system (ITMS), which is available to all the field formations.

Customs Modernization and Control: Customs modernization reforms are being introduced, aiming at simplifying, standardizing and automating customs clearance procedures supported with strong post-clearance audit controls. Online connectivity of Customs posts has been developed. Risk management principles have been adopted and a Vehicle and Container Tracking System for monitoring transit trade is now in place. The Afghan Pakistan Transit Trade Agreement (APTTA) 2010 has replaced the 1965 agreement, with better controls and enhanced facilitation. An integrated, risk-based automated customs clearance system (WEBOC) has been indigenously developed which minimizes interaction between taxpayers and tax collectors, thereby minimizing malpractices.

Human Resource Management: Human Resource Management has been improved and major structural initiatives are being taken by FBR in its organizational reform program.

Fiscal Outlook for 2013-14

During 2013-14, containing the fiscal deficit at the budgeted level (6.3% of GDP) is facing downside risks both on revenue and expenditure fronts. On revenue front, risk factors are less than targeted growth in FBR tax collection and uncertainties on full realization of non-tax revenue from Coalition Support Fund (CSF) notwithstanding higher than budget revenues under GIDC. On expenditure side, risk factors are higher interest payments and contingent expenditure in other grants and overruns in power subsidies due to re-emergence of circular debt issue and likely pick-up in development spending during the last quarter of 2013-14.

3.1.2 Monetary Developments

The State Bank of Pakistan has pursued an accommodative monetary policy to stimulate the economy, in view of sustained weak private investment and declining headline inflation during the last two years as the SBP has reduced the policy rate by a cumulative 500 basis points to 9%. Moreover, the SBP continued direct financing for the fiscal deficit in the first half. Frequent open market operations and foreign currency swaps have also pumped additional liquidity into the market in the first half. However, during the last quarter, the government has retired substantial amount of SBP borrowing of earlier two quarters. Resultantly, Net Foreign Assets (NFA) flows during the fiscal year turned into positive after remaining in the negative territory for three quarters. NFA contributed positively to the expansion of monetary aggregates.

The State Bank of Pakistan (SBP) has no explicit M_2 growth target but Monetary Policy Statement (MPS) sometimes mentions indicative projection while keeping in view the real GDP growth and inflation. The SBP has projected M_2 to grow at 13-14% in 2013-14. During 2013-14, the monetary policy has decided to increase the policy rate by 50 bps each in its monetary policy announced in September and November 2013, mainly on account of persistent deterioration in the balance of payment position and rise of inflationary expectations. Due to lower fiscal financing requirements and settlement of energy sector circular debt, credit to private businesses and economic activity has shown significant improvement owing to improvement in major economic indicators. Inflation has come down and growth in LSM has been strong. Similarly, the fiscal deficit has been contained while the private sector credit has increased and exchange rate recovered its lost ground. These improvements in the economic indicators permits the SBP to maintain the policy rate unchanged at 10 percent as announced in its monetary policy statement in January, March and May 2014.

Review of Monetary Development, July-April 2013-14

Broad money (M_2) has expanded by Rs.542.5 billion (6.1%) during 1st July 2013 to 30th April 2014 against an expansion of Rs.741.4 billion during the corresponding period of last year indicating an increase of 9.2%. This expansion in M_2 is contributed by pick up in credit to private sector and government budgetary borrowings. The improved flow of credit to private sector in the period under review mainly owes to better supply of electricity and healthy financial conditions of the corporate sector. Net Foreign Assets (NFA) has expanded during period under review by Rs.116.1 billion, whereas Net Domestic Assets (NDA) of the Banking Sector have expanded by Rs.426.4 billion with a growth rate of 5% in stock by the end of June 2013.

Net Foreign Assets (NFA) of the banking system during 1st July 2013 to 30th April 2014 expanded by Rs.116.1 billion reflecting a growth of 43.2% as compared to a contraction of Rs.166.2 billion showing a decline of 31.2% during the corresponding period of previous year. Increase in NFA is mainly due to continued inflow of funds from various sources which continued to push NFA. During the period under review, Net Domestic Assets (NDA) has expanded by Rs.426.4 billion reflecting an increase of 5.0% in stock at the end of June 2013 as compared to Rs. 907.5 billion reflecting a growth of 12.8% in the corresponding period of previous year. Growth in NDA is mainly due to a number of factors like loan retirements to external creditors, an

increase in investment in NSS and improvement in profit rates. Details of Monetary Aggregates are given in Table 3.3:

Table 3.3: Monetary Aggregates

(Rs. Billion)

	Factor Affecting Broad Money (M2)Growth	Stock at End June 2013	Changes Since 1st July to	
			30th April- 2014	1st May-2013
A	Net Foreign Assets of the Banking System (NFA)	268.8	116.1	-166.2
	Growth		**43.2%**	**31.2%**
B	Net Domestic Assets of the Banking System (NDA) (1+2+3)	8,589.0	426.4	907.5
	Growth		**5.0%**	**12.8%**
1	Net Government Sector Borrowing (a+b+c)	5,737.1	161.7	907.7
A	Borrowing for Budgetary Support	5,246.4	276.2	1,021.5
	Growth		**5.3%**	**8.1%**
	(i) From SBP of which	2,212.9	-287.1	392.7
	a) Federal Government (net)	2,241.1	-85.7	436.1
	of which deposits with SBP	96.3	-662.1	95.6
	b) Provincial Government	-27.9	-193.6	-36.2
	ii) From Scheduled bank (net)	3,033.5	563.3	628.7
B	Commodity Operations	467.7	-114.4	-115.1
C	Others	23.0	-32	1.3
2	Credit to Non-Government Sector (a+b+c+d)	3,664.0	385.4	184.7
A	Credit to Private Sector	3,357.4	320.3	141.7
	Growth		**9.5%**	**4.8%**
B	Credit to Public Sector Enterprises (PSEs)	312.2	65.2	43.3
	Growth		**20.9%**	**3.9%**
C	PSEs Special Account-Debt Repayment with SBP	-24.1	0	-160
D	Other Financial Institutions (SBP credit to NBFIs)	18.5	80	-143
3	Other Items (net)	-812.1	-120.8	-184.8
	Broad Money (M_2)	8,857.8	542.5	741. 4
	Growth		**6.1%**	**9.2%**

Source: State Bank of Pakistan

Government borrowings from the banking system for budgetary support stood at Rs.276.2 billion during 1st July 2013 – 30th April 2014, considerably lower than Rs.1,021.5 billion during the same period of last year. The federal government was continually borrowing from the SBP to fulfill its financial needs. Slow foreign inflows and less revenue collection were the major reasons of higher government borrowing from the central bank in the first two quarters. The government has made serious efforts towards increasing foreign inflows to reduce its borrowing from the SBP. The net federal government and provinces budgetary borrowings stood in a negative position in the last week of April 2014. With the arrival of massive foreign inflows, the federal

government has successfully repaid its entire domestic debt obtained for budgetary support from the SBP during FY-14.

The federal government and provinces collectively retired Rs.287 billion to the State Bank. This is the second time when the federal government and provinces have credit balance with the SBP. A limited borrowing from the Central Bank was a major demand of the International Monetary Fund (IMF) and after a long gap Pakistan has met this condition. The federal government's net retirement of borrowing to the State Bank stood at Rs. 85.7 billion as on 30th April 2014. The federal government's borrowing for budgetary support from the banking system stood at Rs.436 billion during July 1, 2012 to May 1, 2013.

The credit to private sector has expanded by Rs.320.3 billion (9.5%) as compared to expansion of Rs.141.7 billion (4.8%) during the same period of last year. This increase in credit was not broad based as it mostly comprised of working capital requirement and appetite for fixed investment was not significant. The surge in credit to the private sector is attributed to improved financial condition of the corporate sector, improved supply of electricity after settlement of energy sector circular debt by the government, better business sentiments and increase in economic activities. Apart from these broad factors specific industry level effects are also at play. The credit to Public Sector Enterprises (PSEs) has expanded by Rs.65.2 billion (20.9%) as compared to an expansion of Rs.43.3 billion (3.9%) during the corresponding period of last year.

Box 3.2: Monetary Policy Reforms

- Debt management was separated from monetary management to distinguish the monetary policy signals from the interest rate changes occurring in the auction of debt securities.
- The SBP has introduced a corridor for the money market overnight repo rate. While the SBP policy rate continues to serve as a ceiling, the rate on the new overnight repo facility, 250 bps below the SBP policy rate, provides a binding floor. Earlier, at the time of introduction, the width of the interest corridor was 300bps.
- Floor on profit rate on saving deposits was introduced in May, 2008. Later, coverage was extended to the term deposits in April 2012. In September 2013, the deposit rates of the banks have been linked with the SBP repo rate (the floor of the corridor), to ensure the effective transmission of monetary policy changes.
- The unrestrained government borrowing from the SBP dilutes the effectiveness of monetary policy. An amendment in the SBP Act is introduced to prohibit such practice in March 2012, whereby the government is required to keep its quarterly borrowings from SBP at zero and retire its stock of debt owed to SBP in the next 8 years. On a quarterly basis, the fiscal authority is appraised about the status of government borrowing from SBP.
- Changes have also been introduced in its Board of Directors to improve SBP's governance structure. The number of non-executive directors on the Board has been increased from seven to eight and the eligibility criteria have also been amended for Board Members and they should be eminent professionals from the fields of economic, finance, banking and accountancy.

Source: State Bank of Pakistan

3.1.3 Inflation

Inflation as measured by Consumer Price Index (CPI) was targeted at 8% for 2013-14. During July-April 2013-14, it has registered an increase of 8.7% against an increase of 7.8% during July-April 2012-13. Wholesale Price Index (WPI) and Sensitive Price Index (SPI) recorded increases of 8.3% and 9.8% respectively during July-April 2013-14 as against the similar increase of 7.9% in both indices during the corresponding period of previous year. Price changes measured by various indices are summarized in Table 3.4:

Table 3.4: Changes in Price Indices

(In Percentage)

Indices	July –April		
	2011-12	2012-13	2013-14
Consumer Price Index (CPI)	10.2	7.8	8.7
Food Inflation	11.2	7.1	9.4
Non-food Inflation	10.6	8.3	8.2
Core Inflation	10.3	9.9	8.2
Wholesale Price Index (WPI)	11.2	7.9	8.3
Sensitive Price Indicator (SPI)	6.7	7.9	9.8

Source: Pakistan Bureau of Statistics

The government had controlled the inflation rate till last couple of months. The government might struggle to restrict it under the budgeted target of 8% during ongoing financial year 2013-14 as inflation has started increasing. Inflationary pressures mounted in the early few months of 2013-14 driven by supply shortages and upward adjustment of administered prices. However, since November 2013 the inflationary pressures subsided mainly because of three reasons: i) enough supplies of essentials; ii) substantial relief from pass through of imported inflation owing to lower commodity and crude oil prices in the global markets; and, iii) appreciation of exchange rate and recovery of lost ground by Pak rupee. Generally inflation remained in the vicinity of the targeted level. Inflation for current year 2013-14 is likely to be around 8.8%.

3.1.4 Capital Market

Karachi Stock Exchange (KSE) during July 2013 to April 2014 recorded an overall rising trend. The overall market sentiment remained buoyant by some improvement in foreign exchange reserves, launch of PM Youth Business Loan Scheme, strong December 2013 quarterly results, and rise in growth of LSM and textile exports. KSE-100 index during July to April 2013-14 on average closed at 27,582 points as compared to 18,561 points on average during July to April 2012-13, thus posting a growth of 9,021 points. Market capitalization stood at Rs. 6,682 billion during July to April 2013-14 on average as compared to Rs. 4,644 billion on July to April 2012-13, thus higher by Rs. 2,038 billion. Trends in KSE-100 index and market capitalization during July to April 2013-14 and corresponding period of last year are depicted in Table 3.5.

Table 3.5: KSE-100 Index and Market Capitalization

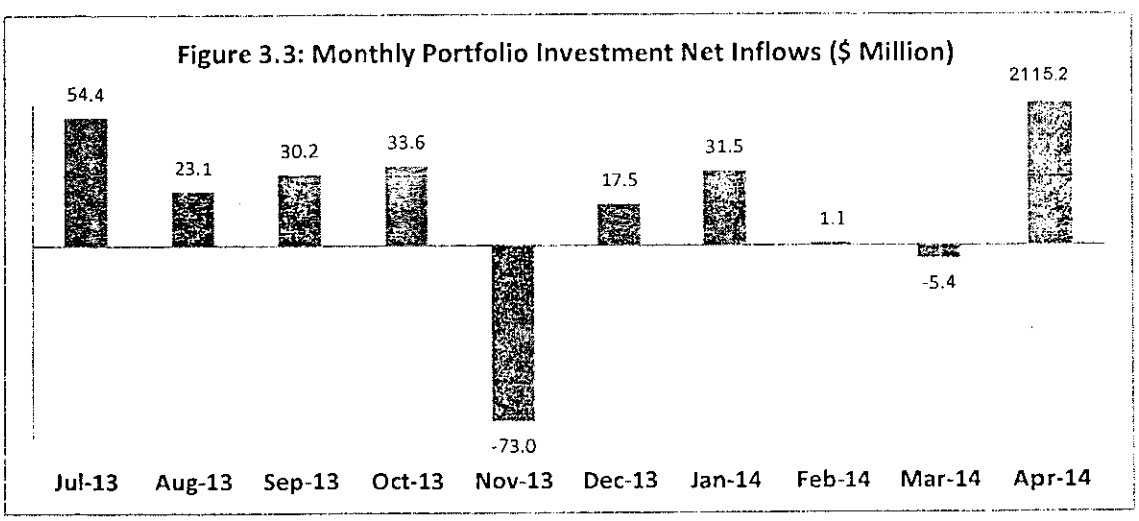
S. No.	Month End	KSE Index (Points)			Market Capitalization (Rs. Billion)		
		2012-13	2013-14	Change	2012-13	2013-14	Change
1	July	14,577	23,312	8,735	3,724	5,711	1,987
2	August	15,391	22,160	6,769	3,919	5,514	1,595
3	September	15,399	21,832	6,433	3,886	5,184	1,298
4	October	15,910	22,775	6,865	3,965	5,423	1,458
5	November	16,527	24,302	7,775	4,152	5,874	1,722
6	December	16,905	25,261	8,356	4,242	6,056	1,814
7	January	17,242	26,784	9,542	4,325	6,607	2,282
8	February	18,173	25,783	7,610	4,514	6,279	1,765
9	March	17,947	27,116	9,169	4,405	6,573	2,168
10	April	18,982	28,913	9,931	4,664	6,920	2,256
	Average of 10 months	**18,561**	**27,582**	**9,021**	**4,644**	**6,682**	**2,038**

Source: Securities and Exchange Commission of Pakistan

Foreign Portfolio Investment (FPI), cumulatively during July-April 2013-14, stood at $2228.1 million as compared to net inflow of $414.7 million during the corresponding period of last year registering a growth of 437.3%. During July-April 2013-14, major destinations for FPI were United Kingdom, Luxembourg and Japan with net inflows of $92.5 million, $70.7 million and $25.2 million respectively whereas Germany, Iceland and Singapore remained the major net sellers during the period under review as FPI from these countries posted net outflows of $19.2 million, $12.9 million and $12.4 million respectively. Monthly trends of FPI are depicted in Figure 3.3.

Source: State Bank of Pakistan

Figure 3.3: Monthly Portfolio Investment Net Inflows ($ Million)



Capital Market Reforms Introduced during 2013-14

The Securities and Exchange Commission of Pakistan (SECP) being the apex regulator of the capital markets has the mandate of regulation and supervision of the capital market. As the securities markets in Pakistan are still evolving and in recent years,

numbers of reforms were launched with a view to develop a fair, efficient and transparent regulatory framework, aimed at fostering growth of a robust corporate sector and broad-based capital markets in Pakistan.

In the recent past, a multitude of capital market reforms were carried out in various areas which are summed up as below:

1. **Demutualization of the Stock Exchanges and Default Management Post Demutualization**

   The stock exchanges in Pakistan were successfully corporatized and demutualized on August 27, 2012 consequent to promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. Demutualization addresses the conflicts prevalent in the earlier mutualized setup of the stock exchanges by segregation of commercial and regulatory functions and separation of ownership and trading rights.

2. **Risk Management and Transparency Reforms**

   - To prevent unauthorized use of clients' securities by broker participants in the Central Depository System (CDS), regulatory framework for Direct Settlement Service (DSS) was approved whereby investor accountholders may obtain direct settlement facility through the Central Depository Company (CDC) in addition to custody service. DSS will also bring increased efficiency and transparency to the clearing and settlement process by eliminating the need for the investor to open a sub-account with a broker and this will also reinforce SECP's initiative in respect of segregation of trading and clearing brokers.
   - Further amendments were approved to the Code of Corporate Governance for listed companies to facilitate improved compliance of the same. Provisions of the Code pertaining to eligibility requirements for Chief Financial Officer and Head of Internal Audit for the listed companies were amended to facilitate new entrants and to assist in increasing the pool of professionals in the country.

3. **Development of Equity, Derivative, Islamic Capital Markets**

   - Draft Regulations for Issue of Sukuk have been notified.
   - e-IPO concept has been introduced and implemented to enable investors to make application for subscription of shares electronically through internet banking.
   - An IPO Portal has been developed on the SECP's official website where all the relevant material, data, guidelines and laws have been uploaded to facilitate the issuers.
   - Comprehensive review of the existing laws relating to IPOs and formulation of new ones to facilitate listing of securities is being carried out.
   - Potential issuers are being approached through consultative meetings, seminars and conferences highlighting benefits of listing for the issuers, investors, economy and capital market.

- Regulations governing Stock Index Future Contracts were approved for Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE). These Regulations enable LSE and ISE to provide a platform for trading in stock index futures contracts with KSE-30 Index as underlying index for their rnarket, as per agreements signed by these exchanges with the Karachi Stock Exchange (KSE).
- Regulations governing Listing and Trading of Shares of Small and Medium Enterprises (SMEs) were approved for ISE. These regulations have paved the way for establishment of an SME Board at the ISE which will encourage SMEs to raise funds through the capital market in a cost-effective way by offering their equity securities to Qualified Institutional Investors.

4. Development of the Commodities Market

- Product portfolio of Pakistan Mercantile Exchange (PMEX) was enhanced with the inclusion of Milli Tola Gold Futures Contract to tap low-income investor segment.
- To improve govemance structure at PMEX, the plan for segregation of commercial and regulatory functions at PMEX has been reviewed and forwarded to PMEX for implementation.
- PMEX has been empowered to utilize the services of micro finance banks besides approved commercial banks as clearing banks of the exchange.

5. Development of Debt Market

- To facilitate the issuers to meet their financial needs through issue of short term debt instruments, the Issue of Commercial Papers Regulations, 2013 has been notified.
- For encouragement of the Islamic Debt Market and for the development of Sukuk Market, the draft on "Issuance of Sukuk Regulations, 2012" for seeking comments of general public has been notified.
- Formulation of Debt Securities Trustee Regulations, 2012 - under these Regulations 15 DSTs were granted registration.
- SECP has issued revised Code of Conduct for the Credit Rating Companies/Agencies on January 13, 2013. The revised Code has replaced the 2005 Code. The Credit Rating Companies Rules, 1995 are also being reviewed. SECP had earlier constituted a Committee to review the existing regulatory framework for CRAs in line with the international best practices.
- Development of system for the e-reporting of debt instruments, its redemption status and compliance status of the covenants of the Trust Deeds.

To accelerate growth in the debt market, efforts were made for trading of Government Debt instruments at the stock exchanges. In this regard a special purpose commiittee has been formed having representation from SBP, SECP, KSE, CDC and NCCPL for the purpose.

3.2 Annual Plan 2014-15

Annual Plan for 2014-15 shall formulate an environment of incipient signs of stabilization in the global economy and prospects of a turnaround, albeit modest, in the domestic economy. Policy implementation risks and uncertainty about outcomes continue to threaten the prospects of a sustained recovery. However, weak external demand and domestic bottlenecks continue to restrain investment in some of the major emerging economies. Inflation risks appear contained, reflecting negative output gaps and the recent softening of international crude and food prices.

3.2.1 Fiscal Policy

Pakistan Vision 2025 envisages a Framework of Growth and Development that comprises of seven pillars and one of these pillars is "*Achieving Sustained, Indigenous and Inclusive Growth*" whereby various strategic initiatives are planned. It elaborates that more resources will be mobilized from formalization of informal economy through right kind of incentives, such as facilitating documentation, simplifying rules and procedures, easy access to dispute resolution, access to information and generally removing barriers to formalization. The Vision, therefore, stipulates that tax-to-GDP ratio will be increased to 18-20% of GDP in line with comparator countries (India 16.8%, Turkey 19.7% and Thailand 18.8% in 2012) by broadening the tax base and reforming the taxation system.

On public spending side, the Vision underscored the need for introducing a performance-based assessment system, promoting strict accountability, moving away from across the board subsidies to the targeted subsidies, restructuring and/or privatization of selected PSEs in order to make them effective and to control the hemorrhage on public exchequer. Fiscal deficit will be contained at 4% of GDP by enhancing resource mobilization and rationalization of non-development spending.

Fiscal policy during 2014-15 along with other macroeconomic policies will aim at boosting investment, promoting economic growth and maintaining price stability so that adequate employment opportunities can be provided to the rising workforce and protect the vulnerable segments of society. In line with Pakistan Vision 2025, fiscal deficit will be further brought down through broadening the tax base, enhancing tax compliance, containing current spending and increasing the development spending. Fiscal strategy during 2014-15 will focus on following lines:

Revenue

- Making tax system equitable by taxing all sources of income irrespective of source of income.
- Making tax machinery more effective to exploit potential of tax bases.
- Rigorous use of information technology to minimize tax slippages and non-compliance.
- Further reducing exemptions/concessions granted under Statutory Regulatory Orders (SROs).
- Broadening the tax net by documenting the economy.

- Provinces to streamline their tax systems in order to exploit more revenues from agriculture income, services and property etc. Strengthening of Provincial Revenue Authorities/Board through human resource and infrastructure development.
- Higher collection under GIDC

Expenditure

- Continuation and further strengthening of the austerity drive at the highest level started in 2013-14 to control wastage of public money.
- Further strengthening of energy reforms and providing subsidies only to the vulnerable segments of the society.
- Controlling bleeding of public sector enterprises by carrying out restructuring/reforming and privatizing the PSEs.

Financing of deficit is a gray area. Drying up of foreign inflows during the last few years have pushed up the domestic debt due to heavy reliance on domestic borrowings to finance the burgeoning fiscal deficit. Figure 3.4 depicts the percent share of domestic and external debt in the total public debt while Figure 3.5 depicts the percent share of three components of domestic debt. During the last five years (2008-09 to 2012-13), domestic sources on average basis have financed over 88% of the total fiscal deficit. Resultantly, domestic debt has increased by 190.8% and stood at Rs. 10,162.5 billion on end June 2013 as compared to Rs. 3,274.5 billion at end June 2008.

Financing of Fiscal Deficit

Figure 3.4: Share (%) in Total Public Debt

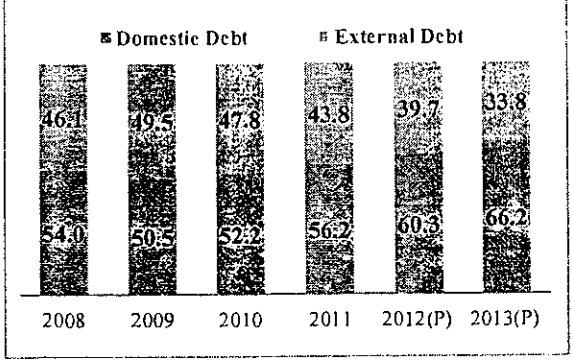
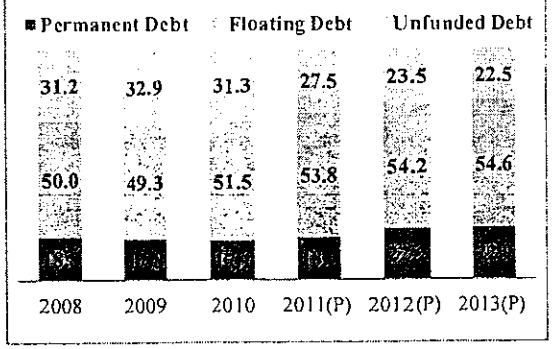


Figure 3.5: Share (%) in Domestic Debt



Massive reliance on domestic sources particularly on short-term floating debt is exacerbating the debt servicing cost. The government has developed its first Medium Term Debt Management Strategy (MTDS) that is closely linked to its fiscal framework. The MTDS is a plan that the government intends to implement over the medium term in order to achieve desired composition of the government debt portfolio, which captures the government's preference with regards to cost-risk tradeoff. The salient features of Medium Term debt Management Strategy 2014-18 are given in Box 3.3.

Box 3.3: Salient Features of Medium Term Debt Management Strategy

- The prime objective of MTDS is to provide the financing for the government at low cost over the medium to long term by giving due consideration to the risks.
- The MTDS provides alternative strategies to meet the financing requirements of the government. The four different borrowing strategies have been assessed with associated costs and risks analysis under the alternative interest and exchange rates scenarios.
- The cost and risk trade-off analysis is based on the existing debt cash flows, market and macroeconomic projections and alternative borrowing strategies. The robustness of alternative debt management strategies was evaluated by applying stress/shock scenarios for interest rates and exchange rates.
- Pakistan needs to follow the strategy which results in lengthening of its maturity profile to reduce the refinancing risk along with providing sufficient external inflows in the medium term to reduce the pressure on domestic resources keeping in view cost-risk tradeoffs. A strategy with an increased reliance on domestic short term sources is the least attractive.
- MTDS also provides strategic guidelines for comprehensive debt management which include: (i) widening of investor base; (ii) development of domestic debt markets (iii) lengthening of maturities of debt instruments; and (iv) stimulation of external finance.

Source: Pakistan Medium Term Debt Management Strategy 2014-18

3.2.2 Monetary Policy

To address the problems of declining reserves and a projected rebound in inflation, the SBP will adjust monetary and exchange rate policies. Monetary and exchange rate policies will focus on rebuilding foreign exchange reserves and maintaining prices stability.

The main thrust of the monetary policy for 2014-15 will be on price stability and provide support to economic growth by improving operational framework of monetary policy in consultation with the government to retire government borrowing form SBP as stipulated in the SBP (Amendment) Act, 2012.

The SBP has to initiate efforts to narrow gap between the required rate of investment and the actual rate of domestic saving. In the household sector, the rate of return on saving is negative in real terms because wide spread of banks and concomitant imposition of Zakat and withholding tax.

In order to enhance the effectiveness of the monetary policy, the government and SBP shall undertake the following reforms during 2014-15:

- Government borrowing from SBP may be kept at zero level at the end of each quarter as envisaged in SBP (Amendment) Act, 2012. This will help to contain the monetization of fiscal deficit and lessen the inflationary pressure in the economy.
- Prudent management of intra-institutional flow of resources for effective financing of deficit.

- Empowerment and collaboration of the financial regulators, i.e., SBP and SECP for developing the financial sector on the lines of best international practices.
- The SBP shall explore further monetary transmission mechanism channels and enhance the forecasting capacity by developing macro-econometric models for monetary policy analysis.
- The SBP shall address weaknesses in data collection and reporting mechanism and interaction.
- The SBP shall initiate review and further strengthening of its communication strategy for its internal and external stakeholders with the objective of improving understanding and communication of monetary policy framework and strategy.

3.2.3 Inflation

Inflation is projected at 8.0% for 2014-15. In order to contain the price increase within the targeted level, the following measures shall be taken:

- Supply side will be strengthened by increasing production of the real sectors through ensuring adequate supply of critical inputs like emery, improved extension services, agricultural and industrial credits, and trade liberalization.
- Government borrowing from the SBP and large liquidity injections by the SBP to maintain the liquidity position is inflationary in nature. Therefore, borrowing from SBP need to be minimized in order to contain inflationary pressure.
- Close monitoring of essential commodities stock available in the country and ensuring their proper supply through imports and restriction to exports.

3.2.4 Capital Market

- Post-demutualization consequential reforms are in process:
  a) Revamping of regulatory frameworks.
  b) Efforts to bring strategic investors which will enable the exchanges to benefit from their extensive expertise and technological assistance, apart from bringing foreign investment and broadening the investor base.
  c) Efforts for listing of the stock exchanges so their shares are offered to the general public in terms of the demutualization law.
  d) The possibility of integration of the three stock exchanges to benefit from operational synergies.
- In order to protect investors' assets in the event of default of broker/ custodians efforts shall be made to establish an Investor Protection Corporation.
- Regulations governing branch offices for PMEX shall be introduced.
- New membership categories for PMEX are in pipeline.
- Default management procedures shall be looked into in order to address any gaps in an attempt to strengthen risk management.

- Proposal for introduction of foreign currency futures contracts for the commodities market is in the final phase whereby no-objection from SBP is being sought.
- Efforts toward improving governance of PMEX are underway which primarily include segregation of commercial and regulatory functions at PMEX.
- Introduction of Shariah-compliant investment alternatives.
- Listing and trading of call warrants on stock exchanges and stock options.
- Cross listings of foreign and domestic indices at Pakistani and foreign stock exchanges.
- Establishment of a brokers' association to provide an effective platform for the stock broking community to voice their concerns to the government and regulatory bodies and ensure professional training and exposure to intermediaries while creating awareness among them about market issues.
- Broadening of the investor base through interlinking of the banking network with the stock exchanges through their stock brokers' network and CDC, widening of the brokers' network to the small cities and towns directly or through the banking network, access to the CDC by the general public in small cities and towns through the banking network.
- Rationalization of the income tax rates for listed companies to incentivize new listings.

3.2.5 Debt Market Future Plans

- Formulation of regulations for listing of debt securities issued to the public and review of the regulations for listing of debt securities issued to the Qualified Institutional Buyers in process.
- Preparation of the regulations for issue of Convertible Securities under process.
- In order to rationalize the cost of issue of corporate bonds, steps are being taken to reduce the rate of stamp duty applicable on issue and transfer of Term Finance Certificates (TFCs) and Commercial Papers.
- Review of the Companies (Asset Backed Securitization) Rules, 1999 in process.
- Developments in the government securities markets (both primary and secondary).
- To accelerate growth in the debt market, efforts shall be made for trading of Government Debt instruments at the stock exchanges.
- Integration of National Savings Scheme instruments into the mainstream capital market, in coordination with the Federal Government and the SBP.

Annexure-3.1

Consolidated Fiscal Operations

(Rs. Billion)

	July-March 2012-13	July-March 2013-14	% Change Over July-March 2012-13	As % of GDP	
				July-March 2012-13	July-March 2013-14
Total Revenue	**2,125**	**2,477**	**16.6**	**9.4**	**9.8**
Tax Revenue	**1,528**	**1,786**	**16.9**	**6.8**	**7.0**
Federal	1,418	1,650	16.3	6.3	6.5
FBR Tax Collection	*1,335*	*1,575*	17.9	5.9	6.2
Direct Taxes	491	599	21.9	2.2	2.4
Indirect Taxes	927	1,051	13.4	4.1	4.1
Federal Excise	79	90	14.0	0.4	0.4
Sales Tax	595	717	20.5	2.6	2.8
Customs	170	169	-0.7	0.8	0.7
Other Taxes	2	3	69.6	0.0	0.0
Petroleum Levy	81	72	-11.3	0.4	0.3
Provincial	110	136	24.3	0.5	0.5
Non-Tax Revenue	**597**	**691**	**15.8**	**2.7**	**2.7**
Federal	548	657	19.8	2.4	2.6
Provincial	49	35	-29.2	0.2	0.1
Total Expenditure	**3,171**	**3,289**	**3.7**	**14.1**	**12.9**
Current Expenditure	**2,642**	**2,905**	**9.9**	**11.7**	**11.4**
Federal	1,887	2,083	10.4	8.4	8.2
Defence	406	452	11.3	1.8	1.8
Interest	772	909	17.7	3.4	3.6
Others	709	722	1.9	3.2	2.8
Provincial	755	821	8.8	3.4	3.2
Dev. Exp. and Net Lending	**446**	**556**	**24.7**	**2.0**	**2.2**
Total Development Exp.	**445**	**470**	**5.7**	**2.0**	**1.8**
PSDP	407	393	-3.5	1.8	1.5
Federal	188	193	3.1	0.8	0.8
Provincial	220	200	-9.2	1.0	0.8
Other development exp.	37	77	106.6	0.2	0.3
Net lending	1	86	7721.9	0.0	0.3
Statistical Discrepancy	**83**	**-171**	**-305.8**	**0.4**	**0.7**
Overall Budget Deficit	**-1,046**	**-812**	**-22.4**	**4.7**	**3.2**
Financing	**1,046**	**812**	**22.4**	**4.7**	**3.2**
External	-4	-50	1116.5	0.0	0.2
Domestic	1,050	862	-18.0	4.7	3.4
Bank	857	437	-49.0	3.8	1.7
Non-bank	194	425	119.4	0.9	1.7
Memo item:					
GDP (market prices)	22,489	25,402			

Sources: Finance Division and Pakistan Bureau of Statistics

Chapter 4 Public Sector Development Programme

Public Sector Development Programme (PSDP) is the main source to mobilize public funds and foreign assistance in line with objectives / targets of annual / five year plans through implementation of viable projects. It is part of public sector investment aimed to spur the economic growth by upgrading the physical and social infrastructure in the country. PSDP is aligned towards the achievement of development objectives set under development plans to ensure inclusive growth and alleviation of poverty.

4.1 Review of PSDP 2013-14

The National Economic Council (NEC) approved Public Sector Development Programme (PSDP) 2013-14 on 10th June, 2013 at Rs. 1155 billion with federal component of Rs. 540 billion and provincial programmes (ADPs) at Rs. 615 billion. Agency-wise break up is given in Table 4.1 below:

Table 4.1: National Development Outlay 2013-14

(Rs. Billion)

Agency	Rupee	Foreign Aid	Total
Ministries / Divisions	253	42	295
Corporations (NHA, WAPDA-Power)	50	65	115
Special Programmes	5	-	5
New Development Initiatives	115	-	115
ERRA	8	2	10
Total (Federal)	**431**	**109**	**540**
Provincial ADPs	537	78	615
Total (National)	**968**	**187**	**1155**

Federal PSDP 2013-14 was approved at Rs. 540 billion including Rs. 115 billion for undertaking New Development Initiatives during the year. The foreign aid component comprised of Rs. 109 billion which is expected to be entirely disbursed / utilized during the current year.

A detailed Review of PSDP 2013-14 was held in March, 2014 to assess financial and physical progress of PSDP funded projects. Special meeting to review foreign funded projects in PSDP 2013-14 was also held under the chairmanship of the Minister for Planning, Development & Reform which was attended by the delegations of development partners i.e. World Bank, Asian Development Bank, US Aid, Japan and DFID.

During the review meetings, the Ministries / Divisions were emphasized to complete those projects on priority which were allocated full balance cost in PSDP 2013-14. Project specific decisions were taken to accelerate the physical progress of PSDP funded projects and to achieve quick impact and better results from the public sector investment.

Ministries / Divisions and executing agencies were directed to strictly adhere to the following guidelines:

i) Ministries / Divisions were stressed to ensure quality of work and compliance of codal formalities like observance of PPRA rules, etc.

ii) Ministries / Divisions were reiterated to re-align their on-going development portfolio in line with Government's development priorities.

iii) It was emphasized that internal monitoring mechanism be ensured by each Ministry to help accelerating the physical and financial progress of projects.

iv) Ministries / Divisions and Executing Agencies were directed to ensure full land acquisition / possession before start of work on any project.

v) Ministries / Divisions were requested for timely submission of PC-IVs and PC-Vs of all completed projects to Planning Commission for evaluation.

As a result of above policy, about 293 projects costing Rs. 150 billion are expected to be completed during the year 2013-14. An allocation of Rs. 64 billion was made to such projects including self-financed power sector projects.

The sector-wise revised estimates of PSDP 2013-14 are given in Table 4.2 below:

Table 4.2: Broad Sector-wise Allocations - Federal PSDP 2013-14

(Rs. Billion)

Sector	Revised Estimates	% share on Revised Est.
Infrastructure	292	69
Social Sector	57	14
Science & Information Technology	12	3
Governance	7	1
Special Areas (AJK, GB and FATA)	39	9
Special Programmes	5	1
Production Sectors	3	1
ERRA	10	2
Total Size	**425**	**100**

Under the revised estimates, the infrastructure projects received Rs. 292 billion (69%) of federal PSDP followed by social sector projects Rs. 57 billion (14%). Within infrastructure, priority was assigned to energy (Rs. 107 billion), water resources (Rs. 55 billion), transport and communications i.e. highways/motorways/ports and railways (Rs. 113 billion), physical planning (Rs. 10 billion) and others (Rs. 7 billion).

In social sector projects, education/ higher education has been provided Rs. 25 billion, health Rs. 20 billion, population welfare Rs. 8 billion and others Rs. 6 billion. Governance sector was allocated Rs. 7 billion and Science and Information Technology Rs. 12 billion. For uplift of special areas (FATA, AJ&K and Gilgit-Baltistan), an amount of Rs. 39 billion would be provided. Similarly, an amount of Rs. 3 billion stood for the productive sector in industry & commerce, food & agriculture and minerals which is expected to be released. Rs. 10 billion has been provided to Earthquake Reconstruction and Rehabilitation Authority. Rawalpindi – Islamabad Metro Bus Project has also been provided funds for its early completion.

4.2 Plan for Development Programme 2014-15

The National Economic Council in its meeting held on May 29, 2014 approved National Development Outlay for 2014-15 at Rs. 1175 billion including Rs. 192 billion as foreign aid, which is 13% higher over the size of 2013-14. The development programme 2014-15 comprises Rs. 525 billion as federal PSDP including foreign aid of Rs. 102 billion and Rs. 650 billion for provincial ADPs including Rs. 90 billion foreign aid. Agency-wise breakup is given in Table 4.3 below and Ministry-wise summary is at Annexure 4.1:

Table 4.3: National Development Outlay 2014-15

(Rs. Billion)

Agency	Rupee	Foreign Aid	Total
Ministries / Divisions	313.5	30.5	344
Corporations (NHA, WAPDA-Power)	107	69	176
ERRA	2.5	2.5	5
Total (Federal)	**423**	**102**	**525**
Provincial ADPs	560	90	650
Total (National)	**983**	**192**	**1175**

4.2.1 Federal PSDP 2014-15

Federal PSDP 2014-15 was approved at a size of Rs. 525 billion with an increase of 23.5% over revised estimates of Rs. 425 billion for PSDP 2013-14. It included Rs. 102 billion foreign assistance and Rs. 5 billion for ERRA.

The federal PSDP has been aligned towards achievement of development objectives envisaged under 11th Five Year Plan and Vision 2025. The Vision provides country's long–term development agenda which aims to create a globally competitive and prosperous country providing a high quality of life to all its citizens. It aspires to transform Pakistan into an industrialized and knowledge based upper middle income country by 2025.

The vision is to be realized through implementation of programmes, policy and projects in the seven development areas. i.e. food, water and energy security, building social and human capital, fostering private sector led growth, harnessing regional connectivity, improving national competitiveness, inclusive growth and bringing institutional and govemance reforms.

The PSDP works as a catalyst to stimulate economic growth by providing appropriate social and physical infrastructure. Efforts will be made to provide enabling environment to the private sector which is better positioned to undertake investments mainly in infrastructure sector projects of energy, motorways, ports, railways, etc. being the primary responsibility of the Federal Government. Doing so, the burden on federal PSDP would be released facing huge inbuilt throw-forward of approved projects. Similarly, the projects under bilateral / multilateral foreign assistance have been considered on priority to fulfill obligations / commitment at international level. The Ministries / Divisions were encouraged to follow the principles of rational allocation involving the private sector and international development partners where ever possible.

Despite division of responsibilities between the Federal and Provincial Governments after 18th Amendment, the Federal Government is providing adequate finances under the federal PSDP to the vertical programmes of health and population welfare as per decision of Council of Common Interests (CCI) dated 28th April, 2011. In addition to the above, Federal Government is also funding Provincial nature schemes under various priorities and development packages determined by the Government. However, the provincial governments need to be encouraged to undertake investments in the areas of core social sectors to ensure balanced development with regional equity.

4.2.2 Resource Allocation Strategy

The federal PSDP has a significant throw-forward which has built up due to various reasons including reduction in previous PSDPs, inclusion of projects that are in the provincial domain, initiation of new projects without ensuring resource availability etc. The Federal Government has adopted a three pronged resource allocation strategy. First, maximum allocation to on-going projects falling under the development agenda of the Government so as to reap benefits from such projects in the shortest possible period. Second, to initiate critical new development projects with high impact / return falling under the infrastructure sector. Third, to discourage low return projects and those falling under devolved subjects.

PSDP allocation priorities have thus been driven by sectoral / regional strategies under the overall themes of Vision 2025. Projects or programmes that enable a particular sector to achieve specific objectives under these themes are financed on priority.

In view of the above, following broader priorities have been adopted while allocating resources to development projects:

- Projects nearing completion appropriately funded
- Adequate allocations to foreign assisted projects
- Allocations to new critical / prioritized projects having high impact / return
- Projects under China-Pakistan Economic Corridor adequately financed
- Allocations to Vertical Programmes of Health and Population Welfare as per CCI decision of April 28, 2011
- Projects of special and less developed areas funded adequately

The Priorities Committee discussed the Ministries' requirement for both the recurring and development budgets in April, 2014. The Priorities Committee endorsed the resource allocation strategy delineated above with a view to spend public money with full utility and accountability and stressed on the PAOs to ensure the outputs (services) to be delivered and policy priorities set under development plans and Medium Term Budgetary Framework (MTBF) by critical review of budget proposals. For each of the output, Ministries were asked to present key projects of strategic nature linked with the specific outputs.

Planning Commission also held meetings with Ministries / Divisions side by side to discuss and prioritize each project requirement vis-à-vis financial and physical progress. During these meetings, Ministries / Divisions demanded additional funds over Rs. 1000 billion, over and above IBC, for on-going and new projects. The major demands came from National Highway Authority (Rs. 500 billion), Power (Rs. 222 billion), Pakistan Atomic Energy Commission (Rs. 104 billion), Railways (Rs. 27 billion), Health (Rs. 24 billion) Capital Development Administration (Rs. 15 billion) and other Ministries / Divisions (Rs. 200 billion).

The Priorities Committee's recommendations were considered by the Annual Plan Coordination Committee (APCC) on May 26, 2014. The APCC endorsed the strategies adopted for achievement of development objectives through PSDP and recommended to NEC for approval. The NEC approved sector-wise allocations of PSDP 2014-15 are given in Table 4.4 below. Ministry-wise summary is at Annexure-4.1.

Table 4.4: Broad Sector-wise Allocations - Federal PSDP 2014-15

(Rs. Billion)

Sector	Budget Estimates	% share
Infrastructure	332	63
Social Sector	100	19
Science & Information Technology	6	1
Governance	5	1
Special Areas (AJK, GB and FATA)	47	9
Production Sectors	3	1
ERRA	5	1
Special Federal Development Programme / Projects for Provinces	27	5
Total Size	**525**	100

Above table reveals that infrastructure sector has been allocated Rs. 332 billion (63%) of federal PSDP followed by social sector projects Rs. 100 billion (19%). Within infrastructure, priority has been assigned to energy (Rs. 118 billion), water resources (Rs. 43 billion), transport and communications i.e. highways/motorways/ports and railways (Rs. 162 billion) and physical planning (Rs. 8 billion).

Social sector projects include education/ higher education (Rs. 25 billion), health (Rs. 20 billion), population welfare (Rs. 8 billion) and other social sectors (Rs. 48 billion). For governance sector Rs. 5 billion have been allocated. Rs. 6 billion have been allocated to Science and Information Technology. For uplift of special areas (FATA, AJ&K and Gilgit-Baltistan), an amount of Rs. 47 billion has been allocated. Similarly, Rs. 3 billion is for the productive sector in industry & commerce, food & agriculture and minerals. Rs. 5 billion has been allocated to Earthquake Reconstruction and Rehabilitation Authority under PSDP 2014-15.

An amount of Rs. 371 billion (71%) has been allocated to 724 on-going projects whereas, Rs. 154 billion (29%) has been allocated to 310 new important projects including Rs. 36 billion for Special Federal Development Programme for Provinces / Special Areas. About 259 projects costing Rs. 289 billion are expected to be completed / substantially completed during Fiscal Year 2014-15 as full throw-forward of Rs 48 billion has been allocated to such projects.

4.2.3 Strategy for Releases-Federal PSDP

Planning, Development and Reform Division has been assigned the responsibility to authorize releases to the executing/sponsoring agencies against the budgeted projects from Fiscal Year 2010-11. According to quarterly formula adopted during 2013-14, 20% of the allocations were released in 1st and 2nd Quarter each and 30% each in 3rd & 4th Quarter after fulfillment of codal formalities.

In order to meet higher releases requirement of certain on-going projects during early part of the fiscal year, the Ministry / Division concerned is authorized higher releases for particular project(s), while remaining within the overall quarterly ceiling of its budget. Moreover, during 2012-13 releases to Higher Education Commission and National Highway Authority were authorized project-wise instead of a one line release on quarterly basis. Releases in 2nd quarter and onward are authorized on receipt of reconciled utilization report of released funds in earlier quarter(s).

Salient features (Federal PSDP 2014-15)

Sector-wise priorities and salient features of Federal PSDP 2014-15 are explained as under:

- To overcome looming shortage of the energy, an amount of Rs. 118 billion has been allocated under PSDP 2014-15 for power sector. In addition, WAPDA will mobilize Rs. 137 Billion from its own resources. Total investment in power sector would be Rs. 255 Billion. Within power sector, following projects received major allocations:

  - Rs. 71 billion to WAPDA/PEPCO for important projects including Land Acquisition for Diamer Basha Dam Project (Rs. 15 billion), Construction of Diamer Basha Dam Project (4500 MW) (Rs. 10 billion), Neelum Jhelum Hydro Power Project (Rs. 30 billion), Tarbela Fourth Extension Hydro Power Project (Rs. 9 billion), Golan Gol Hydro Power Project (Rs. 7 billion), Keyal Khawar Hydro Project, (Rs. 3.2 billion), 425 MW (CCPP) Power Project Nandipur (Rs. 2.1 billion), 525 MW Combined Cycle Thermal Power Plant at Chichoki Malian (Rs. 2 billion) and 747 MW (CCPP) Guddu Power Project (GENCO – II) (Rs. 8 billion), Installation of New Coal Fired Power Plants having capacity of 2x660 MW at Jamshoro (Rs. 9.3 billion). Besides, Rs. 48 billion has been allocated to Pakistan Atomic Energy Commission, including Chashma Nuclear Power Project C-3/C-4 (Rs. 35.2 billion, Karachi Coastal Power Project with Rs. 12 billion etc. during 2014-15.

- Transport and communications sector has been allocated an amount of Rs 162 billion including Rs. 111 billion for NHA and Rs 39 billion for Railways, Ports & Shipping Rs. 3 billion and other projects Rs. 9 billion. This would help improving connectivity especially of Gwadar Port with upcountry necessary for economic integration and ensure balanced regional development

- For conservation and augmentation of water resources, an amount of Rs. 44 billion has been allocated for water sector projects. Important projects include Kacchi Canal (Rs. 10 billion), Rainee Canal (Rs. 0.5 billion), Nai Gaj Dam (Rs. 1.8 billion), Kurram Tangi Dam (Rs. 2 billion), Naulong Dam (Rs. 2.6 billion), Darwat Dam (Rs. 1 billion), Gomal Zam Dam (Rs. 2.2 billion), RBOD-I, II & III (Rs. 3.4 billion), Pat Feeder Canal (Rs. 0.2 billion) and other projects (Rs. 18 billion)

- Population and Health Sector vertical projects have been allocated Rs. 27 billion to implement the decision of Council of Common Interests (CCI). Main programmes include; National Programme for Family Planning and Primary Health Care (Rs. 11 billion), Population Welfare (Rs. 8 billion), Expanded Programme of Immunization (Rs. 2.8 billion) and National Maternal Neonatal & Child Health Programme (Rs. 2.4 billion)

- Education Sector has been allocated Rs. 25 billion including HEC's allocation of Rs. 20 billion to promote higher education, research & development in the country

- In order to bring speedy development in special areas, an amount of Rs. 47 billion has been allocated as block allocations for ADPs of GB, FATA & AJ&K

- To ensure balanced development in the country, Rs. 36 billion has been allocated to extend grant to Provinces and Special Areas under Special Federal Development Programme/Projects. The Provinces are expected to contribute to the above programme. A mechanism will be developed to identify and execute the projects under this programme.

- Federal Govemment has initiated a special programme namely "Pakistan MDGs and Community Development Programme" with an allocation of Rs. 12.5 billion to achieve MDGs mainly in education and health sectors with the involvement of local communities

- First time at national level, a National Human Development Endowment Fund is being established with Rs. 10 billion to be used for promotion of education in the country with an allocation of Rs. 1 billion during 2014-15. The proceeds of this fund shall be utilized to provide scholarships to the talented students especially from backward areas / regions

- Rs. 5 billion has been proposed for Earthquake Rehabilitation and Reconstruction Authority (ERRA) including foreign assistance of Rs. 2.5 billion

The following initiatives have been budgeted in the PSDP 2014-15 which are part of the development manifesto of the Government:

- Technology Development Fund for HEC Scholars returning after completion of PhD
- Cancer Hospital, Islamabad
- Value Addition in Agriculture – Cluster Development Approach
- Science Farming Scheme for Top Science Talent in School
- Establishment of Technology Park Islamabad
- Establishment of Seerat Chairs in Public Sector Universities
- Promotion of Olive Cultivation on Commercial Scale in Pakistan

- Establishment of Model Police Station in ICT
- ISO 9000 Certification for SMEs
- Rural Economy Centre

Government of Pakistan is planning to launch early harvest projects under the China – Pakistan Economic Corridor. Some of new initiatives of CPEC under PSDP 2014-15 are as under:

- Raikot - Havelian - Islamabad Section (460 km) KKH (Construction)
- Multan - Sukkur Section (387 km)
- Power Evacuation from Gaddani to National Grid at Faisalabad and Lahore
- Jetty + Infrastructure at Gaddani as IPP
- Karachi - Lahore Motorway 959 km (Land Acquisition, etc)
- Sukkur - Hyderabad Motorway Section (296 km)
- Lahore-Abdul Hakeem-Khanewal Section (276 km)
- East-bay Expressway at Gwadar

Annexure-4.1

National Development Programme 2013-14 & 2014-15
(Ministry/Division-wise Summary)

(Rs. Million)

S. No.	Ministry / Division	PSDP 2013-14			Proposed PSDP 2014-15		
		Foreign Aid	Rupee	Total	Foreign Aid	Rupee	Total
1	2	3	4	5	6	7	8
A.	**Federal Ministries:**						
1	Aviation Division	0.0	900.0	900.0	0.0	1401.9	1401.9
2	Cabinet Division	0.0	2179.8	2179.8	0.0	2077.6	2077.6
3	Capital Administration & Development Division	389.6	1116.1	1505.7	80.0	1726.0	1806.0
4	Climate Change Division	0.0	58.8	58.8	0.0	25.1	25.1
5	Commerce Division	50.0	791.0	841.0	0.0	363.0	363.0
6	Communications Division (other than NHA)	0.0	109.3	109.3	0.0	191.1	191.1
7	Defence Division	1649.0	996.5	2645.5	1648.0	612.8	2260.8
8	Defence Production Division	0.0	2300.0	2300.0	0.0	937.3	937.3
9	Economic Affairs Division	0.0	104.5	104.5	0.0	5.0	5.0
10	Education, Training & Standards in Higher Education Division	0.0	5237.1	5237.1	0.0	3451.3	3451.3
11	Establishment Division	0.0	79.4	79.4	0.0	165.4	165.4
12	Federal Tax Ombudsman	31.3	0.0	31.3	12.8	0.0	12.8
13	Finance Division	1933.0	11141.2	13074.2	1213.2	9068.8	10282.0
14	Foreign Affairs Division	0.0	255.2	255.2	0.0	255.2	255.2
15	Higher Education Commission	134.7	18355.3	18490.0	459.3	19609.7	20068.9
16	Housing & Works Division	0.0	3779.7	3779.7	0.0	1933.9	1933.9
17	Industries & Production Division	0.0	1879.8	1879.8	0.0	1148.4	1148.4
18	Information, Broadcasting & National Heritage Division	0.0	504.8	504.8	79.4	344.7	424.1
19	Information Technology & Telecom Division	10.0	917.1	927.1	51.0	504.7	555.7
20	Inter Provincial Coordination Division	0.0	437.6	437.6	0.0	412.9	412.9
21	Interior Division	0.0	6259.2	6259.2	100.0	3800.2	3900.2
22	Kashmir Affairs & Gilgit Baltistan Division	1360.0	28230.0	29590.0	765.0	20592.4	21357.4
23	Law, Justice & Human Rights Division	0.0	2442.0	2442.0	0.0	2352.2	2352.2
24	Narcotics Control Division	154.6	171.7	326.3	240.0	84.3	324.3
25	National Food Security & Research Division	0.0	750.0	750.0	0.0	1071.3	1071.3
26	National Health Services, Regulations & Coordination Division	1523.2	24216.0	25739.2	2797.0	24217.7	27014.7
27	Pakistan Atomic Energy Commission	26138.0	26162.0	52300.0	17180.0	34295.0	51475.0
28	Pakistan Nuclear Regulatory Authority	0.0	316.0	316.0	0.0	230.0	230.0
29	Petroleum & Natural Resources Division	0.0	50.0	50.0	0.0	166.7	166.7

S. No.	Ministry / Division	PSDP 2013-14			Proposed PSDP 2014-15		
		Foreign Aid	Rupee	Total	Foreign Aid	Rupee	Total
1	2	3	4	5	6	7	8
30	Planning, Development & Reform Division	120.0	10538.6	10658.6	20.0	32858.4	32878.4
31	Ports & Shipping Division	0.0	500.0	500.0	100.0	2476.1	2576.1
32	Railways Division	3264.0	27700.9	30964.9	400.0	38966.0	39366.0
33	Revenue Division	254.0	279.3	533.3	29.0	123.5	152.5
34	Science & Technological Research Division	0.0	2172.6	2172.6	0.0	903.9	903.9
35	States & Frontier Regions Division	1920.0	16580.0	18500.0	1920.0	17180.0	19100.0
36	Statistics Division	0.0	220.0	220.0	0.0	240.0	240.0
37	SUPARCO	505.3	194.7	700.0	0.0	700.0	700.0
38	Textile Industry Division	0.0	315.0	315.0	0.0	329.3	329.3
39	Water & Power Division (Water Sector)	2722.9	55117.3	57840.2	3800.0	39427.2	43227.2
	Total (Federal Ministries):	42159.8	253358.2	295518.0	30894.7	264249.0	295143.7
B.	**Corporations:**						
1	WAPDA (Power)	33706.0	17737.4	51443.4	33660.0	31133.4	64793.4
2	National Highway Authority	30916.4	32122.3	63038.6	35133.0	76429.9	111562.9
	Total (Corporations):	64622.4	49859.7	114482.0	68793.0	107563.3	176356.3
C.	**Special Programmes**						
1	Tameer-e-Pakistan Programme	0.0	5000.0	5000.0	0.0	0.0	0.0
	Total (Special Programmes):	0.0	5000.0	5000.0	0.0	0.0	0.0
D.	**Pak MDGs & Community Dev. Programme**	0.0	0.0	0.0	0.0	12500.0	12500.0
E.	**Federal Development Programme / Projects for Provinces & Special Areas**	0.0	0.0	0.0	0.0	36000.0	36000.0
F.	**ERRA**	2500.0	7500.0	10000.0	2500.0	2500.0	5000.0
G.	**New Development Initiatives**	0.0	115000.0	115000.0	0.0	0.0	0.0
	Total (Federal):	109282.1	430717.9	540000.0	102187.7	422812.3	525000.0
H.	**Provinces**	77540.0	537460.0	615000.0	90000.0	560000.0	650000.0
	Total (National):	186822.1	968177.9	1155000.0	192187.7	982812.3	1175000.0

Part – II

Enhancing Productivity

Chapter 5 Higher Education

The demand for a higher education sector depends on the labour requirements associated with the knowledge economy. In this context, higher education is prerequisite for the knowledge led economic development. Globally, while the universities have developed new and more flexible program offerings to reflect societal demands, the contemporary student body brings a far greater diversity of experiences, knowledge, cultural and social backgrounds, mobility, and motivations than previously. The goal for expansion of this sector, while establishing improvements in quality will rely heavily on extending the use and sophistication of online technologies. The promise of educational technology to underpin and drive a transformative learning experience will require educators to revisit and break the historical pedagogical, socio-cultural and economic assumptions that can stifle education practice. Education needs new ways of thinking, new ways of doing and new ways to evaluate and demonstrate impact. Quality higher education develops leadership qualities in people of different professions and develops awareness in the learners to protect the independence, sovereignty and integrity of the country. A high quality assurance in higher education is not only imperative for internal human resource management but also to survive, compete and succeed in the globally competitive educational environment.

5.1 Review of 2013-14

5.1.1 Financial

An amount of Rs 18,490.00 million was allocated to 154 development projects of the universities and Higher Education Commission (HEC). Rs 14.787 billion have been released and Rs 10.351 billion utilized showing 70% utilization.

5.1.2 Physical Achievements

The Higher Education Commission has kept itself abreast of the global developments and has taken numerous measures to meet the requirements of the present times. Accordingly, HEC has shifted its focus towards improving the standard of education, relevance to the national needs and research, innovation and commercialization at the level of higher education institutions of the country.

Government of Pakistan has provided substantial funds to HEC to finance 154 projects including 3 foreign funded projects with the help of USAID, JICA and KOICA. The major portion of development funds under these projects was meant for: Human Resource Development; & Establishment of state-of-the-art teaching and research labs and infrastructure development of the higher education institutions of the country. As a result, six Pakistani universities are now ranked among the top 300 Asian universities while two Pakistani universities are now ranked among the top 300 Science and Technology Institutions of the world. Another milestone of Government of Pakistan is towards increase in student enrolment in universities from 330,000 to over one million. The enrolment of women in universities increased from 36% to 46%.

Human Resource Development

The present government believes that youth of this country is the real driving force towards economic prosperity of Pakistan. Government has launched a number of new initiatives including:

- Distribution of 100,000 Laptops to the talented students pursuing MS/PhD studies in Public Sector Higher Education Institutions in Pakistan. The cost of the project is Rs. 4.00 billion and the funds under this scheme are being provided to HEC in addition to its allocation.
- Merit and need base scholarship under the Pak-USAID scholarship programs (Phase-II) costing Rs. 2.90 billion has been launched under which 3,000 needy Pakistani students will be getting benefits.

Infrastructure Development

About 35-40% of the approved development funds have been allocated for infrastructure development of the universities to expand the access to higher education. This also includes the construction of new campus of University of Engineering & Technology, Lahore at Kalashah Kaku, Faisalabad and Gujranwala. To encourage the Research and Development (R&D) activities and improve the skill of students, 35% of development funds have been allocated for provision of teaching & research lab equipment and improvement of ICT infrastructure at the universities. These development funds will help to expand the higher education facilities and improve the R&D activities etc.

5.2 Prospects for 2014-15

5.2.1 Financial

An amount of Rs 20.069 billion has been allocated for the development of higher education sector in the PSDP 2014-15.

5.2.2 Future Programs 2014-15

Higher Education Commission will continue to evaluate, improve and promote higher education by providing policies guidelines and will set priorities for the promotion of socio-economic development in Pakistan. Increasing the accessibility to higher education will be the main focus. Primary focus will be the development of talented youth of Pakistan through implementation of a number of initiatives like award of merit and need based scholarships, provision of ICT infrastructure, state of the art labs, laptops etc. Faculty development programs will continue to be the mainstay of HEC, which includes foreign and local PhD scholarships programmes as well as split PhD and post-doctoral fellowships. In addition to above, following new initiatives have been chalked out for funding during 2014-15:

i) **Teachers Training & Development**:

Teachers, School Leaders and Teacher Educators are key actors in maintaining and improving the quality of education and training systems and they are considered

real backbone of any education system. The present government has given the top priority to the quality of education. Higher Education Commission came forward to supplement the government's effort and has proposed a project in the PSPD 2014-15 for the training of 5,000 teachers in the province through higher education institutions in Pakistan. HEC has proposed a development project titled *Provision of opportunities for teachers' training to improve the quality of education.*

ii) Technology Development Fund for HEC Scholars Returning from Abroad:

Since the inception of HEC, millions of rupees have been spent on the human resource development and as a result thousands of PhD scholars have returned to the country. To benefit from their knowledge and experience a project titled *Establishment of Technology Development Fund for HEC scholars returning after completion of PhD to introduce new technologies application in Pakistan costing Rs 5.0 million* has been launched.

iii) Establishment /Up-gradation of Higher Education Institutes:

- University of Sibi, Balochistan.
- Federal Government Girls College, F-7/2, Islamabad is being upgraded to university level.
- National Institute of Science and Technical Education (NISTE), H-8/1, Islamabad is being upgraded to university level.

i) Strengthening of newly established universities/ degree awarding institutions: Under the PSDP 2014-15 government has provided funds to the tune of Rs. 4.20 billion for the establishment & strengthening of following newly established universities/ degree awarding institutions:

a. Women University Bagh
b. University of Haripur
c. University of Swat
d. University of Swabi
e. Women University Faisalabad
f. Benazir Bhutto Shaheed University Lyari, Karachi
g. National Defense University Islamabad
h. NFC Institute of Engineering & Technology, Multan
i. National Textile University, Faisalabad

ii) Establishment of Seerat Chairs in Public Sector Universities: The government is intending to establish Seerat Chairs in initially in 5 public sector universities, one each in 4 provinces and 1 in AJK. For this purpose a sum of Rs. 190.00 million is being set aside in the PSDP 2014-15.

Government is aware of the importance of providing access of quality higher education in the far flung and less developed areas of Pakistan. This has been ensured to set up new universities and sub campuses of existing universities in less developed areas like

Baluchistan, South Punjab, AJK and FATA. Establishment of universities in areas like Sibi, Loralai, Deepalpur, Toba Tek Singh, Bahawalpur, Rahimyar Khan, Poonch, Bagh shows the resolve and commitment of the present government to allocate maximum sources for higher education. South Punjab has a potential to develop into a hub for poultry and dairy products. In order to produce quality agriculture graduates in this field, campuses of University of Agriculture Faisalabad and University of Veterinary and Agricultural Sciences Lahore will be established in South Punjab. Establishment of sub campus Mehran University of Engineering & Technology at Khairpur, strengthening of Shah Abdul Latif University and many other such projects for interior Sindh, establishing universities at FATA, Mardan and SWAT shows that the present government has a firm resolve to uplift any higher education institution of the country regardless of its location,

Human Resource Development is one of the main focuses of the higher education sector. The five year plan in preparation focuses on producing quality PhD manpower for economic growth of the country. In this context, overall HRD program of HEC will be reviewed in order to set up new priorities of HRD for economic development. Existing HRD programs for foreign, split and indigenous PhD will continue with new HRD priorities. The foreign faculty hiring program of HEC has helped universities to set up research laboratories, revamp curricula and acquire knowledge in cutting edge technologies. The short term foreign faculty hiring program has also done its part for short term visits of expatriate Pakistani professors and researchers to deliver lectures as well as conduct training sessions for faculty and scholars. These programs will continue to implement. Need based scholarship programs funded by USAID and JAICA have contributed towards helping needy students from less developed areas and will continue in next financial year.

Innovation is the key for economic development. In this context, government has firm belief to use knowledge economy for economic development. Planning Commission held meeting with scientists and planners to develop strategy for setting up Business Incubation Centers and Technology Parks in the country for supporting faculty, students and graduates with innovative business ideas by providing enabling environment, seed money, tax incentives and technical support and training. The science parks will not only help in sensitizing, science education, transfer of technology but also in development of SMEs and commercialization of developed technologies. NUST will establish a science park in Islamabad in 2014-15 while work on at least 5 incubation centers will start in this time span. Government is also considering establishing an R&D fund to support the researchers and faculty who have innovative ideas but could not realize it due to financial constraints. One of the major focuses of the efforts will be to establish visible linkage among academia, industry and R&D organizations. This will ensure more productivity, sustained economic growth and focused research at universities and R&D institutions.

Science & Technology

Science & Technology (S&T) is considered a basic ingredient for socio-economic development of an economy. However, excellence in science & technology needs increased investment in Research and Development (R&D) expenditures, subsequent dissemination of R&D through commercialization and a broad range of structural reforms. Policy reforms like strategic priority setting in R&D activities based on national/social issues; development of a competitive / conducive R&D environment by capital influx; and the reorganization of national research institutes and national universities into corporations are prerequisites in this regard. In order to attain sustained economic development, Pakistan needs to focus on: creating a team of world-class researchers; creation of a competitive environment; promotion of science education; focusing on innovation; and removal of systematic or operational obstacles to return the R&D benefits back to society. The effective implementation of S&T policies is possible only when they are understood and supported by the people. This can only be achieved by: making R&D investments more effective and strategic; tirelessly promoting the sciences, thereby creating intellectual and cultural values; making further efforts to return R&D results to society and the public through the creation of innovation; and clearly explaining S&T policies and their results to the people, thereby enhancing accountability. These efforts will increase people's interest in S&T and its development.

6.1 Review of 2013-14

6.1.1 Financial

An amount of Rs. 2172.583 million was allocated for 54 development projects of Ministry of Science & Technology during FY 2013-14, out of which Rs. 1649 million have been released against which there is utilization of Rs 1300 million which is 79% of total releases.

6.1.2 Physical

Pakistan Council for Scientific & Industrial Research (PCSIR): During 2013-14 PCSIR has developed thirty (30) processes out of which two (02) have been leased out to different industries and has developed seven (07) analytical equipments. PCSIR has registered 14 patents and has more than 48 research publications at its credit. PCSIR has provided more than 15 consultancy services and prepared 06 technical reports. Moreover, PCSIR experts made 55 visits to the industrial sector during the period. In addition to this PCSIR scientists participated in 39 national/ international exhibitions/ trainings/ seminars. In addition, keeping in view the ban on export of fisheries and fish related products due to dioxin pollutants, PCSIR with the assistance of European Union and UNIDO established Dioxin / POPs Testing Laboratory for providing the services to

the stakeholders of fish, fisheries, sea food and food products for the resumption of fisheries export to the European markets. This is South Asia's first Dioxin Testing Laboratory established in PCSIR, Karachi. Another major achievement is the establishment of TBIC & Halal authentication Centre at PCSIR Labs Complex at Lahore. The renovation/new construction of labs and other ancillary facilities is being undertaken in regional PCSIR Laboratories. Establishment of three workshop facilities at Lahore, Karachi & Peshawar are underway. To transfer the benefits of the research to local industry/general public PCSIR is presently promoting lab level development to Pilot Scale level. In this regard, pilot plants in the area of Pharmaceutical, Chemical, Food, Herbal, Minerals, and Food, etc. are being established. The Karachi lab has made a major breakthrough in development of disease free/high yield sugarcane seed through tissue culture technology. An Animal house is being developed for growth of lab animals.

Pakistan Council of Research in Water Resources (PCRWR): PCRWR undertook five (05) Research and Development (R&D) projects during the year 2013-14 in the areas of water quality, water management, and rainwater harvesting and desertification control. Construction of building for establishment of "National Capacity Building Institute for Water Quality Management" is in progress (35%) with financial and technical assistance of Korea International Cooperation Agency (KOICA). It would mark a milestone achievement in efforts to improve water quality in the country. PCRWR has completed construction of three (03) water quality laboratory buildings at Sialkot, Sahiwal and Mianwali while 4 are in progress at Muzafferabad (95%), Gilgit (82%), Badin (78%) and Faisalabad (60%). It has also conducted technical assessment survey of 33 water supply schemes in Sahiwal, district of Punjab province making the cumulative achievement up to 10,161 schemes in total. PCRWR has imparted training to 87 professionals at the level of middle managers and technicians of Water Supply Agencies of Punjab, KPK and AJK at Islamabad making the total figure up to 2,747 persons. PCRWR conducted water quality monitoring of 19 cities (Islamabad, Rawalpindi, Lahore, Gujrat, Kasur, Gujranwala, Sialkot, Sargodha, Sheikhupura, Faisalabad, Bahawalpur, Karachi, Hyderabad, Abbottabad, Mardan, Mangora, Loralai, Quetta and Ziarat).

PCRWR installed 16 water filtration plants in rural areas of Islamabad, Rahim-Yar Khan, Multan, Norowal, Faisalabad, Mianwali, Vehari, Mitiari, Khairpur Badin, Umerkot, Nasirabad, Jacobabad, Mansehra, Tank, and Muzaffarabad districts. Installation of eight (08) plants at Abbottabad, Mardan, Khairpur, Quetta, Zhob, Pishin, Lucki Marwat and Gilgit is in progress. Construction of one leaky dam and watershed management activities at two sites (Warzumba and Kanmitarzai) in Balochistan province have also been completed during 2013-14. PCRWR also conducted a research study on "Productivity Enhancement by Exploiting Surface Water Resources with Lift Irrigation System" in southern region of KPK. It has completed 70% and 74% of groundwater modeling of Bari Doab and Chaj Doab respectively and UNESCO funded study "Characterization of the Hydrology of Upper Indus and Kabul Rivers Watersheds".

Pakistan Science Foundation (PSF): A total of thirty-two (32) research/ applied nature projects were approved in various science disciplines at different universities / R&D organizations throughout the country for socio-economic development. Twenty one (21) scientists/technologists availed the travel grants for presenting their research papers in International Science Conferences, Seminars, Workshops and Trainings abroad. Six Scientific Societies namely Pakistan Chemical Society, Thalassaemia Welfare Society, Pakistan Society of Nematologists, Pakistan Vacuum Society and Pakistan Phytopathological Society were provided partial financial assistance for undertaking their programmes for promotion of Science & Technology in the country. The Science Caravan Units arranged Science Exhibitions at 553 schools of the country which were attended by 109,188 students and general public. The 23rd Intra Board Essay and Poster Competitions were organized on the titles "Water and Me" and "Living with Solar energy" respectively and prizes were awarded to the winners of the competitions. Four students were sponsored for participation in London International Youth Science Forum (LIYSF-2013). Financial grants were provided to seven (07) schools/institutes for lab equipment/computers across the country. Eleven (11) Science Clubs were established in schools of Khyber Agency and financial aid was provided for undertaking various scientific activities. World Science Day for Peace and Development was celebrated on November 21, 2013 in collaboration with UNESCO and a number of functions were held in collaboration with local organizations like Intel Pakistan, FDE, etc. An MoU with the Scientific and Technological Research Council of Turkey (TUBTEK) was signed for collaborative research activities.

Pakistan Council for Science & Technology (PCST): PCST is conducting National Innovation Survey with a focus on enhancing national productivity and national competitive performance. PCST proposes the establishment of Science and Technology Policy Research Institute (STPRI), establishment of Innovation Centers at Industrial Clusters in Pakistan, establishment of National Analytical Facility, etc. PCST through Pakistan Technology Board is working to identify and select key technologies of strategic importance for industrial growth and to achieve competitive advantage in international markets. The Technology Foresight Exercise for the facilitation of the strategist and policy planner is underway. During 2013-14, the project team carried out Foresight Studies on Biotechnology, Water, Nanotechnology and Electronics sectors. The reports on Biotechnology and Water sectors are at the finalization stage and will be completed in April, 2014. Further, the expert panels in Nanotechnology and Electronic sectors have been constituted to carry out Technology Foresight in these sectors. Two panel meetings of Nanotechnology and Electronic sectors have been convened. The remaining work in finalizing the reports will be completed till May, 2014.

Council for Works and Housing Research (CWHR): CWHR developed light weight aggregate by using available raw materials along coastal areas of Balochistan. Machineries and equipments have been fabricated for a pilot plant that will have a production capacity of 10 tons per day. CWHR provided Non-Destructive Testing Facilities to a number of construction projects for assessing their structural adequacy of on-going as well as completed projects for different clients viz. Artistic Milliners, Unit No. 4, Korangi Industrial Area, Karachi, State Life Building No. 1-C, I.I. Chundrigar Road, Karachi, Shell Office Block, at Benazir International Airport, Islamabad, Rani

Pur Bridge at Sukkur, Pakistan Naval Housing Welfare Services (PNWHS) at Gharo and etc. on commercial basis. Technical lecture on "Non-Destructive Testing Methods for Quality Assurance and Quality Control of Concrete Construction as well as NDT Techniques for Rehabilitation of Concrete Structures" was presented at the 3rd National Workshop on Construction Materials at NED University of Engineering & Technology, Karachi held on March 10, 2013.

Quality testing services provided to the construction industry i.e. testing of steel, aggregates, pavers and concrete. CWHR also rendered services to different public and private organizations including Pakistan Atomic Energy Commission (PAEC) on commercial basis and provided Non-Destructive Testing facilities to a number of construction projects for assessing their structure adequacies of on-going as well as completed projects e.g. Benazir International Airport (Islamabad), English Biscuit Factory (Karachi) and Rani Pur Bridge at Sukkur, Civil engineering students from NED University of Engineering & Technology and Mehran University of Engineering & Technology, obtained internship trainings from CWHR, as a part of collaboration with academia for Human Resource Development (HRD). A comprehensive report on "Sustainable Measures for Mitigating Damages to Buildings, Houses, and other Civil Works Structures caused by Floods/Rains in District Jaffarabad, Balochistan" was prepared. The purpose of the report is to provide guidelines for new constructions and rehabilitations of flood affected construction areas. Moreover, Ferrocement manhole covers, developed by CWHR were provided to different development agencies including WASA, Faisalabad Development Authority.

Pakistan Council for Renewable Energy Technologies (PCRET): PCRET has installed more than 500 biogas plants of $5m^3$ capacity per day in four provinces along with more than 200 micro hydel power plants in KPK and earthquake affected areas of the country while electrifying more than 5,000 houses. On R&D front, PCRET indigenously produced third generation solar cells in its labs using organic materials. PCRET developed indigenous capacity for producing solar photovoltaic (PV) panels up to 10 MW per annum and for this purpose, new semi-automatic equipment imported, installed and commissioned in PCRET labs. The quality of the produced panels is A-grade as per international standards having life time of more than thirty years.

PCRET also erected a commercial scale biogas plant with 150 cubic meter capacity per day. The plant will use animal waste, kitchen waste and agro-waste at a time to produce biogas and bio-fertilizer. A Grid-Tied solar system was designed for the electrification of Parliament Building, Islamabad. The capacity of this solar PV system is of 2 MW and will be executed through Chinese financial and technical assistance. Solar powered tube wells designed and installed will have a suction capacity ranging from 50ft to more than 200 ft with various discharge capacities. PCRET also signed MOU's with some private stake-holders for commercialization of PCRET designed renewable energy products.

National Institute of Electronics (NIE): NIE has established a Pilot Production Line to manufacture SMT LED panels and electronics boards. The Production Line will be used to manufacture LED lights for buildings/streets/offices/ homes etc. and may play a

pivotal role in reducing consumption in overall usage of electricity in the country. National Electronic Complex of Pakistan (NECOP) is jointly being executed by NIE and NESCOM. Specialized training imparted to trainers in PCB design and fabrication, PLCs, HMI, SCADA, FPGA, IC Design, EMC equipment and other specialized disciplines. Complete & customized solutions for small, medium scale industries are being provided. A centre for quality testing of electronics products has been established. NIE got accredited its testing lab by PNAC to IEC/ISO 17025 Standard.

National Institute of Oceanography (NIO): NIO prepared a detailed survey plan of the Indus Delta and Creek System under the Collaboration Programme between NIO and FAO/ MFD. Based on the Geo-Technical and Bathymetric surveys carried out by NIO, a technical report "Marine Geo-Technical Survey of Pasni Fish Harbor" was submitted to Government of Balochistan. NIO is carrying out detailed oceanographic studies of KANUPP's proposed intake and outfall channels off the Paradise Point area which includes hydraulic and hydrodynamic studies, numerical modeling, baseline biological oceanography and marine environmental studies. Joint workshop was organized at NIO, to discuss matters of bilateral research interests between NIO, Ministry of Science & Technology, Pakistan and Second Institute of Oceanography, State Oceanic Administration, China.

Pakistan Standards Quality Control Authority (PSQCA): PSQCA obtained membership of ISO, established cooperation with Saudi Arabian Standards Organizations (SASO), established national coordination committee on trade barriers, developed technical groups for the benefits of industries, formulated and revised 229 Pakistan Standards, and finally adopted 211 international Standards.

Pakistan National Accreditation Council (PNAC): PNAC has granted accreditation to a total of 58 Calibration and Testing labs as per the requirements of ISO/IEC 17025. A total of eight (08) Medical labs as per requirements of ISO 15189 have also been granted accreditation. PNAC conducted pre-assessment, surveillance assessment and re-assessment of 60 Conformity Assessment Bodies (CABs) including laboratories, certification bodies and inspection bodies. Furthermore, Halal Accreditation Scheme is being launched for accreditation of Halal Certification Bodies.

Center for Advance Molecular Biology (CAMB): CAMB developed procedure and established laboratory for PCR based diagnosis of dengue virus and is being offered to general public. On the request of Jockey Club of Pakistan to promote Pakistani breed of horses for export purpose a procedure developed for DNA typing for animal parentage verification. CAMB also provided services to general public/ private hospitals for DNA sequencing and genotyping analysis for more than 38,309 samples and 11,735 nucleotides were synthesized. Furthermore, CAMB provided Forensic analysis services helping to solve 649 criminal cases. Diagnostic services for most prevalent disease like hepatitis B & C and tuberculosis were provided to 9,382 patients throughout Pakistan. CAMB regularly provided training to a large number of Judiciary, Law enforcement Agencies, Medico-Legal Doctors and Investigating Agencies on the use of DNA Forensic Science in addition to guiding & supervising M.Phil and PhD scholars in R&D in the field of Molecular Biology.

National University of Science & Technology (NUST) with 7 campuses and 21 schools/institutes and with 958 faculty members is providing academic and research facilities to more than 12,720 under graduate and graduate students. NUST is ranked at 108th in Asia and 417th among world ranking of universities in 2013 by QS World Rankings. NUST established Technology Incubation Center and has emerged as a center of excellence for advanced scientific and technological education and research. To provide state-of-the-art educational environment, sports complex and Academic/Training Block have been constructed and are functional now. A nanotechnology based Point of Use (PoU) filter, for removing arsenic from water, has been developed whose patent is under process. Efficient antibacterial and antiviral photoactive nanomaterials have been synthesized, characterized and immobilized and tests for their use as filters have been completed.

COMSATS Institute of Information Technology (CIIT) with seven campuses, provided graduate and post graduate level education to more than 20,000 students in IT, engineering and emerging science and technology fields. Nanotechnology initiative Class 1000 Clean Room is the new initiative of CIIT, which will enable researchers to harness nanotechnology to create new, inexpensive materials, devices and systems with unique properties. Thirty One (31) faculty members of CIIT are currently studying at University of Illinois at Urbana Champaign, USA (UIUC). The scholars belong to a variety of disciplines having direct relationship to the national needs such as Electrical Engineering, Computer Science, Physics, Meteorology, Biosciences, Mathematics and Management Sciences. The Chemical engineering and Biomedical lab is being upgraded for research & academic activities. CIIT campus at Vehari established with the goal to provide quality education to developing areas.

6.2 Prospects for 2014-15

6.2.1 Financial

An amount of Rs. 903.853 million has been allocated in PSDP 2014-15 for the projects of Ministry of Science & Technology.

6.2.2 Physical

Programs of Ministry of Science & Technology and its organizations to be taken up during 2014-15 are as under:

Pakistan Council for Scientific & Industrial Research (PCSIR): Pakistan Council for Scientific & Industrial Research (PCSIR) is premier S&T organization with its multi-disciplinary Laboratories Complexes at all Provincial Capitals in addition to four mono-disciplinary units at Karachi, Islamabad and Skardu. It is proposed to allocate Rs. 845.706 Million for PCSIR projects in PSDP 2014-15 against 07 projects. PCSIR is aiming to enhance development of indigenous technologies & processes and skilled manpower to help local industrial sector to increase its productivity. The main initiatives include: Establishment of Nanotechnology Laboratories at PCSIR Karachi, Lahore & Peshawar; Extension/ Up-Gradation of Biotechnology Laboratories at PCSIR

Karachi, Lahore & Peshawar; Establishment of Science & Technology Parks with the technical assistance of Iranian institutes; Accreditation of more PCSIR Labs for export / import certification; Rationalization of PCSIR manpower and R&D programme; Enhancement of advertisement and marketing activities by hiring of private advertising / marketing agency and commercialization & awareness through electronic media; Construction of display centres for PCSIR products at PCSIR Head Office and other places to boost up the commercialization of PCSIR products/ technologies and processes that will assist towards self-reliance; Establishment of export oriented R & D institutions for mango, textile and dates; and setting up of Technological Business Incubator (TBI) Centers at PCSIR Labs Complex, Lahore & Peshawar.

Pakistan Council of Research in Water Resources (PCRWR): PCRWR will execute six (06) R&D projects for which an amount of Rs. 304.836 million in PSDP 2014-15 has been proposed. The main initiatives of PCRWR include: Construction of 03 water quality laboratories at Faisalabad, Gilgit and Muzaffarabad; Installation of 19 water filtration plants at premises of water quality laboratories for demonstration purposes; Capacity building of 500 professionals of water supply agencies through organizing training courses for technicians, middle managers and senior managers at Karachi and Islamabad; Survey/monitoring of 500 water supply schemes of four provinces as well as of AJK and Gilgit-Baltistan; Dissemination of results/outcomes of Assessment Survey of Water Supply Schemes; Completion of construction of building for establishment of "National Capacity Building Institute for Water Quality Management" at Islamabad in financial and technical assistance with Korea International Cooperation Agency (KOICA); Acquisition and installation of equipment at National Capacity Building Institute for Water Quality Management, Islamabad; Conduct survey of existing water resources in the highly depleted Pishin-Lora Basin of Balochistan; Construction of 2 leaky dams, 3 inverted wells and 10 check structures for rainwater harvesting and artificial groundwater recharge in Pishin-Lora Basin of Balochistan; Conduct electrical resistivity survey of 1,700 sites in D.I. Khan, Bahawalpur, Bahawalnagar, Ghotki, Rajanpur, Kashmore, Jacobabad, Jaffarabad, Shikarpur, Sukkur, and Larkana districts located in Lower Indus Plain; Exploration/drilling of 100 shallow depth (300 ft), intermediate depth (500 ft) and deep (1,000 ft) test wells to demarcate and map fresh groundwater quality zone in Lower Indus Plain; Conduct aquifer studies using radio isotopes and computer modeling of D.I. Khan, Bahawalpur, Bahawalnagar, Ghotki, Rajanpur, Kashmore, Jacobabad, Jaffarabad, Shikarpur, Sukkur, and Larkana districts of Lower Indus Plain; Conduct assessment survey for determination of technical, financial and social feasibility for installation of water filtration plants at tehsil levels; Installation of 15 water filtration plants consisting solar energy system for onsite power arrangements at Tehsil level with joint venture of Local Governments and Communities in the most problematic areas of the country for provision of safe drinking water; Construction of soil and water testing laboratory at R&D Farm, Sial Mor, Sargodha; Conducting quarterly monitoring of bottled and mineral water brands being sold throughout the country; Revenue generation from advisory/consultancy services and products developed by PCRWR; and Conduct following nine (09) research studies relating to water conservation, water quality, desertification control and rainwater harvesting.

Pakistan Science Foundation (PSF): PSF will continue to support the various R&D organizations, Universities through research funding and other Research Support Programme/Science Popularization activities. Enhanced interaction with Chambers of Commerce & Industry/Academia will continue for developing R&D industrial projects. Promotion of more R&D in agriculture and livestock to enhance the agricultural productivity in line with changing patterns of agro-eco systems will continue. An International Travelling Expo on "Water" prepared by CCSTI, Orleans-France will be displayed in April-May 2014 in different educational institutions of the country. PSF intends to establish five Science Centres at Khairpur, Tandojam, D. I. Khan, Mansehra and Bahawalpur. MoUs on scientific cooperation with counterpart organizations in Sri Lanka and Iran will be signed.

Pakistan Council for Science & Technology (PCST): PCST would be undertaking necessary steps to implement the National Science, Technology and Innovation (ST&I) Policy. Findings of Technology Foresight Studies undertaken would be published in the form of reports. PCST plans to establish an automated online data submission and evaluation system to maintain transparency, accuracy and timely publishing of Productive Scientists of Pakistan (PSP) will be established. For the first time in the history of Pakistan, a data base of Productive Scientists of Pakistan will be developed. To promote quality research in the country, PCST awards Research Productivity Award (RPA) to the scientists based upon their evaluation of research publications in international journals, Impact Factor of the Journals and Citation Index of the papers. PCST will develop & launch automated online data submission and evaluation system to enhance transparency of overall selection process of the candidate scientists for RPA.

Council for Works and Housing Research (CWHR): CWHR is being strengthened by upgrading its infrastructure, improving manpower strength, etc. so that demand oriented R&D should be undertaken to reduce imports of construction materials in the country. CWHR intends to establish pilot plant for the production of activated clay from locally available bentonite. In this regard survey shall be conducted at the different location of Punjab, Balochistan and Sindh for collection of samples and processing. Experimental bricks are being developed by CWHR and are being delivered to the District Government of Tharparkar.

CWHR plans to make semi automatic kiln plant functional and establish facilities for quality assurance testing of concrete pipes and deep foundations, application of magnetic technology for economic and durable construction by improving concrete properties, up-gradation of testing laboratories for enhancing commercial capabilities of CWHR, establishment of geo-technique and road research laboratory in CWHR, establishment of six regional centers at provisional headquarters, northern area and AJK and establishment of consultancy services division at CWHR.

Pakistan Council for Renewable Energy Technologies (PCRET): During 2014-15 PCRET's focus would be on provision of energy through renewable technologies especially using solar energy. Some of the initiatives would be: installation of 1000 solar tube wells throughout Pakistan especially in less developed areas; installation of

biogas plants, a substitute of nature gas, other energy sources and chemical fertilizer; green public buildings project, Islamabad; solar solution for homes and offices for meeting energy demands; and development & dissemination of micro & mini hydro-power plants in public-private partnership. Under research and development programme PCRET will continue its lab research activities pertaining to: Development & Fabrication of third generation solar cells using organic material; Up-gradation of labs for testing and quality assurance of renewable energy products and appliances; and Establishment of solar – wind hybrid demonstration system through technical co-operation of China. PCRET R&D focus would be on designing and development of: Solar Dryers of different capacities for drying of fruits and vegetables; Micro and Mini hydel systems for power generation at canal fall; and commercial scale biogas plants for water pumping and irrigation purposes and also for fertilizer production. Under Private – Public Partnership Programme, PCRET will strive for: Mass-scale production of solar photovoltaic (PV) panels upto capacity of more than Twenty (02) Megawatts; Commercial Scale Production of Solar Lantern through Collaboration of Telephone Industries of Pakistan (TIP); and transfer of technology to private sector for manufacturing of Micro-hydel power plants.

National Institute of Electronics (NIE): During 2014-15, NIE will undertake and complete the Automotive & Consumer Electronics Labs to enhance in-organization capacity. NIE will also setup small scale production facilities for the prototypes developed by NIE. There are projects in the field of power electronics, automation and control engineering, communication engineering, integrated circuits designs. Expertise is being developed on design and layout of digital, analog and mixed signal ICs. Contract with IC fabrication facilities abroad will be established. NIE is also planning to get an accreditation for the testing lab from national/international bodies. Complete & customized solutions for small, medium scale organizations will be provided. In addition to R&D NIE is also providing trainings in the fields of electronics, IT computer, PLCs, HMI, SCADA, FPGA, IC Nanometer design, PCBs, EMC equipment, Oracle 10g & 11g.

National Institute of Oceanography (NIO): NIO is conducting oceanographic survey/studies in collaboration with Marine Fisheries Department, Government of Pakistan in the Arabian Sea for Fisheries Resource Appraisal Survey in Pakistan EEZ. NIO has proposed to initiate a National Gas hydrates programme at Makran. NIO also recommends carrying out Marine research work on Natural hazards and preparing relevant laws for dealing with the sea matters. NIO has already initiated a project for exploration and evaluation of heavy minerals potential of coastal belt of Pakistan. NIO also intends to acquire an Oceanographic vessel to enhance their research activities and capacity to offer consultancy services in the above mentioned fields.

Pakistan Standards and Quality Control Authority (PSQCA): Several projects of the Authority under Public Sector Development Programme (PSDP) are in progress, and the completion of these will definitely augment its capacity in promotion of quality culture and marketing of products compliant with the standards that will definitely contribute towards public health and safety in the long run. Focused efforts are being undertaken to strengthen its enforcement mechanism. PSQCA is launching country

wide expansion program by establishing 11 quality control centers at different industrial estates. Pakistan Standards and Quality Control Authority, MoST has developed draft of Pakistan Standards Strategy and Action Plan in order to respond to recent developments in standardization both internationally and domestically. The draft policy is being finalized for its approval and subsequent implementation.

Pakistan National Accreditation Council (PNAC): The Council plans to launch accreditation services for personnel certifiers, products certifications bodies, PT providers, food management system, Halal certification and hospital accreditation. PNAC intends to establish a Centre for Accreditation and Standard Training (CAST). This Centre will create awareness among the industry, industrial policy makers, academia, service providers, exporters, consumers, etc. about the benefit of adopting quality improvements practices by arranging seminars in-house as well as at the premises of different stakeholders in major cities of the country. Workshops and training courses shall be conducted in the field of metrology, standard, testing and quality (MSTQ), accreditation compliance issues for gaining market access.

Pakistan Engineering Council (PEC): PEC is a statutory body to regulate the engineering education and engineering profession in the country working actively in strategic areas including: Ensuring quality of engineering education in line with international standards and recognition; Enhancing professional competence and capacity building of engineering professionals to meet international standards of practice and competitiveness; For effective utilization of funds, quality and transparency in the public sector spending, the use of standards bidding / contacts documents and web-based construction cost data would be enhanced through regulatory reforms and capacity building; and Developing policies and reforms in almost all the sectors of research and development for assisting the government / nation in the strategic decisions / plans. PEC in addition to above activities is developing bidding and contracts documents for procurement of engineering goods and services in transparent, efficient and timeliness manner. Installation of on-grid solar system is another initiative of PEC to attract public sector in solar energy technologies.

Centre for Applied Molecular Biology (CAMB): CAMB will further develop the methods to perform the R&D on transformation of plant expression vector containing siRNA in two sugarcane varieties i.e. HSF-240 and HSF-242 and plant Bioassay & Molecular detection of transgenic plants. In DNA typing of selected genetically superior cattle & buffalo, PCR will be done for amplification of target genomic DNA regions of the milk proteins. Data analysis will be done to identify sequence changes in functional region of major milk protein genes.

National University of Sciences & Technology (NUST): NUST has recently established Super Computing Labs for Modeling and Simulation in the fields of Computational Fluid Dynamic, Image Processing and Computational Biology and Research Institute for Micro-wave and Millimeter-wave Studies. Under the university-industry linkages programmes, NUST is working closely with local industry for quality improvement and production enhancement.

COMSATS Institute of Information Technology (CIIT): CIIT has already signed almost four dozen Memoranda of Understandings (MoUs) with reputed institutions throughout the globe. The hallmark of these linkages has been the signing of a Memorandum of Agreement (MoA) with two Universities, one in USA and another in UK offering dual degree programme. Similar arrangement is also under active negotiation with some more universities. The CIIT, on a timeline, has plans for setting up technology incubation centres, business simulation centres, executive development centres, offering quality assurance & standardization services, training & consultancy and eventually, setting up a 'Science Park' in certain selected campuses including Islamabad, Lahore and Wah; a milestone aimed to be achieved during 2010-15 time horizon.

6.3 The Policy Focus of Ministry of Science & Technology During 2014-15

During 2014-15, Ministry of Science & Technology has policy focus on improved communication, coordination and collaboration among S&T, ICT and other sectors of socio-economic development with the aim to ensure that Pakistan acquires world-class expertise within 5-years in at least following emerging technologies:

- **Nanotechnology, Biotechnology and Fuel Cell Technology**

  During 2014-15, coordinated efforts of MoST organizations/ institutes i.e. PCSIR, CIIT, NUST and CAMB would specifically focus on the emerging technologies and trends in Nanotechnology and Biotechnology. Proposed plans with an estimated cost of approximately Rs. 4.200 billion have been collaboratively prepared by above bodies of MoST and are under review by Ministry of Planning, Development and Reform.

- **Renewable Energy Technologies**

  To overcome energy crisis in the country and minimize the energy divide between the developed and less developed rural parts of the country, high-tech, low cost and sustainable energy solutions with renewable resources would be another thrust area of MoST during 2014-15. A total of 4 mega projects with an estimated outlay of approx. Rs. 10.00 billion are in pipeline in this regard that will be initiated during 2014-15 with durations of 2-5 years.

- **Human Resource Development (HRD)**

  World class expertise cannot be achieved without HRD. MoST plans to introduce multidisciplinary PhD and other HRD focused initiatives during 2014-15 with approx. estimated budget of Rs. 20 bn. The highly trained manpower in S&T organizations will essentially multiply the RoI (Return on Investment) ratio.

- **Development of Innovative Incubation Centers & Technology Cluster Centers**

  In addition to the above, the MoST in collaboration with the Provincial Government has planned to launch Innovation Incubator Centers as well as Technology Cluster centers. The said activity will generate employment opportunities as well as SME's and Technology companies. Feasibility is being undertaken for establishment of Technology Park in Islamabad.

Chapter 7 Employment and Skill Development

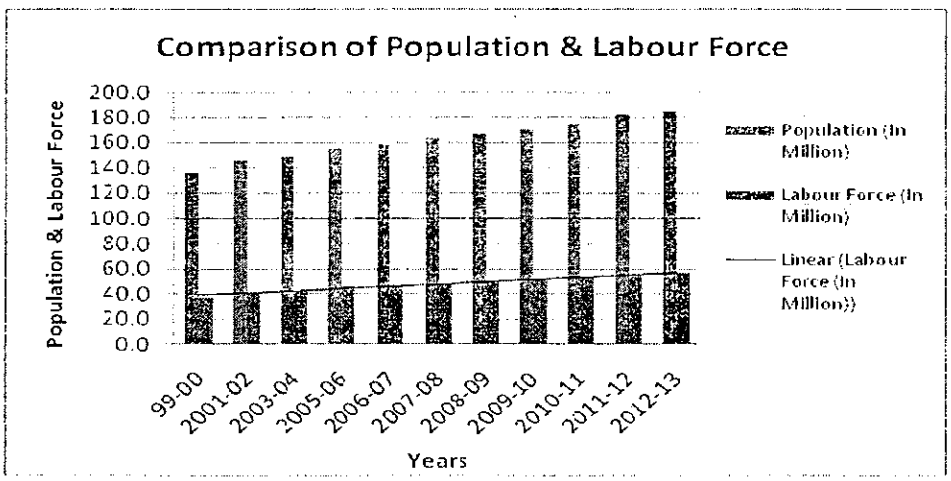
7.1 Employment

The creation of job opportunities signifies the strength and steadiness of overall economic performance. For this reason, a sound understanding of the critical relationship between employment and economic growth help to formulate a well-connected policy among all sectors with a common objective. A country's capacity to generate employment depends upon its available resources, technological base/advancement and institutional strategies. Similarly, human resource, skills, and technical competency determine the type of employment, which contributes to achieving sustained economic growth. Therefore, sustained economic growth, in which poor women and men participate directly, as both agents and beneficiaries, play a vital role in employment generation and poverty reduction.

7.1.1 Population and Labour Force Participation Rate

Pakistan has the 9th largest labour force in the world. According to the Labour Force Survey 2012-13, the total labour force in the country was 59.74 million. Out of this labour force, 3.73 million people are unemployed and 56.01 million people are employed as shown in Figure 7.1 and Table 7.1. However, the unemployment rate increased from 6 percent in 2010-11 to 6.2 percent in 2012-13.

Figure 7.1: Comparison of Population & Labour Force



Source: Labor Force Survey 2012-13, Economic Survey 2012-13, Pakistan Employment Trends 2013

By definition the labour force participation rate is the proportion of the population ages 15-years and older that is economically active: all people who supply labor for the production of goods and services during a specified period. Employment comprises all

persons 15 years of age and above who worked at least one hour during the reference period and were either "paid employed" or "self employed".[1]

Figure 7.1 depicts a rising trend in the labour force participation along with the increase in total population from 1999 to 2011-12. Pakistan being the sixth most populous country in the world with the population growth rate of 2.0% per year is adding a large number of people to the labour force pool. However, population especially working age population can become an asset for the country and can help the country to prosper at a greater rate. In line with a growing labour force participation rate (from 50.7 percent in 2003-04 to 53.1 percent in 2012-13), the employment to population ratio has steadily increased over the last ten years (from 47.0 percent in 2003-04 to 49.9 percent in 2012-13), reflecting the Government's efforts to create more employment opportunities for all during the period.

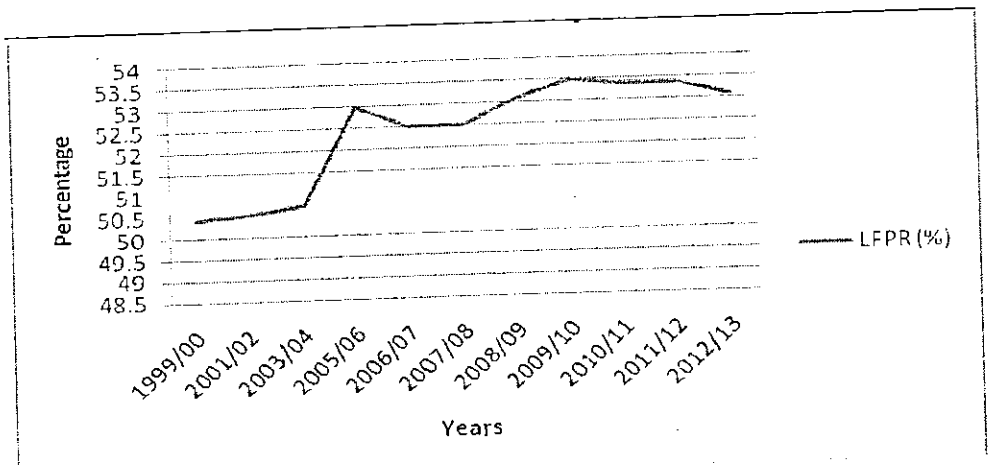
Table 7.1: Population and Labour Force Participation

(Million)

Years	2003/04	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Population	148.7	155.4	158.2	163.7	167.2	170.3	174.4	181.7	184.3
Labour Force	42.8	47.0	47.5	48.8	50.9	52.2	54.5	57.1	59.7
LFPR (%)	50.7	53.0	52.5	52.5	53.1	53.5	53.4	53.4	53.1
EPR (%)	47.0	49.7	49.8	49.9	50.3	50.7	50.4	50.4	49.9

Source: Labor Force Survey 2012-13, Economic Survey 2012-13, Pakistan Employment Trends 2013

Figure 7.2: Labour Force Participation Rate



Source: Labor Force Survey 2012-13 (based on refined activity)

[1] Pakistan Bureau of Statistics

7.1.2 Current Employment Scenario

During 2012-13 the population of Pakistan is estimated at 182.5 million and its growth rate is 2.02%. As mentioned above, out of total population 59.74 million in the labor force. The crude activity of labor force participation rate shows slightly increasing trend from 32.8% in 2010-11 to 32.9% in 2012-13. The total male and female participation rates have remained constant at 49.3% and 15.6% respectively during one year period from 2011-12 to 2012-13. The rural participation rate for the same period has decreased slightly from 34.3% to 34.2% whereas the participation rate for urban areas has increased a little from 30.0% to 30.2%.

Table 7.2: Labor Force Participation Rates (%)

(Crude Activity)

Area	Year 2010-11			Year 2012-13		
	Total	Male	Female	Total	Male	Female
Pakistan	32.8	49.3	15.6	32.9	49.3	15.6
Rural	34.3	48.6	19.4	34.2	48.5	19.3
Urban	30.0	50.6	8.1	30.2	50.7	8.2

Source: LFS-2012-13 (Annual Report) Pakistan Bureau of Statistics

As far as the employment status is concerned it is noticed that the employees has the largest proportion for the year 2012-13 which is 38.8% compared to 36% for the year 2010-11. The second largest proportion is for own account workers and its proportion is 34.9% and 33.6% for the year 2010-11 and 2012-13 respectively. The sex disaggregated of labour force participation rate indicates that male proportion is more pronounced as compared to the female proportion and during 2012-13 the male proportion was 38.9% whereas female proportion was 15.0%.

Table 7.3: Employment Status-Distribution of Employed by Sex (%)

Employment Status	Year 2010-11			Year 2012-13		
	Total	Male	Female	Total	Male	Female
Employers	1.4	1.8	0.1	1.3	1.6	0.1
Own account workers	34.9	40.5	15.6	33.6	38.9	15.0
Contributing family workers	27.7	17.3	63.4	26.3	16.5	60.5
Employees	36.0	40.4	20.9	38.8	43.0	24.4

Source: LFS-2012-13 (Annual Report) Pakistan Bureau of Statistics

The employment percentage of contributing family workers has declined to 26.3% over the year 2012-13. The proportion of females in this category is much higher as compared to the male proportion. The proportion of females is 60.5% in 2012-13 and the proportion of males is just 16.5%.

7.1.3 Unemployment

Unemployment is one of the biggest problems in Pakistan. The leading cause of high rate of unemployment in Pakistan is the increase in population. Other causes include bad law and order situation due to which foreign direct investment is sliding down, investors are losing confidence are reluctant to invest in new business. As a result, new jobs are not being created in private sector while the number of jobs seekers is increasing continuously. All these factors are additive to low literacy rate, poor governance, feudalism and faulty education system. In spite of prudent policies of the Government to appropriately develop human resources and their effective utilization, the unemployment rate still remained high at 6% in 2011-12 and 6.2% in 2012-13.

In addition, unemployment of young people in Pakistan remains a prominent concern despite some recent progress. The youth unemployment rate has fluctuated from 11.7 % in 2003-04 to 7.7 % in 2007-08 and again increased to the level of 10.3 percent in 2010-11. The unemployment rate for young women was 4.0 percentage points higher than for young men. Youth in Pakistan face various disadvantages including limited job search expertise, a mismatch between education, aspirations and employers' requirements and a lack of mobility, among other factors.

7.1.4 Unemployment Rate by Education Level

According to the report on Pakistan Employment Trends, 2013, the labour force with primary education level shows a decreasing trend in unemployment rate from 7% in 1999/00 to 5.2% in 2012-13. Similarly, a decline has been witnessed in unemployment rate with the education level of middle class and grade 10. However, the unemployment rate among degree holders has increased from 6.7% in 1999-00 to 10.6% in 2012-13 which is due to higher number of degree holders produced by the universities. Similarly, male graduates and post-graduates exhibited higher levels of unemployment compared to lower educated people during the last decade.

7.1.5 Employment Generation

The employment generation strategy relies upon either

- Employment expansion strategy or
- Employment activation strategy

The employment expansion strategy focuses on sustainable growth and development through increasing productivity, supporting innovative entrepreneurship, private sector development, increasing energy generation to meet demand, youth entrepreneurship, gender equality, connectivity, developing the cities as engine of growth, promoting small scale industries, and improving youth and community. On the other hand, employment activation strategy emphasizes to improve labour skills endowment in general, paying particular attention to identifying specific skill gaps and taking effective steps to fill them. The National Vocational Technological Training Commission (NAVTTC) can help to improve standards of technical education of the country and skill development council can help to meet the diversified training needs of

After the devolution of the Livestock & Dairy Development and subsequently its functions being transferred to other Federal Ministries like M/o Commerce and Ports & Shipping, the growth momentum in livestock sector during the last many years has badly suffered due to closure of majority of development projects. By creation of Ministry of National Food Security & Research (NFS&R), the livestock sector has been placed under the new ministry. The growth target for the sector has been fixed at 3.8 %. Physical performance of livestock, dairy, poultry and fisheries sub-sectors during 2013-14 and targets for 2014-15 are given in Table 8.5.

8.4.1 Livestock and Dairy

Overall livestock sector performance remained satisfactory during 2013-14. Meat production of 3,531 thousand tons was close to the target of 3,535 thousand tons for 2013-14. Production of mutton and poultry meat remained as per targets, except beef which showed negative trend and its production was at 1,887 thousands tones against the target of 1891 thousand tons. Production of milk during 2013-14 was 50, 989 thousand tons which was 27.6 % higher than the target of 41,242 thousand tons.

Pakistan is one of the largest milk producers in the world but faces huge post production losses and only 3 per cent of milk is processed. The lack of proper infrastructure like availability of cooling facilities at farm level or collection points as well as timely transportation of milk are the main causes, which needs to be addressed through development initiatives at provincial and as well as federal level.

8.4.2 Poultry

The Poultry sub sector is the largest meat production sector which is providing meat at cheaper rates as compared to beef and mutton and providing nutritional support to consumers. Poultry meat production remained as per target of 987 thousand tons. It is expected that this sector will keep its pace in the next year and will achieve the target of 1,097 thousand tons and will further ease the pressure on the demand for beef and mutton. Egg production, an important source of protein has achieved its target of 14,556 million nos. in 2013-14. The target of egg production has been fixed at 15,575 million for the year 2014-15.

8.4.3 Fisheries

Pakistan is one of the leading exporters of fish and its products. Private sector investment in fish processing plants is gradually increasing which will contribute to employment generation in this sector. European Union had imposed ban on import of seafood from Pakistan which has now been lifted. It is expected that export of seafood from Pakistan would increase which will generate more economic activities in the sector and consequently income and welfare of fish farming community will improve.

Fisheries sector grew at the rate of 0.98 %. Targeted fish production of 745 thousand tons was achieved during 2013-14. The share of inland and marine fisheries was 272 and 475 thousand tons respectively. The performance of the sector is satisfactory. The target for the 2014-15 has been fixed at 806 thousand tons with a share of 294 thousand tons for inland and 512 thousand tons for marine fish.

Table 8.5: Physical Performance and Targets of Livestock, Poultry and Fisheries

(000 Tonnes)

Items	2012-13 Actual	2013-14 Target	2013-14 Achieved	% change		2014-15 Targets
				2012-13 Actual	2013-14 Target	
Meat	3,379	3,532	3,531	4.5	0.0	3, 758
- Beef	1,829	1,891	1,887	3.2	-0.2	1,978
- Mutton	643	657	657	2.2	0.0	682
- Poultry	907	987	987	8.8	0.0	1,097
Milk	39,945	41,242	50,989	27.6	23.6	56,113
Egg (Mill Nos.)	13,813	14,556	14,556	5.4	0.0	15,575
Fish	729	745	745	2.2	0.0	806
- Inland	262	270	270	3.1	0.0	294
- Marine	467	475	475	1.7	0.0	512

Source: M/o National Food Security & Research and Marine Fisheries Department

8.5 Development Initiatives

During 2013-14, an allocation of Rs. 750 million was made to development projects of Ministry of National Food Security and Research. There were 13 projects included in the PSDP of 2013-14. All of the projects were ongoing. Against this allocation, Rs. 672.3 million have been utilized which is about 90% of the allocation during 2013-14. Rs. 194 million was allocated to development projects of Islamabad Capital Territory (ICT) relating to agriculture sector. Financial utilization during 2013-14 has been estimated at Rs. 135.6 million, showing 70% achievement. Rs.1071 million have been allocated during 2014-15 to development projects of federal Agency. Around 72 % of the allocation is for on-going projects and rest of 28 % have been earmarked for new projects.

New Initiatives:

Some new projects have been approved which would hopefully contribute to the development of agriculture sector effectively;

- Application of Satellite Remote Sensing and GIS Technology for Crop Forecasting and Estimation
- Establishment of Americas Channel Cat Fish (Ictalurus Punctatus) Hatchery at NARC
- Bovine Spongiform Encephalopathy (BSE-Mad Cow Disease) Surveillance and Capacity Leading to OIE Negligible Risk Country Status for Pakistan
- Kitchen gardening: A way to safe and nutritious Vegetables

- Capacity Building of Agriculture Extension Services in Khyber Pakhtunkhwa (PARC)
- Promotion of Olive Cultivation on Commercial Scale in Pakistan
- Rehabilitation and Strengthening of Summer Agricultural Research Station of PARC
- Value Addition in Agriculture – Cluster Development Approach
- Establishment of Regional Offices & Testing laboratories of marine Fisheries Department at Gwadar (Balochistan)
- Establishment of Regional Offices & Testing Laboratories of Marine Fisheries Department at Peshawar (Khyber Pakhtunkhwa)
- Reactivation of hatchery Complex for Production of Fish and Shrimp Seed Karachi, Sindh
- Up-gradation and Accreditation of Quality Control Laboratories of Marine Fisheries Department for Environmental Contaminants Karachi (Sindh)
- Upgradation of Arid Zone Institute

Chapter 9 Industry and Commerce

9.1 Manufacturing

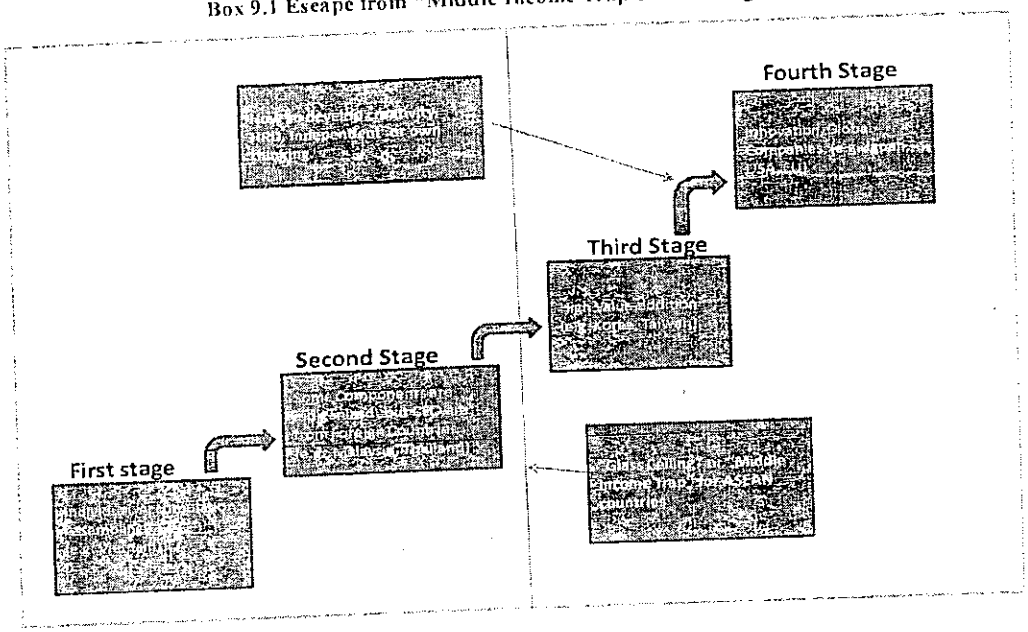
In the present era, Manufacturing Sector is considered to be one of the main sources of economic growth of any country. Before the Industrial Revolution, agriculture sector was the primary source of income and growth for any society. With the limitation on the mode of production from the asset of "land" and burgeoning human population, it was impossible for agriculture sector alone to sustain such a huge population. Apart from this, some other factors and exigencies also spurred the necessity of industrial revolution like new scientific discoveries, constant threats of war and need of enhanced productivity. Keeping this in view, the industrial sector helped countries to ascend on the ladder of development, prosperity, nearly-full employment and wealth. While those countries, which lagged behind in this race of industrialization, are still being stricken with poverty, unemployment, unrest and other social evils.

It is a sad fact that majority of under-developed and developing countries including Pakistan still have agriculture based economies. After its inception in 1947, when it had no industrial base, Pakistan has progressed steadily on the path of industrialization. However, it is still very far behind from the desirable point at which it would be considered as an industrialized country.

Development is a four-tier approach, i.e. assembling, indigenization of some components, value-addition and creativity. For illustration, please refer to Box 9.1 below. So far all our industrial policies have led / directed us towards first stage, i.e. assembling, or to some extent towards second stage, i.e. indigenization of some components, a stage at which the Malaysia and Thailand are since the last 30 years. Countries like these are trapped in the 'Middle Income' category which means that they are stagnating and not growing towards the advanced countries level. In a steadily growing economy, the per capita income would rise continuously over time towards higher income level. This is the experience of Republic of Korea. But many 'Middle Income' countries don't follow this pattern. Instead they have short period of growth, followed by periods of stagnation or even decline, or are stuck at low growth rates like Pakistan. They are caught in the 'Middle Income Trap'---unable to compete with low income, low wage economies in manufacturing exports and unable to compete with advanced economies in high skill innovations. Putting it another way such countries cannot make a timely transition from resource-driven growth, with low cost labor and capital, to productivity-driven growth. As far as third stage is concerned, at which Korea and Taiwan are at present, it is of high value-addition stage. But the ultimate stage of development is fourth stage at which USA, Japan, and Western European countries stand presently. This stage requires HRD, Innovation, Global Companies, independent thinking and risk taking. Countries like Korea and Taiwan remain at the third stage and are still unable to break the barrier of high value-addition and shift their economies toward the fourth stage although their per capita income is very high. For example, all kinds of innovations, research, HRD activities are performed in those

countries which are at fourth stage. Keeping this analysis in view, Pakistan's current position can be judged in a better way.

Box 9.1 Eseape from "Middle Income Trap & Dev. Stages"



When an economy starts streamlined growth, the share of agriculture dwindles whereas the share of manufacturing and services increases. It has been proved by the exemplary growth of East Asian economies in the past and is now replicated in BRIC (Brazil, Russia, India and China) economies. For example, manufacturing sector has 40% share in the South Korean economy, whereas agriculture contributes 2.7% to its GDP. Similarly China's GDP consists of: manufacturing (45%), agriculture (10%), and services (44%). However, in the case of Pakistan, manufacturing sector has 18.5%, agriculture 21.41%, whereas services sector has 57.69% share in GDP. Large Scale Manufacturing (LSM) has a share of 12.2 % in GDP, dominating the overall sector while Small & Medium Enterprises (SMEs) account for 4.9% of total GDP. Generally industrial growth is influenced by market forces, and market forces are oriented around profitability, predictability, consistency & continuity in policies etc. Therefore, Government can perform an important role in creating an enviable environment to foster private sector investment and growth.

Though Pakistan is producing a wide range of products but the Manufacturing Sector is dominated by traditional goods instead of market responsive goods; hence it is unable to capture both national and international markets to the desired extent. Following problems are being faced by the local Manufacturing Sector:

- Shortage of energy
- Low skills of workers
- Obsolete technology
- Increase in cost of raw material in the international market

- Increase in the cost of doing business due to oil prices, high unit cost of electricity & gas and transport
- Taxation and tariff system
- Poor law and order situation
- Low Foreign Direct Investment (FDI)
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The thrust areas of strategy for improving manufacturing sector of Pakistan are as under:

- Enhancing effectiveness and role of Competition Commission of Pakistan to end monopoly and cartels
- Elimination of administrative and regulatory hurdles and undue interferences is vital for markets to thrive and flourish
- Elimination of undue protectionism through tariff and non tariff measures
- Decreasing governmental support for industrialization and encouraging private sector to come up with full zeal and enthusiasm
- Strengthening the civil service structure through dynamism and capacity building
- Industrial diversification
- Promoting information technology environment in the country
- Reducing burden of taxes and reducing cost of doing business
- Up-grade workers skills and provision of quality infrastructure
- Securing energy needs
- Efficient transport system
- Enhancing supply of electricity and gas by harnessing the potential of alternative energy sources such as coal (Thar Coal Gasification), solar and wind energy and import of gas from Iran and Tajikistan
- SMEDA and NPO to support private sector through the development and expansion of SMEs, making foreign direct investment in manufacturing sector more attractive

9.1.1 Review of 2013-14

With the advent of new government after May, 2013 election, Pakistan's manufacturing sector has shown a modest growth as is evident from statistical figures. Despite the energy crisis and law & order related problems, the manufacturing sector has shown encouraging results. Main factor behind this growth is the predictability of present Government's policies which has rejuvenated our industrial sector. Over-all output of LSM increased by **6.05%** for July-January, 2013-14 compared to July- January,

9.1.3 Provincial Interventions

The provinces are actively involved in establishing industrial zones through their Small Industries Development Boards (SIDBs) and Corporations to promote Small and Medium Enterprises (SMEs) in order to generate employment and revenue through their own efforts. All provincial governments have established various industrial estates in different parts of their respective provinces to cater to the needs of investors. The provincial governments are also striving to help their artisans by providing training, equipment, and financing so that they may sell their products in better way and thus improve their socio-economic conditions. For example, ceramics and coloured tiles & pottery industry in Punjab and Sindh, wood work & engraving in Punjab & Khyber Pakhtunkhwa, and embroidery industry throughout the country. After the devastating floods of 2010 in Khyber Pakhtunkhwa, World Bank has established a Multi Donor Trust Fund (MDTF) with total amount of $139.0 million in order to help the local people, particularly in revitalizing and rehabilitating their livelihood. Out of this $139.0 million, $20.0 million is presently earmarked for two projects, i.e. Economic Revitalization in Khyber Pakhtunkhwa (Rs. 1118.0 million); and Economic Rehabilitation and Revitalization in FATA (Rs. 595.0 million). This amount is totally in the shape of Grant. The main objective of these two projects is to help local SMEs and the financial help would be provided through matching grants. This will help the local economies in rehabilitating and revitalizing them.

9.2 Commerce Sector

Improvement in productivity and competitiveness were the keystones for achieving higher sustainable growth in the Financial Year 2013. However, the economic outcome was below expectation. The industrial sector reflected some recovery in Financial Year 2013 but it was insufficient to compensate for slower growth in services and agriculture. Exports during July-February, 2013-14 increased to $16.866 billion from $15.882 billion during July-February, 2012-13, registering an increase of $6.2% billion or 4.6 per cent. Similarly imports during July-February, 2013-14 also increased slightly to $29.408 billion from $29.069 billion during the corresponding period last year, registering an increase of 1.0 per cent.

Investment rate, which has been quite low in Pakistan, declined further in Financial Year 2013. Persistent macro imbalances, structural bottlenecks in energy sector and uncertain security environment continue to impede investment. Overcoming these impediments through concrete reforms and promoting sustained and high level of economic growth remained a serious challenge to policy makers.

Furthermore, Pakistan's global ranking in terms of doing business dropped by 3 notches to 107 (out of 180 countries) in the year 2013 primarily due to power crises. Therefore, minimization of taxation at the investments stage and improving power crises can help to reduce cost of doing business. Whole sale and retail trade witnessed high growth of 2.5% in Financial Year 2013 as compared to the 1.7% in previous year. This reveals increased trading activity for manufactured goods which mainly reflects a recovery in manufacturing goods whereas trading in agriculture products remained lackluster due to losses in cotton and rice crops.

Table 9.2: Wholesale and Retail Trade

	Share (%)	Growth (%)		Contribution to Growth (%)	
	FY 2013	FY 2012	FY2013	FY 2012	FY2013
Wholesale and retail trade	31.5	1.7	2.5	0.5	0.8

Source: Planning Commission

There is need for coordination and all the necessary measures to facilitate the provision of lower cost, more efficient and reliable trade support services in promoting our domestic and foreign trade, without which Pakistan will not be able to reap the benefits of expended foreign trade.

9.2.1 Challenges and Strategy for Improvement

The miscellaneous challenges in the way of vigorous growth of the commerce sector are given as under.

Challenges

- Less competitiveness of Pakistani products &protection through tariff and non-tariff barriers
- Non-vibrant domestic markets
- Ineffective protection of investment in terms of property rights and contract enforcement
- Inadequate use of information technology
- Inefficient transportation system
- Non-branded items

Strategy for Improvement

In view of the current challenges, Ministry of Commerce needs to stress upon successful implementation of Strategic Trade Policy Framework (STPF) 2012-2015 that would pull together the practicalities provided by STPF 2009-12 and enables Pakistani firms to produce and export more sophisticated and diversified range of products to more markets and help reduce unemployment and poverty in Pakistan.

Main ambitions of STPF 2012-15 are as follows:

- Make export sector as an engine of growth
- Enhance Pakistan's export competitiveness in short as well as long term
- Increase Pakistan's cumulative exports to $ 95 billion during 2012-15

Following are the principal elements/strategies of Strategic Trade Policy Framework 2012-2015:

- Enhance Regional Trade
- Enhance access to export credit and export credit guarantees
- Create Regulatory Efficiencies
- Promote Agro-processed exports
- Increase Exports from less developed Regions of Pakistan
- Promote export of Services Sector
- Revamp Export Promotion Agencies
- Mobilize new investment in export oriented industries
- Help Exporting industry overcome energy crisis
- Enhance Product and Market Development and Diversification
- Enhance Trade Facilitation
- Undertake effective Trade Diplomacy
- Green more and more Exports
- Rationalize the Tariff Protection Policy
- Reform and Develop Domestic Commerce
- Enhance Role of Women in Exports

9.2.2 Review: (Financial/ Physical)

In the year 2012-13, M/o Commerce was allocated an amount of Rs. 841.00 million for the development of Commerce Sector out of which Rs. 491.9 million has been utilized indicating 58.5% utilization. Major projects conceived as a result of Trade Policy initiatives aims at creating trained and qualified manpower in the field of fashion and design, textile, furniture, gems and jewellery, footwear to strengthen export base of the country by providing state of the art products in world market, restructuring of Pakistan Institute of Trade and Development to serve as a centre of excellence for training and research in international trade and commerce, simplification of trade and transport procedures. Important projects executed during the year under review include "Enhancement in Exhibition Halls and additional Technology work, (Expo center Lahore phase-II" (Costing Rs. 955.0 million) showed Financial and Physical Progress of 82.3% and 75% respectively. "Purchase of equipments, furnishing, curriculum Development and Training of Pakistan School of Fashion Design Lahore" (Costing Rs.755.7 million) reflected 23% financial progress, while the physical progress remained 26.1%. Similarly another project titled "Restructuring of Pakistan Institute of Trade and Development (PITAD) Islamabad" (Costing Rs. 270.8 million) continued during the year and indicated financial and physical progress as 72% and 57% respectively.

Table 9.3: PSDP Utilization 2013-14

(Rs. Million)

Project	2012-13 PSDP Expenditures	2013-14 PSDP Estimated Expenditures
Enhancement of Exhibition of Hall and Additional Technical Works (Expo Centre, Lahore Phase-II)	300.0	458.5
Restructuring of Pakistan Institute of Trade and Development (PITAD), Islamabad.	176.5	86.0
Purchase of Equipment, Furnishing, Curriculum Development and Training of Pakistan Institute of Fashion Design (PIFD), Lahore	169.5	50.0
Total	**646.0**	**594.5**

Source: Planning Commission

9.3 Outlook for 2014-15

In the Year 2014-15, an allocation of Rs. 690.0 million has been earmarked for the development of Commerce Sector as per indicated budget ceiling. Prominent projects, which will continue during financial Year 2014-15 include "enhancement in exhibition halls and additional technology works"(955.0), "Restructuring of Pakistan Institute of Trade and Development (PITAD) Islamabad" (Rs. 270.84 million), "Purchase and Equipment, Furnishing, Curriculum development and Training of Pakistan School of fashion design" (Rs. 755.7 million) and "Trade and Transport Facilitation Project-2 Trade & Transport Facilitation Unit (TTFU) in the Ministry of Commerce" (Rs. 510.0 million). Strategy to be followed for the improvement of the Commerce Sector include development of vibrant efficient and responsive markets along with improved competitiveness of Pakistani products through enhancement of productivity and demand oriented value addition. Tariff and non-tariff trade barriers are the main hurdles in the way of expansion of trade therefore efforts would be applied to eliminate tariff and non-tariff trade barriers and trade fairs and expos will be organized frequently to capture attractive markets for expanding the trade sphere and to protect the interests of consumers and producers, and consumer protection committees would be strengthened. Trade with neighboring countries will be strengthened. The first dividend of this movement has already been achieved in shape of GSP+ trade concessions from European Union for ten years which will prove to be quite helpful in expanding exports.

9.4 Mining and Quarrying

The Mineral sector enjoys a pivotal position in the industrial sector of Pakistan and Mining is an essential industry with a good chunk of market share in industrial sector. Pakistan is enriched with mineral potential and possesses extensive reserves of mineral deposits such as coal, copper, gold, limestone, chromites, mineral salt, crude oil, bauxite and several other minerals. Precious and semi-precious minerals such as peridot, aquamarine, topaz, ruby, emerald, rare-earth mincrals bastnaesite and xenotime, sphene, tourmaline, and many varieties and types of quartz are also mined in

Pakistan. As far as industrial minerals are concerned there is a vast potential of multi-colored granite, marble and other dimensional stones of high quality available for export purposes. However, unlike other developing countries with good mineral potential, we have not yet been able to promote growth and alleviate poverty by exploiting our natural resources to the maximum extent possible. Mining is an important component of the economies of many developed and developing economies, but its proportional contribution to national income, exports, and employment can be exceptionally high in many resource-rich poor and developing countries, where it can account for as much as half of GDP and the bulk of export earnings. The small-scale mining sector, is significant in most rich countries, is an important source of employment and income in many poor countries, and may also account for a significant share of total mineral production. Pakistan's mineral resources are enormous and it is emerging as a promising country for exploration of mineral deposits. Exploration by government agencies as well as by multinational mining companies and various regional geological surveys, conducted in the recent past have confirmed the great potential of Pakistan in the metallic minerals like copper, gold, silver, platinum, chromites, iron, lead and zinc. Most of mineral deposits are concentrated in Balochistan and that were mined in the region have been affected by law and order situation, absence of necessary infrastructure and lack of technical capacity of mining. There is huge gap between the potential and actual production. There is a need for the development of technologies for processing different indigenous ores to extract products of high commercial value that can play a dominant role in economic uplift, employment generation and exports.

9.4.1 Challenges & Strategy for Improvement

The Mineral industry in Pakistan is highly risk prone, capital intensive and subject to global competition with high volatility of prices. In addition the crude and wasteful method which damages deposits also incurred losses to the national exchequer. There has been very limited exploration by using modern management, adequate capital and appropriate technical know-how. This has impacted growth prospects of the economy. Main challenges faced by the Mining Sector and strategies to improve its development growth are as under:

Challenges

- Lack of Research & Development (R&D) in Mineral sector
- Low investment due to poor law and order situation
- No use of modern equipment
- Lack of technical expertise and proper data
- Import of Raw material
- Old Technology
- Power outages
- Unavailability of advanced machinery and equipments
- Late releases of funds leading to delay the timely completion of development projects

Strategy for Improvement

- Specialized training sessions of the workers/labors should be imparted by the Directorate of Mines and Minerals and awareness raising sessions by the CBOs and NGOs on Health hazards due to emissions from mining and quarrying
- Mining cadastres may be established all over Pakistan
- Extraction from ores and value addition should be done in Pakistan while mineral processing cadastres have to be developed in Pakistan.
- Infrastructure facilities may be developed near mining sites.
- Use of explosives in quarrying should be stopped/banned.
- Image building of Pakistan to attract Foreign Direct Investment (FDI) in Mineral sector
- Improvement in the law and order situation through various options
- Private sector may be facilitated to invest in mineral sector
- Mineral based industries like cement factories, value addition plants, may be established in mineral rich remote areas specially in Balochistan

9.4.2 Review of 2013-14

Mining and Quarrying sector has achieved growth rate 4.4% during fiscal year 2013-14 against targeted growth rate of 6.0%. An amount of Rs. 50 million was allocated to Ministry of Petroleum & Natural Resources during 2013-14. A total amount of Rs. 41 million was released to Ministry of Petroleum & Natural Resources upto May 23, 2014. Four development projects were carried out by Geological Survey of Pakistan, Ministry of Petroleum and National Resources during current fiscal year which are: Accelerated Geological Mapping and Geochemical Exploration of the out-crop Area of Pakistan (Rs. 198.6 million); Appraisal of newly discovered Coal resources of Badin coal Field and its adjoining areas of Southern Sindh (Badin) (170 million); Up-gradation / Strengthening of Geosciences Advance Research Labs, GSP Islamabad (Rs. 249.9 million) and Exploration of Tertiary coal in central salt Range, Punjab (Chakwal) (Rs. 43.4 million). Out of these four projects two projects titled "Accelerated Geological Mapping and Geo chemical Exploration of the out-crop Area of Pakistan" and "Up-gradation / Strengthening of Geosciences Advance Research Labs, GSP Islamabad" are likely to be completed at the end of 2013-14. During the year under consideration, main emphasis was given on carrying out geological mapping of the outcrop areas by utilizing the remote sensing techniques and the satellite imaging, conducting geo-chemical exploration to find mineral potentials, training technical officials in the latest remote sensing techniques and their application to prepare the interpretative geological and geo-chemical maps and establishment of Human Resource Development Centre at GSP.

9.4.3 Outlook for 2014–15

Targeted growth rate of mining sector for the year 2014-15 has been set at 6.5%. An allocation of Rs. 50.0 million has been earmarked for the various development projects

of Ministry of Petroleum & Natural Resources in PSDP 2014-15 while prominent projects, which will continue during the Financial Year 2014-15 include "Appraisal of Newly Discovered Coal Resources of Badin Coal Field and its adjoining areas of Southern Sindh (2013-2016)", and Exploration of Tertiary coal in central salt Range, Punjab (Chakwal). Main challenge for Ministry of Petroleum & Natural Resources is to implement a National Mineral Policy in more effective manner in the national, regional, and global context. Provision of facilities for mineral R&D, capacity building and technical training, infrastructure and communications in mineral rich areas, are all necessary inputs for the development of mineral sector. Moreover keeping the economy on the upright path, while maintaining macro-economic stability, is the key for development of Pakistan's economy.

After the devolution of the Livestock & Dairy Development and subsequently its functions being transferred to other Federal Ministries like M/o Commerce and Ports & Shipping, the growth momentum in livestock sector during the last many years has badly suffered due to closure of majority of development projects. By creation of Ministry of National Food Security & Research (NFS&R), the livestock sector has been placed under the new ministry. The growth target for the sector has been fixed at 3.8 %. Physical performance of livestock, dairy, poultry and fisheries sub-sectors during 2013-14 and targets for 2014-15 are given in Table 8.5.

8.4.1 Livestock and Dairy

Overall livestock sector performance remained satisfactory during 2013-14. Meat production of 3,531 thousand tons was close to the target of 3,535 thousand tons for 2013-14. Production of mutton and poultry meat remained as per targets, except beef which showed negative trend and its production was at 1,887 thousands tones against the target of 1891 thousand tons. Production of milk during 2013-14 was 50, 989 thousand tons which was 27.6 % higher than the target of 41,242 thousand tons.

Pakistan is one of the largest milk producers in the world but faces huge post production losses and only 3 per cent of milk is processed. The lack of proper infrastructure like availability of cooling facilities at farm level or collection points as well as timely transportation of milk are the main causes, which needs to be addressed through development initiatives at provincial and as well as federal level.

8.4.2 Poultry

The Poultry sub sector is the largest meat production sector which is providing meat at cheaper rates as compared to beef and mutton and providing nutritional support to consumers. Poultry meat production remained as per target of 987 thousand tons. It is expected that this sector will keep its pace in the next year and will achieve the target of 1,097 thousand tons and will further ease the pressure on the demand for beef and mutton. Egg production, an important source of protein has achieved its target of 14,556 million nos. in 2013-14. The target of egg production has been fixed at 15,575 million for the year 2014-15.

8.4.3 Fisheries

Pakistan is one of the leading exporters of fish and its products. Private sector investment in fish processing plants is gradually increasing which will contribute to employment generation in this sector. European Union had imposed ban on import of seafood from Pakistan which has now been lifted. It is expected that export of seafood from Pakistan would increase which will generate more economic activities in the sector and consequently income and welfare of fish farming community will improve.

Fisheries sector grew at the rate of 0.98 %. Targeted fish production of 745 thousand tons was achieved during 2013-14. The share of inland and marine fisheries was 272 and 475 thousand tons respectively. The performance of the sector is satisfactory. The target for the 2014-15 has been fixed at 806 thousand tons with a share of 294 thousand tons for inland and 512 thousand tons for marine fish.

Table 8.5: Physical Performance and Targets of Livestock, Poultry and Fisheries

(000 Tonnes)

Items	2012-13 Actual	2013-14 Target	2013-14 Achieved	% change		2014-15 Targets
				2012-13 Actual	2013-14 Target	
Meat	3,379	3,532	3,531	4.5	0.0	3, 758
- Beef	1,829	1,891	1,887	3.2	-0.2	1,978
- Mutton	643	657	657	2.2	0.0	682
- Poultry	907	987	987	8.8	0.0	1,097
Milk	39,945	41,242	50,989	27.6	23.6	56,113
Egg (Mill Nos.)	13,813	14,556	14,556	5.4	0.0	15,575
Fish	729	745	745	2.2	0.0	806
- Inland	262	270	270	3.1	0.0	294
- Marine	467	475	475	1.7	0.0	512

Source: M/o National Food Security & Research and Marine Fisheries Department

8.5 Development Initiatives

During 2013-14, an allocation of Rs. 750 million was made to development projects of Ministry of National Food Security and Research. There were 13 projects included in the PSDP of 2013-14. All of the projects were ongoing. Against this allocation, Rs. 672.3 million have been utilized which is about 90% of the allocation during 2013-14. Rs. 194 million was allocated to development projects of Islamabad Capital Territory (ICT) relating to agriculture sector. Financial utilization during 2013-14 has been estimated at Rs. 135.6 million, showing 70% achievement. Rs.1071 million have been allocated during 2014-15 to development projects of federal Agency. Around 72 % of the allocation is for on-going projects and rest of 28 % have been earmarked for new projects.

New Initiatives:

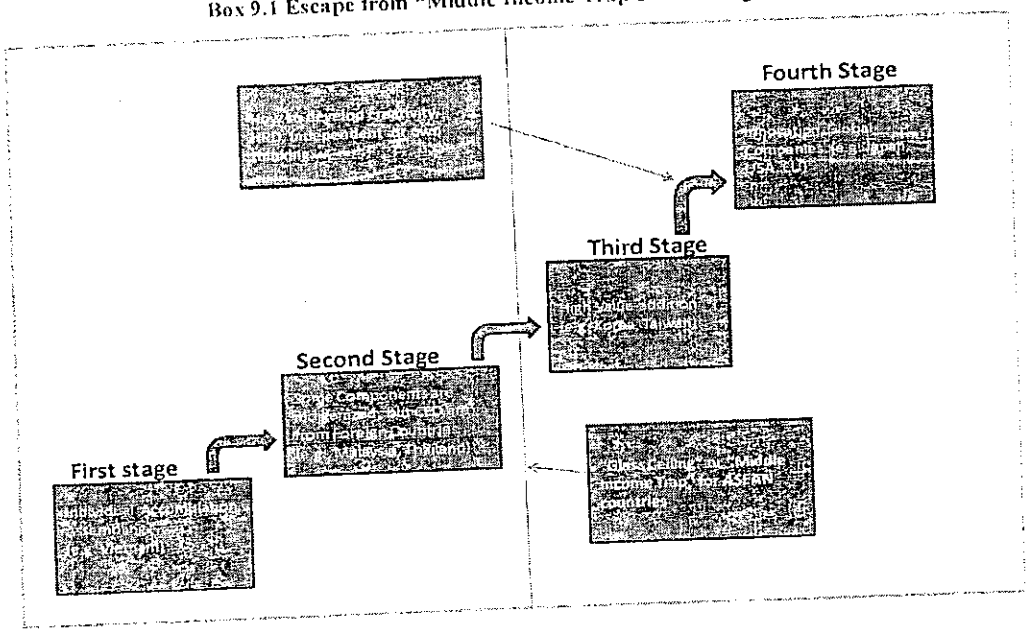
Some new projects have been approved which would hopefully contribute to the development of agriculture sector effectively;

- Application of Satellite Remote Sensing and GIS Technology for Crop Forecasting and Estimation
- Establishment of Americas Channel Cat Fish (Ictalurus Punctatus) Hatchery at NARC
- Bovine Spongiform Encephalopathy (BSE-Mad Cow Disease) Surveillance and Capacity Leading to OIE Negligible Risk Country Status for Pakistan
- Kitchen gardening: A way to safe and nutritious Vegetables

- Capacity Building of Agriculture Extension Services in Khyber Pakhtunkhwa (PARC)
- Promotion of Olive Cultivation on Commercial Scale in Pakistan
- Rehabilitation and Strengthening of Summer Agricultural Research Station of PARC
- Value Addition in Agriculture – Cluster Development Approach
- Establishment of Regional Offices & Testing laboratories of marine Fisheries Department at Gwadar (Balochistan)
- Establishment of Regional Offices & Testing Laboratories of Marine Fisheries Department at Peshawar (Khyber Pakhtunkhwa)
- Reactivation of hatchery Complex for Production of Fish and Shrimp Seed Karachi, Sindh
- Up-gradation and Accreditation of Quality Control Laboratories of Marine Fisheries Department for Environmental Contaminants Karachi (Sindh)
- Upgradation of Arid Zone Institute

countries which are at fourth stage. Keeping this analysis in view, Pakistan's current position can be judged in a better way.

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When an economy starts streamlined growth, the share of agriculture dwindles whereas the share of manufacturing and services increases. It has been proved by the exemplary growth of East Asian economies in the past and is now replicated in BRIC (Brazil, Russia, India and China) economies. For example, manufacturing sector has 40% share in the South Korean economy, whereas agriculture contributes 2.7% to its GDP. Similarly China's GDP consists of: manufacturing (45%), agriculture (10%), and services (44%). However, in the case of Pakistan, manufacturing sector has 18.5%, agriculture 21.41%, whereas services sector has 57.69% share in GDP. Large Scale Manufacturing (LSM) has a share of 12.2 % in GDP, dominating the overall sector while Small & Medium Enterprises (SMEs) account for 4.9% of total GDP. Generally industrial growth is influenced by market forces, and market forces are oriented around profitability, predictability, consistency & continuity in policies etc. Therefore, Government can perform an important role in creating an enviable environment to foster private sector investment and growth.

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2012-13. During this period positive growth has been observed in case of Food, Beverages & Tobacco (15.78%); Iron and Steel products (4.12%); Coke & Petroleum products (5.38%); Paper & Board (13.34%); Rubber products (8.73%); Pharmaceuticals (0.12%); Non Metallic Mineral products (0.86%); Textile (1.59%); Fertilizers (25.43%); Electronics (9.47%); Leather products (5.18%); and Chemicals (6.33%). The sectors showing decline in production during July–January, 2013-14 compared to July-January, 2012-13 respectively include Wood Products (-9.12%); Engineering Products (-24.05%) and Automobiles (-2.23%).

Federal Government has initiated various projects for revival and boosting-up of industrial growth in Pakistan. The basic objective of these projects is the provision of various facilities to investors like developed infrastructure, skilled workers, marketing facilities and common facility centres. Detail of some of the PSDP 2013-14 projects are discussed as under: Peshawar Light Engineering Support Centre, Peshawar (Rs.230.5 million); Hyderabad Engineering Support Centre, Hyderabad (Rs.223.5 million); Water Supply Scheme for Hub Industrial Trading Estate (Rs. 247.358 million); Establishment of Chromite Beneficiation Plant at Muslim Bagh, District Killa Saifullah, Balochistan (Rs. 104.3 million); Establishment of Bostan Industrial Estate Phase-I (Rs.400.5 million); Provision of Infrastructure in Quetta Industrial Estate (Phase-IV) (Rs. 126.9 million); To overcome the Technical Barriers to Trade (TBT) by improving the Metrology and Traceability in industrial Measurements (Rs. 59.85 million); and Industries Capacity Building on Occupational Safety and Health (CBOSH) (Rs. 57.11 million). It is unfortunate that only one (01) new project was initiated for industrial sector in fiscal year 2013-14 and included in PSDP 2013-14 i.e. Development and Installation of Sun-tracked Solar Collectors for Industrial Processes (Rs. 55.33 million). It is hoped that in coming fiscal year i.e. 2014-15 new projects will be initiated vigorously for the development of industrial sector.

As far as allocations and releases are concerned, Rs. 779.774 million has been allocated for Industries Division in PSDP 2013-14, against which Rs. 659.654 million is released up-till May 9th, 2014 for twenty six (26) projects of Industries Division and the remaining amount is expected to be released in the 4th quarter of fiscal year 2013-14. Similarly Rs. 1100.004 million are allocated in PSDP 2013-14 for nine (09) projects of Production Division, against which Rs. 716.516 million has been released till May 9th, 2014 and the remaining amount will be released in the 4th quarter of Financial Year 2013-14.

9.1.2 Outlook for 2014-15

During 2014-15 the strategic focus of manufacturing sector would be on the following areas:

- Innovation and efficiency
- Build high skilled human capacity through skill development programs
- Provide technology through technological up-gradation; provision of sophisticated machines, equipment, tools & spares in Common Facility Centers and machine pools; CAD/CAM facilities
- Infrastructure development

- Research & development activities
- SMEs development to boost employment and reduce poverty
- Encourage exports by meeting demands of competition, technology and higher labor productivity
- Promote & develop sub-contracting
- Reforming Engineering Development Board to play its pivotal role in the export of Engineering Goods
- Promoting Public Private Partnership (PPP) by launching new projects under PPP model
- Revival of sick industries by restructuring its management
- Privatization of Government owned entities

According to National Accounts Committee (NAC), in fiscal year 2013-14 industrial sector grew at the rate of 5.84%, manufacturing sector by 5.5%, LSM by 5.31%, while SME grew at the rate of 8.4%. The targeted growth rate for industrial sector in fiscal year 2014-15 has been set at 6.8% as a whole, for manufacturing sector 6.9%, while 7.0% and 8.4% growth rates have been fixed for LSM and Small & Medium Enterprises (SMEs) respectively. The main growing industries in 2014-15 would be textile, chemicals, automobile, pharmaceuticals, electronics, leather products, paper & boards, cement and non-metallic minerals.

On December 12th, 2013 European Union granted Generalised Scheme of Preferences (GSP) Plus status to Pakistan which is effective from January 1st, 2014. It is expected that this will allow nearly 20% of Pakistani exports to enter the EU market at zero tariff rate and 70% at preferential rates. Before GSP Plus status, Pakistan textile products faced 11% duty in EU countries which rendered it costly and uncompetitive. It is expected that textile sector would grow at enormous pace in the year 2014-15 and coming years with the availability of GSP Plus status as it has now found a level playing field and will compete with other competitors like Bangladesh, China, India and Sri Lanka in EU market at least. However, it is now the responsibility of our exporters to comply with different intemational obligations, like ISO certifications, quality, innovation and last but not least is the timely provision of products to buyers, so that Pakistan may really get benefit from this concessionary treatment provided by European Union.

Table 9.1: Sector-Wise Allocation in PSDP 2013-14 and 2014-15

(Rs. million)

Sector	PSDP 2013-14		Allocation in PSDP 2014-15
	Allocation	Releases/Utilization	
Industries	779.774	659.654 (till May 9th, 2014)	1148.400
Production	1100.004	716.516 (till May 9th, 2014)	

Source: Planning Commission

9.1.3 Provincial Interventions

The provinces are actively involved in establishing industrial zones through their Small Industries Development Boards (SIDBs) and Corporations to promote Small and Medium Enterprises (SMEs) in order to generate employment and revenue through their own efforts. All provincial governments have established various industrial estates in different parts of their respective provinces to cater to the needs of investors. The provincial governments are also striving to help their artisans by providing training, equipment, and financing so that they may sell their products in better way and thus improve their socio-economic conditions. For example, ceramics and coloured tiles & pottery industry in Punjab and Sindh, wood work & engraving in Punjab & Khyber Pakhtunkhwa, and embroidery industry throughout the country. After the devastating floods of 2010 in Khyber Pakhtunkhwa, World Bank has established a Multi Donor Trust Fund (MDTF) with total amount of $139.0 million in order to help the local people, particularly in revitalizing and rehabilitating their livelihood. Out of this $139.0 million, $20.0 million is presently earmarked for two projects, i.e. Economic Revitalization in Khyber Pakhtunkhwa (Rs. 1118.0 million); and Economic Rehabilitation and Revitalization in FATA (Rs. 595.0 million). This amount is totally in the shape of Grant. The main objective of these two projects is to help local SMEs and the financial help would be provided through matching grants. This will help the local economies in rehabilitating and revitalizing them.

9.2 Commerce Sector

Improvement in productivity and competitiveness were the keystones for achieving higher sustainable growth in the Financial Year 2013. However, the economic outcome was below expectation. The industrial sector reflected some recovery in Financial Year 2013 but it was insufficient to compensate for slower growth in services and agriculture. Exports during July-February, 2013-14 increased to $16.866 billion from $15.882 billion during July-February, 2012-13, registering an increase of $6.2% billion or 4.6 per cent. Similarly imports during July-February, 2013-14 also increased slightly to $29.408 billion from $29.069 billion during the corresponding period last year, registering an increase of 1.0 per cent.

Investment rate, which has been quite low in Pakistan, declined further in Financial Year 2013. Persistent macro imbalances, structural bottlenecks in energy sector and uncertain security environment continue to impede investment. Overcoming these impediments through concrete reforms and promoting sustained and high level of economic growth remained a serious challenge to policy makers.

Furthermore, Pakistan's global ranking in terms of doing business dropped by 3 notches to 107 (out of 180 countries) in the year 2013 primarily due to power crises. Therefore, minimization of taxation at the investments stage and improving power crises can help to reduce cost of doing business. Whole sale and retail trade witnessed high growth of 2.5% in Financial Year 2013 as compared to the 1.7% in previous year. This reveals increased trading activity for manufactured goods which mainly reflects a recovery in manufacturing goods whereas trading in agriculture products remained lackluster due to losses in cotton and rice crops.

Table 9.2: Wholesale and Retail Trade

	Share (%)	Growth (%)		Contribution to Growth (%)	
	FY 2013	FY 2012	FY2013	FY 2012	FY2013
Wholesale and retail trade	31.5	1.7	2.5	0.5	0.8

Source: Planning Commission

There is need for coordination and all the necessary measures to facilitate the provision of lower cost, more efficient and reliable trade support services in promoting our domestic and foreign trade, without which Pakistan will not be able to reap the benefits of expended foreign trade.

9.2.1 Challenges and Strategy for Improvement

The miscellaneous challenges in the way of vigorous growth of the commerce sector are given as under.

Challenges

- Less competitiveness of Pakistani products &protection through tariff and non-tariff barriers
- Non-vibrant domestic markets
- Ineffective protection of investment in terms of property rights and contract enforcement
- Inadequate use of information technology
- Inefficient transportation system
- Non-branded items

Strategy for Improvement

In view of the current challenges, Ministry of Commerce needs to stress upon successful implementation of Strategic Trade Policy Framework (STPF) 2012-2015 that would pull together the practicalities provided by STPF 2009-12 and enables Pakistani firms to produce and export more sophisticated and diversified range of products to more markets and help reduce unemployment and poverty in Pakistan.

Main ambitions of STPF 2012-15 are as follows:

- Make export sector as an engine of growth
- Enhance Pakistan's export competitiveness in short as well as long term
- Increase Pakistan's cumulative exports to $ 95 billion during 2012-15

Following are the principal elements/strategies of Strategic Trade Policy Framework 2012-2015:

- Enhance Regional Trade
- Enhance access to export credit and export credit guarantees
- Create Regulatory Efficiencies
- Promote Agro-processed exports
- Increase Exports from less developed Regions of Pakistan
- Promote export of Services Sector
- Revamp Export Promotion Agencies
- Mobilize new investment in export oriented industries
- Help Exporting industry overcome energy crisis
- Enhance Product and Market Development and Diversification
- Enhance Trade Facilitation
- Undertake effective Trade Diplomacy
- Green more and more Exports
- Rationalize the Tariff Protection Policy
- Reform and Develop Domestic Commerce
- Enhance Role of Women in Exports

9.2.2 Review: (Financial/ Physical)

In the year 2012-13, M/o Commerce was allocated an amount of Rs. 841.00 million for the development of Commerce Sector out of which Rs. 491.9 million has been utilized indicating 58.5% utilization. Major projects conceived as a result of Trade Policy initiatives aims at creating trained and qualified manpower in the field of fashion and design, textile, furniture, gems and jewellery, footwear to strengthen export base of the country by providing state of the art products in world market, restructuring of Pakistan Institute of Trade and Development to serve as a centre of excellence for training and research in international trade and commerce, simplification of trade and transport procedures. Important projects executed during the year under review include "Enhancement in Exhibition Halls and additional Technology work, (Expo center Lahore phase-II" (Costing Rs. 955.0 million) showed Financial and Physical Progress of 82.3% and 75% respectively. "Purchase of equipments, furnishing, curriculum Development and Training of Pakistan School of Fashion Design Lahore" (Costing Rs.755.7 million) reflected 23% financial progress, while the physical progress remained 26.1%. Similarly another project titled "Restructuring of Pakistan Institute of Trade and Development (PITAD) Islamabad" (Costing Rs. 270.8 million) continued during the year and indicated financial and physical progress as 72% and 57% respectively.

Table 9.3: PSDP Utilization 2013-14

(Rs. Million)

Project	2012-13 PSDP Expenditures	2013-14 PSDP Estimated Expenditures
Enhancement of Exhibition of Hall and Additional Technical Works (Expo Centre, Lahore Phase-II)	300.0	458.5
Restructuring of Pakistan Institute of Trade and Development (PITAD), Islamabad.	176.5	86.0
Purchase of Equipment, Furnishing, Curriculum Development and Training of Pakistan Institute of Fashion Design (PIFD), Lahore	169.5	50.0
Total	**646.0**	**594.5**

Source: Planning Commission

9.3 Outlook for 2014-15

In the Year 2014-15, an allocation of Rs. 690.0 million has been earmarked for the development of Commerce Sector as per indicated budget ceiling. Prominent projects, which will continue during financial Year 2014-15 include "enhancement in exhibition halls and additional technology works"(955.0), "Restructuring of Pakistan Institute of Trade and Development (PITAD) Islamabad" (Rs. 270.84 million), "Purchase and Equipment, Furnishing, Curriculum development and Training of Pakistan School of fashion design" (Rs. 755.7 million) and "Trade and Transport Facilitation Project-2 Trade & Transport Facilitation Unit (TTFU) in the Ministry of Commerce" (Rs. 510.0 million). Strategy to be followed for the improvement of the Commerce Sector include development of vibrant efficient and responsive markets along with improved competitiveness of Pakistani products through enhancement of productivity and demand oriented value addition. Tariff and non-tariff trade barriers are the main hurdles in the way of expansion of trade therefore efforts would be applied to eliminate tariff and non-tariff trade barriers and trade fairs and expos will be organized frequently to capture attractive markets for expanding the trade sphere and to protect the interests of consumers and producers, and consumer protection committees would be strengthened. Trade with neighboring countries will be strengthened. The first dividend of this movement has already been achieved in shape of GSP+ trade concessions from European Union for ten years which will prove to be quite helpful in expanding exports.

9.4 Mining and Quarrying

The Mineral sector enjoys a pivotal position in the industrial sector of Pakistan and Mining is an essential industry with a good chunk of market share in industrial sector. Pakistan is enriched with mineral potential and possesses extensive reserves of mineral deposits such as coal, copper, gold, limestone, chromites, mineral salt, crude oil, bauxite and several other minerals. Precious and semi-precious minerals such as peridot, aquamarine, topaz, ruby, emerald, rare-earth minerals bastnaesite and xenotime, sphene, tourmaline, and many varieties and types of quartz are also mined in

Pakistan. As far as industrial minerals are concerned there is a vast potential of multi-colored granite, marble and other dimensional stones of high quality available for export purposes. However, unlike other developing countries with good mineral potential, we have not yet been able to promote growth and alleviate poverty by exploiting our natural resources to the maximum extent possible. Mining is an important component of the economies of many developed and developing economies, but its proportional contribution to national income, exports, and employment can be exceptionally high in many resource-rich poor and developing countries, where it can account for as much as half of GDP and the bulk of export earnings. The small-scale mining sector, is significant in most rich countries, is an important source of employment and income in many poor countries, and may also account for a significant share of total mineral production. Pakistan's mineral resources are enormous and it is emerging as a promising country for exploration of mineral deposits. Exploration by government agencies as well as by multinational mining companies and various regional geological surveys, conducted in the recent past have confirmed the great potential of Pakistan in the metallic minerals like copper, gold, silver, platinum, chromites, iron, lead and zinc. Most of mineral deposits are concentrated in Balochistan and that were mined in the region have been affected by law and order situation, absence of necessary infrastructure and lack of technical capacity of mining. There is huge gap between the potential and actual production. There is a need for the development of technologies for processing different indigenous ores to extract products of high commercial value that can play a dominant role in economic uplift, employment generation and exports.

9.4.1 Challenges & Strategy for Improvement

The Mineral industry in Pakistan is highly risk prone, capital intensive and subject to global competition with high volatility of prices. In addition the crude and wasteful method which damages deposits also incurred losses to the national exchequer. There has been very limited exploration by using modern management, adequate capital and appropriate technical know-how. This has impacted growth prospects of the economy. Main challenges faced by the Mining Sector and strategies to improve its development growth are as under:

Challenges

- Lack of Research & Development (R&D) in Mineral sector
- Low investment due to poor law and order situation
- No use of modern equipment
- Lack of technical expertise and proper data
- Import of Raw material
- Old Technology
- Power outages
- Unavailability of advanced machinery and equipments
- Late releases of funds leading to delay the timely completion of development projects

Strategy for Improvement

- Specialized training sessions of the workers/labors should be imparted by the Directorate of Mines and Minerals and awareness raising sessions by the CBOs and NGOs on Health hazards due to emissions from mining and quarrying
- Mining cadastres may be established all over Pakistan
- Extraction from ores and value addition should be done in Pakistan while mineral processing cadastres have to be developed in Pakistan.
- Infrastructure facilities may be developed near mining sites.
- Use of explosives in quarrying should be stoppcd/banned.
- image building of Pakistan to attract Foreign Direct Investment (FDI) in Mineral sector
- Improvement in the law and order situation through various options
- Private sector may be facilitated to invest in mineral sector
- Mineral based industries like cement factories, value addition plants, may be established in mineral rich remote areas specially in Balochistan

9.4.2 Review of 2013-14

Mining and Quarrying sector has achieved growth rate 4.4% during fiscal year 2013-14 against targeted growth rate of 6.0%. An amount of Rs. 50 million was allocated to Ministry of Petroleum & Natural Resources during 2013-14. A total amount of Rs. 41 million was released to Ministry of Petroleum & Natural Resources upto May 23, 2014. Four development projects were carried out by Geological Survey of Pakistan, Ministry of Petroleum and National Resources during current fiscal year which are: Accelerated Geological Mapping and Geochemical Exploration of the out-crop Area of Pakistan (Rs. 198.6 million); Appraisal of newly discovered Coal resources of Badin coal Field and its adjoining areas of Southern Sindh (Badin) (170 million); Up-gradation / Strengthening of Geosciences Advance Research Labs, GSP Islamabad (Rs. 249.9 million) and Exploration of Tertiary coal in central salt Range, Punjab (Chakwal) (Rs. 43.4 million). Out of these four projects two projects titled "Accelerated Geological Mapping and Geo chemical Exploration of the out-crop Area of Pakistan" and "Up-gradation / Strengthening of Geosciences Advance Research Labs, GSP Islamabad" are likely to be completed at the end of 2013-14. During the year under consideration, main emphasis was given on carrying out geological mapping of the outcrop areas by utilizing the remote sensing techniques and the satellite imaging, conducting geo-chemical exploration to find mineral potentials, training technical officials in the latest remote sensing techniques and their application to prepare the interpretative geological and geo-chemical maps and establishment of Human Resource Development Centre at GSP.

9.4.3 Outlook for 2014–15

Targeted growth rate of mining sector for the year 2014-15 has been set at 6.5%. An allocation of Rs. 50.0 million has been earmarked for the various development projects

of Ministry of Petroleum & Natural Resources in PSDP 2014-15 while prominent projects, which will continue during the Financial Year 2014-15 include "Appraisal of Newly Discovered Coal Resources of Badin Coal Field and its adjoining areas of Southern Sindh (2013-2016)", and Exploration of Tertiary coal in central salt Range, Punjab (Chakwal). Main challenge for Ministry of Petroleum & Natural Resources is to implement a National Mineral Policy in more effective manner in the national, regional, and global context. Provision of facilities for mineral R&D, capacity building and technical training, infrastructure and communications in mineral rich areas, are all necessary inputs for the development of mineral sector. Moreover keeping the economy on the upright path, while maintaining macro-economic stability, is the key for development of Pakistan's economy.

Part – IV

Physical Infrastructure and Environment

Chapter 10

Energy Security and Affordability

Pakistan is suffering from an acute energy crisis since 2006 which is caused by an insufficient energy supply capacity, poor sector performance, increasing demand, and inefficient use of energy resources. The unreliable supply of electricity, with frequent and often unpredictable load shedding, disrupts both civil and economic life; it has conservatively been estimated that these disruptions to productive activities result in an annual loss, by some estimates, of as much as 7% of GDP. It is a well-established fact that Pakistan's economic development is directly proportional to the availability of sufficient energy. In the recent past, the inability to meet increasing demand of energy, both in the form of electricity and in the form of fuels, has had serious effects on socio-economic development.

Current energy needs for the country are heavily dependent on oil and gas and the demand far exceeds its supply via local channels of production. In order to curtail the oil import need to a sustainable level and to cater for the energy needs of all sectors, the Government is pursuing policies of attracting private investment in to the energy sector. Moreover, it is aiming to replace the currently imported furnace and diesel oil with alternate fuels in a sustainable manner at competitive prices with a greater reliance on indigenous resources such as coal.

The present energy scenario suggests that affordable and sustainable energy planning and a road map for the country is essential to capitalize usage of indigenous resources in our energy mix. Development of indigenous energy resources such as coal, hydro and alternative/ renewable sources is critical for our country's economic growth. The share of hydro power was 31% of total generation in 2013-14 as compared to nearly 70% in the 1980s. Hydro power development suffered a slowdown due to controversies about major hydro power projects despite the large potential of hydro power production in Pakistan. According to estimates, Pakistan has a hydro potential of about 60,000 MWs of which only 6750 MW (11.25%) has been utilized. Consequently, thermal power was relied upon, as natural gas was abundant and cheaper than oil, it was the preferred fuel for generation. However, a shortage of gas has resulted in the greater use of expensive furnace oil and high speed diesel oil. As a result, the cost of electricity has also been increased substantially.

Load shedding continued during the year, with around 30 % of the system demand, being met, and has led to a substantial decline in economic growth. The average supply remained 14,400 MW against the demand of 18400 MW and the shortfall during April 2014 being 4,000 MW primarily due to fuel supply constraints and low hydroelectric generation. High fuel cost for thermal power generation, high losses in transmission and distribution, inefficiencies of generation, below cost tariffs and non-payment of electricity dues by the public and private consumers have resulted in increasing circular debt.

The public sector thermal plants are mostly very old and in sufficiently maintained. Some plants are being refurbished through assistance provided by USAID. The O&M of these plants has not been regular due to paucity of funds particularly in the case of GENCOs. They need rehabilitation and up gradation along with retrofitting on an immediate basis. Similar works started in 2010 with USAID's help in Muzaffargarh and Jamshoro have retrieved a capacity of as much as 730 MW besides fuel savings of 3.7%. Similar works also need to be carried out in remaining GENCOs plants.

Considering the importance of the energy sector, it has been declared one of the seven pillars of Vision 2025. Accordingly, the Vision emphasizes following targets in this respect:

- Eliminate current electricity supply-demand gap by 2018, and cater to growing future demand by addition of 25,000 MW by 2025
- Optimize energy generation mix between oil, gas, hydro, coal, nuclear, solar, wind and bio-mass – with reference to its indigenousness, economic feasibility, scalability, risk assessment and environmental impact
- Complete two major hydel projects: Diamer-Bhasha and Dasu dams
- Operationalize the immense potential of Thar coal
- Tap Pakistan's huge potential for alternative energy
- Complete new Nuclear power generation plants
- Maximize distribution efficiency and cut wasteful losses through investment in infrastructure and effective enforcement of controls
- Address institutional fragmentation of the sector
- Focus on demand management and conservation to ensure prioritization in allocation, elimination of wasteful use, incentives to use more energy efficient equipment and appliances and achieve better balance between peak and off-peak hours

10.1 Power Sector

10.1.1 Existing Generation

The existing installed capacity of the country is 20839 MW+1850 MW (KESC)=22689 MW.

Table 10.1: Existing Installed Capacity

Sr. No.	Name of Power Station	Fuel	Installed Capacity (MW)	Dependable Capacity	
				Summer	Winter
Hydel WAPDA					
1	Tarbela	Water	3478	3633	829
2	Mangla	Water	1000	960	350
3	Ghazi Barotha	Water	1450	1357	794
4	Warsak	Water	243	200	139
5	Chashma Low Head	Water	184	157	67
6	Allai Khwar HPP	Water	121	121	60
7	Jinnah Low Head	Water	96	96	40
8	Small Hydels5	Water	106	81	26
9	Khan Khwar HPP	Water	72	72	15
	Sub-Total (WAPDA Hydel)		**6750**	**6677**	**2320**
GENCOs				**Dependable Capacity**	
10	TPS Jamshoro #1-4	Gas/FO/RFO	850	700	-
11	GTPS Kotri #1-7	Gas/HSD	174	140	-
	Sub-Total GENCO-I		1024	840	-
12	TPS Guddu Steam #1-4	Gas/FO	640	270	-
13	TPS Guddu C.C. #5-13	Gas	1015	885	-
14	TPS Quetta	Gas	35	25	-
	Sub-Total GENCO-II		1690	1180	-
15	TPS Muzaffargarh #1-6	RFO/FO/Gas	1350	1130	-
16	NGPS Multan #1&2	Gas/RFO/HSD/FO	195	60	-
17	GTPS Faisalabad #1-9	Gas/HSD	244	210	-
18	SPS Faisalabad #1&2	FO/Gas/RFO	132	100	-
19	Shahdra G.T.	Gas	44	30	-
	Sub-Total GENCO-III		1965	1530	-
20	FBC Lakhra	Coal	150	30	-
	Sub-Total GENCO-IV		150	30	-
	Sub-Total GENCOs		**4829**	**3580**	-

Sr. No.	Name of Power Station	Fuel	Installed Capacity (MW)	Dependable Capacity	
				Summer	Winter
Nuclear					
21	Chashma Nuclear (PAEC)-I	Uranium	325	300	-
22	Chashma Nuclear (PAEC)-II	Uranium	340	315	-
	Sub-Total (Nuclear)		**665**	**615**	-
Hydel IPPs					-
23	Jagran Hydel	Water	30	30	10
24	Malakand-III Hydel	Water	81	81	20
25	New Bong Escape	Water	84	84	34
	Sub-Total (Hydel IPPs)		**195**	**195**	**64**
Thermal IPPs					
26	KAPCO	RFO/Gas/HSD	1638	1386	-
27	Hub Power Project (HUBCO)	RFO	1292	1200	-
28	Kohinoor Energy Ltd. (KEL)	RFO	131	124	-
29	AES Lalpir Ltd.	RFO	362	350	-
30	AES Pak Gen (Pvt) Ltd.	RFO	365	350	-
31	SEPCOL	RFO	135	119	-
32	Habibullah Energy Ltd. (HCPC)	Gas	140	129	-
33	Uch Power Project	Gas	586	551	-
34	Rousch (Pak) Power Ltd.	Gas	450	395	-
35	Fauji Kabirwala (FKPCL)	Gas	157	151	-
36	Saba Power Company	RFO	134	125	-
37	Japan Power Generation Ltd.	RFO	135	120	-
38	Liberty Power Project	Gas	235	211	-
39	Altern Energy Ltd. (AEL)	Gas	31	31	-

Sr. No.	Name of Power Station	Fuel	Installed Capacity (MW)	Dependable Capacity	
				Summer	Winter
40	Attock Generation PP	RFO	163	156	-
41	ATLAS Power	RFO	219	219	-
42	Engro P.P. Daharki, Sindh	HSD/Gas/FO	226	217	-
43	Saif P.P. Sahiwal, Punjab	Gas/HSD	225	225	-
44	Orient P.P. Balloki, Punjab	Gas/HSD	225	225	-
45	Nishat P.P. Near Lahore	RFO	200	200	-
46	Nishat Chunian Proj. Lahore	RFO	200	200	-
47	Foundation Power	Gas	175	175	-
48	Saphire Muridke	Gas/HSD	225	209	-
49	Liberty Tech	RFO	200	196	-
50	Hubco Narowal	RFO	220	214	-
51	Halmore Bhikki	HSD/Gas	225	209	-
	Sub-Total Thermal IPPs		**8294**	**7687**	-
Wind Power Projects					
52	Fauji Wind Power	Wind	50	45	-
53	Zorlu Energy Wind Power	Wind	56	48	-
	Sub-Total Wind Power Plants		106	93	-
	Total Wind Power Plants		106	93	-
	Total Thermal (Public+Private)		**13788**	**11882**	-
	Total Hydel (Public+Private)		**6945**	**6872**	**2384**
	Sub Total		**20839**	**18847**	**14301**
	KESC		**1850**	**1610**	
	Grand Total (Sub Total + KESC)		**22689**	**20457**	**14301**

Table 10.2: Karachi Electric Supply Corporation (KESC)

Power Station	Fuel Type	Net Dependable Capacity (MW)
Bin Qasim Power Station- I (BQPS-I)	Gas + Furnace Oil	738
Combined Cycle Power Plant (CCPP)	Gas	200
Korangi Town Gas Turbine Power Station (KGTPS – II)	Gas	85
SITE Gas Turbine Power Station (SGTPS – II)	Gas	85
Bin Qasim Power Station-II (BQPS-II)	Gas	502
TOTAL		**1610**

10.1.2 Review of 2013-14

An amount of Rs.212524 million was allocated for Energy Sector Development Projects in 2013-14. The installed power generating capacity increased from 22,689 MW in June 2013 to 24033.4 MW expected by June 2014 through addition of 1344.4 MW to the system.

Table 10.3: Power Sector Projects 2013-14

S. No	Name of Project	Agency	Fuel	Capacity (MW)	Commissioning Date
1	Duber Khwar HPP	WAPDA	Hydel	130	28, March 2014
2	Jabban	WAPDA	Hydel	22	4, Dec 2013
3	Gomal Zam	WAPDA	Hydel	17.4	25 January 2014
4	Jinnah	WAPDA	Hydel	24	31 August 2013
5	UCH-II	PPIB	Gas	404	4, April, 2014
6	Guddu (1)	GENCOs	Gas	243	Apr. 2014
7	Guddu (2)	GENCOs	Gas	243	May. 2014
8	Guddu Steam	GENCOs	Gas	261	June 2014
	Total Addition 2013-14			**1344.4**	

10.1.3 Reduce Transmission & Distribution Losses

Although up gradation is already in progress, needs to be expedited particularly in distribution. The energy loss reduction program can result in reduction in load of 1000 MW, which is currently lost capacity besides huge energy losses which will reduce the

subsidy by about Rs.80 billion per annum. Regular maintenance, rehabilitation and u gradation needs to be ensured for a sustainable energy operation and growth.

10.1.4 Program for 2014-15

Rs.240 billion has been allocated for Energy Sector Projects for the year 2014-15 fc energy projects of Ministry of Water and Power, Ministry of Kashmir affairs and Gilg Baltistan, Pakistan Atomic Energy Commission and Pakistan Nuclear Regulator Authority. The installed power generating capacity is planned to increase from 24033. MW in June 2014 to 24588.4 MW in June 2015 through addition of 575 MW in systen

Table 10.4: Power Sector Projects 2014-15

(Rs. Millio

S#	Sector / Project	Cost	Allocatio
1	Karachi Coastal Power Project	958,729	12,132
2	Diamer Basha Dam (4500 MW) (Construction)	834,205	10,000
3	Diamer Basha Dam (4500 MW) (Land Acquisition)	60,000	15,000
4	Dasu Hydro Power Project Stage-I (2160 MW)	486,093	4,423
5	Neelum Jhelum Hydro Power Project (969 MW)	274,883	30,438
6	Chashma NPP C3 and C4	189,918	35,200
7	New Coal Fired Power Plants having Capacity 2x660 MW at Jamshoro	177,175	9,300
8	Tarbela Fourth Extension Hydro Power Project (1410 MW) (Swabi)	83,601	8,926
9	747 MW Guddu Power Project	59,775	8,000
10	425 MW Power Project Nandipur	58,416	2,100
11	525 MW Combined Cycle Thermal Power Plant at Chichoki Malian by GENCO-II	33,924	2,000
12	Golan Gol Hydro Power Project (106 MW) (Chitral)	28,218	6,850

*M/s Three Gorges First Wind Farm Pakistan Pvt Ltd 50 MW, M/s Foundation Wind Energy-I 50 MV M/s Foundation Wind Energy-II 50 MW

Private Sector's Contribution

An estimated 967 MW will be developed through IPP's (Independent Power Producers as detailed below:

- 147 MW Patrind Hydropower Project
- 100 MW Gu;pur Hydropower Project
- 720 KV Karot Hydropower Project

Upgrade Technical Training Centers

Technical Training Centers have to be extensively upgraded in accordance with the international standards. They need to be equipped with modern simulators of generation, transmission and distribution in their respective centers. NEPRA should ensure that only properly trained manpower should be assigned to operate power plants / sub stations / control centers to achieve efficient operation and maintenance. The training centers should be capable of enhancing the capacity of the technical staff to a level which ensures better performance, efficiency and reliable operations.

Encourage Small, Mini and Micro Hydel Stations

About 5000 MW can be achieved through these small, mini and micro Hydel stations to be installed not only in the northern hilly areas but also on the vast canal network wherever, sufficient headway is available. The cost of the hydropower production would be nominal as compared to the increasingly costly fossil fuel electricity. Indigenous development and manufacture of standardized units also need to be encouraged.

Improve Energy Efficiency and Conservation

A modern conservation law and codes of energy efficiency in product, manufacturings, consumptions pattern and building designs needs to be enforced. Proper heat insulation of the buildings will be made mandatory. Including better practices/habits pertaining to daylight saving and closure of the shops at sunset should be enforced. This can result into a load reduction of 800 MW collectively without any cost to the government or utility.

Coal Based and Hydro Power Large Sized Power Stations

To generate electricity at the lowest possible cost, it is necessary to set up large sized, fuel efficient base load power stations. Therefore, the plans to set up the following power plants / parks will be aggressively pursued.

- Hydropower Plants such as Diamer Bhasha, Dasu, Bunji, Munda, Kohala, Thakot and others under construction through WAPDA and PPIB.
- Imported Coal based Power Parks such as at Gaddani & Jamshoro.
- Thar Coal based Power Plants
- Imported LNG-based Power Plants (short term availability)
- Nuclear Power Plants such as Karachi Coastal & other plants in the mid country

Increase Indigenization

To improve the energy mix and to reduce costs of electricity we have to rely on indigenization of the energy supply by utilizing local resources such as Coal, Hydel, Renewable and Nuclear power generation. The share of costly oil in electricity generation needs to be reduced.

10.2 Fuel Sector

10.2.1 Review 2013-14

Physical

A status of indigenous oil, gas production, policy, import of gas projects and other measures to improve the gas transmission and distribution system persuaded during the year 2013-14 is given as follows:

Oil and Gas Production

During 2013-14, crude oil production was 85000 barrels per day (BPD) while gas production was 4.1 billion cubic feet per day (BCFD) against the demand of 5.5 BCFD envisaging a shortfall of 1.5 BCFD. The Liquefied Petroleum Gas (LPG) production remained at 1100 tons per day.

Petroleum Policy

The Petroleum Exploration and Production (E&P) Policy, 2013 was approved to accelerate the exploration and production activities by encouraging the foreign investment.

Measures to Curb Gas Theft

To curb the practices of oil and gas theft and pilferage and abuse of unlawful connections of oil and gas through numerous means and to provide adequate punishment proportionate with the gravity of offense and to deal with allied matters, the Parliament has approved the Criminal Law (Amendment) Act, 2011 by amending the Pakistan Penal Code, 1860 and Code of Criminal Procedure, 1898. The President of Pakistan also had given his assent to the said legislation and this law is intact.

The President on 23-1-2014 promulgated Gas Theft (Control & Recovery) Ordinance 2014 which will allow gas utility companies to nab the gas thieves and make recovery against the theft volume.

Gas Infrastructure Project

The Sui Southern Gas Company Limited (SSGCL) is expected to complete the following projects during the current financial year 2013-14

- Zarghun – Quetta Gas Pipeline Project (12" dia x 64 Km)
- Gas Pipeline from Bin Qasim to Pakland (for RLNG) (42" dia x 17 Km)
- Tando Adam - Massu Pipeline Loop (24" dia x 33 Km)

The Sui Northern Gas Pipeline limited (SNGPL) has also initiated Infrastructure Development Project of Northern Transmission Network to pick up additional gas

supplies of approx. 160 MMCFD from northern sources i.e. MOL's Manzalai, Maramzai, Makori fields and OGDCL's Nashpa field.

10.2.2 Gas Import Projects

Turkmenistan-Afghanistan-Pakistan and India (TAPI) Gas Pipeline

The TAPI parties agreed to form a special purpose vehicle (TAPI Ltd) with four designated gas companies from the TAPI countries and proceed with this vehicle to undertake certain pre-project activities including the selection of the Consortium Leader. Further, TAPI Parties agreed to appoint Asian Development Bank (ADB) as the Transaction Advisor (TA) for the project.

The Transaction Advisory Services Agreement (TASA) was discussed with ADB and finalized. The main assignment of the Transaction Advisor is to identify and select a world class technically competent and financially capable international company as consortium leader for the project through competitive solicitation. As per approved TASA, the Traction Advisor i.e. ADB will complete its activities culminating in the signing of investment agreements for entry of consortium leader within six months time frame.

10.2.3 Coal Sector

Coal Exploration Projects

The following two projects have been executed by the Geological Survey of Pakistan, Ministry of Petroleum & Natural Resources with the objective to establish the coal resources in the respective fields of Sindh and Punjab Province.

- Appraisal of Newly Discovered Coal Resources of Badin Coal Field and its adjoining areas of Southern Sindh.
- Exploration of Tertiary Coal in Central Salt Range, Punjab

Thar Coal Mining Project

Sindh Engro Coal Mining Company (SECMC) a Joint Venture of GoS & Engro being the lease-holder for Thar Block-II (95.5 Sq Km) has carried out a detailed Feasibility Study through internationally renowned German & Chinese consultants. An NOC for Mining has been issued by Sindh Environmental Protection Agency (SEPA). Coal Tariff Petition is under review by the TCEB (Regulatory Authority).Firm bids from Four Chinese EPC contractors has been received and the Contractor selection by SECMC BoD is expected by end April, 2014.

Jamshoro Coal Fired Power Plant

A 2x600 MW Coal Fired Power Plant at Jamshoro is approved with the financial assistance of ADB. The power plant is to utilize both the imported and thar coal in the ratio of 80:20. Coal Supply Agreement (CSA) will be signed with GENCO for approximately 1 Million tons per annum.

10.2.4 Financial

During 2013-14 an allocation of Rs. 2806.3 million was made for Fuel Sector excluding non-budgetary corporations programme. Against the aforementioned allocation, the expenditure estimates are Rs. 2.23 million.

10.2.5 Program for 2014-15

Physical

Oil and Gas

During 2014-15, the crude oil production is planned to be 97,590 BPD against production of 85,000 BPD in 2013-14. The gas production is planned to be 3.8 BCFD against the production of 4.1 BCFD in 2013-14. The Liquefied Petroleum Gas production is expected to be 1200 tons/day.

Gas Infrastructure Projects

During 2014-15, the SSGCL will undertake the following Gas Pipeline Projects:

- Jhal Magsi Gas Pipeline project (8" dia x 85 Km)
- Consortium Pipeline Project (20" dia x 129 Km)
- Badin Gas Field Pipeline project (18" dia)

The SNGPL will also undertake development of pipeline infrastructure for the upcoming LNG imports and anticipated enhanced indigenous supplies. The project is at initial stage of planning and may alter keeping in view the LNG supplies eventually planned by GoP. The project comprises approximately 863 kms of pipelines of assorted diameters ranging from 16" dia to 42" dia with additional compression of approximately 30,000 hp.

Gas

Turkmenistan-Afghanistan-Pakistan and India (TAPI) Gas Pipeline

The ADB which is selected as transaction advisor by the TAPI parties will endure to select investors for the project. The TASA is already signed with the ADB.

LNG

Fast track LNG terminal projects having capacity of 400-500 MMCFD will be persuaded by M/s. Inter State Gas System. The Elengy Terminal Pakistan Limited (ETPL) has been declared as successful bidder for setting up LNG terminal at Port Qasim and the SSGCL management has already negotiated the LNG services agreement with the ETPL. GoP will persuade the procurement of LNG from different potential sellers particularly from Qatar on Government to Government basis. The import of LNG having capacity of 200 MMCFD initially is expected by December, 2014.

Iran-Pakistan Pipeline Project

During 2014-15, the implementation of IP project will be persuaded with Government of Iran. The work on the gas pipeline construction in the Iranian side is being under completion whereas in the Pakistani side it is to be started as soon as finances for the project are arranged and issue of sanctions on Iran are resolved.

Coal Sector Programme

Coal Exploration Projects

The execution of following two projects will be continued by the Geological Survey of Pakistan, Ministry of Petroleum & Natural Resources during 2014-15:

- Appraisal of Newly Discovered Coal Resources of Badin Coal Field and its adjoining areas of Southern Sindh.
- Exploration of Tertiary Coal in Central Salt Range, Punjab

Thar Coal Mining Project

The Thar Coal Mining Project under implementation by the Sindh Engro Coal Mining Company (SECMC) is expected to achieve financial close during 2014-15. As such, full scale project activities will be initiated / started accordingly.

Financial

An allocation of Rs. 166.720 million has been allocated in PSDP 2014-15 for the Fuel/Natural Resources Sector, excluding the non-budgetary corporations.

Chapter 11 Water Resources Development

The Pakistan economy still drives its main strength from irrigated agriculture where water plays a pivotal role. The level of agricultural production is directly related to the availability and effective use of water as a major input.

While the demand for water is on the increase, the opportunities for further development of water resources or maintaining their use to existing levels are depleting fast. The current per capita water availability at 1000 m^3/person is very low, resultantly ranking Pakistan in the category of a highly water stressed country. The Government of Pakistan's Vision for the welfare, poverty alleviation and well being of people has been given top priority in the development programme/projects being implemented under the water sector. Water is a key source for GDP growth and poverty alleviation; therefore, the water sector gained major focus throughout the last decade in the development programme. Water availability is continuously diminishing in all contexts; formulation & effective implementation of a comprehensive set of measures for the development and sustainable management of water resources is the key challenge. The strategies adopted provide a benchmark for moving forward in the next five years (2013 to 2018).

Box 11.1: Indus Basin System

- Indus Basin Irrigation System is the world's largest contiguous irrigation system.
- It commands an area of about 14.3 million hectares (35 million acres)
- Indus Basin System includes three large reservoirs: Tarbela, Mangla and Chashma.
- It consists of 23 barrages/headworks/siphons and 12 inter-river links.
- 45 canal commands extend for about 60,800 km to serve over 140,000 watercourses.

Box 11.2 Investment Areas

a) Augmentation of water resources (construction of small/medium dams)

b) Conservation measures (lining of irrigation channels, modernization/rehabilitation of irrigation system, lining of watercourses and micro irrigation system

c) Protection of infrastructure from onslaught of floods and water logging & salinity

Box 11.3: Tools

Tools:

a) Public sector investment
b) Better Governance & Management
c) Technological Innovation

The broad goal of development of water resources sector is to uplift the agro-based economy on the national level by maximizing crop production, through progressively increasing surface water supplies and conserving them using the latest technologies available and protecting land and infrastructure from water logging, salinity, floods and soil erosion in an integrated manner. The goal also includes catering to the increasing demand of water for industrial and commercial activities in a cost effective manner as well as for drinking purposes.

11.1 Guiding Principles

The processes of planning, development and management of water resources shall have the guiding principles of equity, efficiency, participatory decision making, sustainability and accountability with the following objectives.

- Providing adequate and safe drinking water for all
- Ensuring food security for all in Pakistan and feed security for livestock
- Providing hygienic sanitation facilities for urban and rural population
- Maintaining water quality and protecting water resources by preventing their pollution
- Treatment and possible reuse of waste water – domestic, agricultural and industrial
- Restoring and maintaining the health of the environment and ecology
- Flood management to mitigate floods and minimize flood damages
- Hydropower development for economic growth
- Security of benefit streams of the water related infrastructure for sustained provision of services
- Conservation measures and optimizing water use efficiency

11.2 Key Challenges of Water Sector

The major water sector issues identified in manifestation of **Vision 2025** are as under;

- Diminishing per capita water availability
- Trans-boundary issues in need of immediate addressal
- Financing of mega projects in water sector
- Water governance issues
- Declining water table and endangered groundwater sustainability
- Unrealistic season-wise and annual canal head withdrawals
- Exceedingly growing demand of water
- Reservoir sedimentation
- Flood management
- Absence of appropriate water legislation
- Un-trapped water
- Inadequate carry over capacity
- Sub-optimal use and low productivity

- Low GDP contribution per unit of water
- Insufficient storage capacity with extensive seepage losses in the irrigation system
- Inadequate O&M and poor cost recovery
- Ineptitude of water sector institutions
- Absence of measures for rainfall harvesting,
- Un-safe disposal of drainage effluent to the sea,
- Lack of private sector participation,
- Increased poverty in backward irrigated areas, and
- Dearth of reliable water sector data

The mechanisms/strategies adopted to overcome issues mentioned above:

- Radical changes in water governance
- Integrated water resource management
- Conservation measures through lining of irrigation channels, rehabilitation of irrigation system, lining of watercourses, in-situ moisture conservation in arid regions, rainwater harvesting, gully management, farm water control structures
- Surface and sub-surface drainage
- Protection of infrastructure from onslaught of floods.
- Institutional strengthening, capacity building and human resources development.
- The existing water sector strategy is to curb water sector challenges centres around three important elements i.e.
- Augmentation of surface water resources by construction of water storage dams.
- Conservation by lining of canals and watercourses.
- Efficiency enhancement by rehabilitation & better operation of existing system.

Extended strategy devised in Vision 2025:

- Groundwater recharge
- Use of saline water
- Water pricing as a mechanism of efficiency
- Sustainable use of resources (land, water & environment)
- Climate change implications
- Trans-boundary water implications

In this context, the challenge will be the formulation and effective implementation of a comprehensive set of measures for the development and management of water resources. This would include the development of additional medium and large-size reservoirs, integrated resource use, the introduction of water efficient techniques, containment of environmental degradation, institutional strengthening, capacity building and human resources development.

Knowledge based interventions:

- Efficient operation of the system
- Extensive development endeavors
- Equity in public investments
- Mining of groundwater reservoirs
- Depletion of surface reservoirs
- IWRM
- Water governance
- Sustainability of land & water resources
- Trans- boundary waters
- Gender equity

11.3 Review of FY 2013-14

During the fiscal year 2013-14, the major strategy adopted to address the water sector's issues and investments in the sector was thus:

a. Augmentation of surface water resources by construction of water storage small/medium dams,

b. Conservation measures (lining of irrigation channels, modernization/rehabilitation of irrigation system and efficiency enhancement by rehabilitation & better operation of existing system,

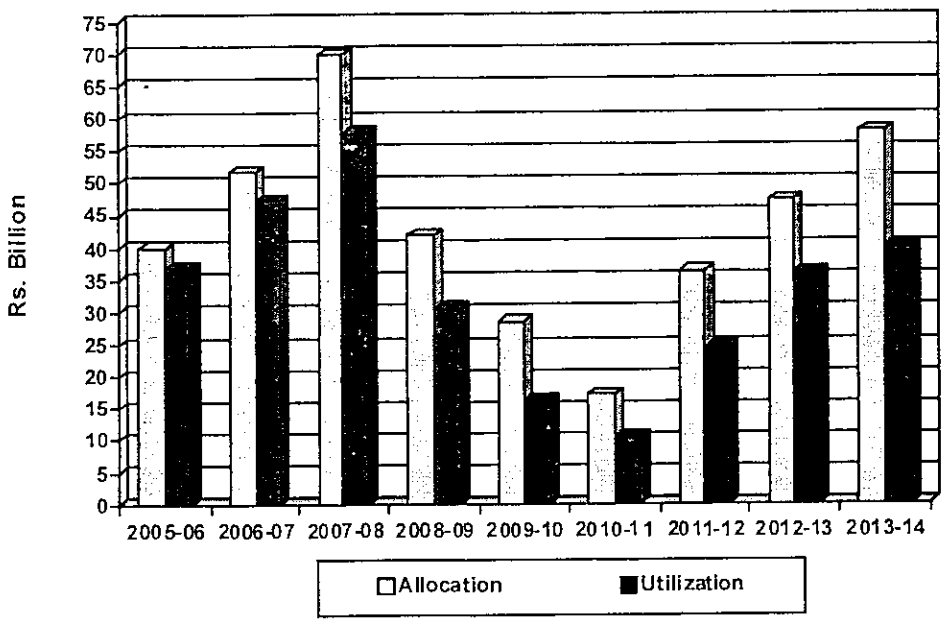
c. Protection of infrastructure from onslaught of floods and water logging & salinity. Maximum resources were allocated to complete the on-going projects & high priority water storages in an effort to overcome the scarcity of water through augmentation and conservation measures. However, the planned targets could not be achieved due to a number of reasons, such as:

   - financial stress on the overall development programme,
   - inadequate budget allocation and complicated/lengthy release process of the development budget
   - poor planning, monitoring and evaluation by the executing agencies
   - non-prioritization of development schemes by the executing agencies keeping in view inadequate development funds

- Poor administrative role and lack of interest by pertinent management authorities/departments and the executing agencies to resolve the implementation issues/bottlenecks
- Overall bad law and order situation in the country

More than Rs. 57.00 billion financial resources were allocated for the above mentioned water sector's strategies/programs. Out of which it is expected that an amount of Rs. 30 to 35 billion will be utilized (about 52% of allocation).

Fig. 11.1: A Glance at Previous Years' Allocation and Utilization in Water Sector



11.4 On-Going Major Programs during 2013- 14

- Out of total allocated budget (Rs 57.8 billion) for water sector, more than Rs 32.65 billion has been released & utilized so far for achieving the following landmarks:
- Substantial completion of Phase-I of Kachhi Canal in Balochistan & Rainee Canal Sindh for irrigating 2.864 million acres
- Operationalization of Mangla Dam Raising Project & completion of Satpara Dam in Gilgit Biltistan.
- Completion of Gomal Zam Dam Project in Tribal/Khyber Pukhtoonkhwa area for irrigation of 163,100 acres of agriculture land and 17.4 MW power generations

- To overcome water scarcity, utilization of Rs. 4,000 million for lining of irrigation channels in Punjab and Sindh during the FY 2013-14
- For the modernization of existing irrigation system, an amount of Rs. 4,300 million is expected to be utilized during the year 2013-14 on improvement of existing irrigation system in Punjab, Sindh & Khyber Pakhtunkhwa
- Rs. 17.77 billion are allocated and expected to be utilized on construction of new small/medium dams all over Pakistan (Mangla, Satpara, Gomal, Darwat, Nai Gaj, Kurram Tangi & Naulong dams).
- In Balochistan, about Rs. 5.80 billion are expected to be utilized on construction of new small/delay action dams, improvement of existing irrigation system & flood schemes
- In drainage sector, a sum of Rs. 4.901 billion has been allocated for fast track implementation of RBOD-I, II & III Projects to protect & reclaim 4.90 million acres of irrigated land.

An overview of targets set for FY 2013-14 and achievements is given in table below along with targets set for FY 2014-15:

Table 11.1: Key Physical Targets & Achievement for 2013-14 and Targets for 2014-15

Item	Unit	Target 2013-14	Achievements 2013-2014		Target 2014-15
			Physical	%age	
Irrigation					
Water Availability (additional)	MAF	140.00	137.51		138.00
	Mhm	17.27	16.96		17.03
Earthwork for dams & canals/irrigation System	MCM	30.00	16.50	55	20.00
Concrete work for dams/canal/ irrigation System	MCM	1.00	0.56	56	0.70
Const. of delay action/check/ & small dam	Nos.	6	5	45	8
Drainage & Reclamation					
a) Surface Drains (Earthwork) (Extension, rehab. & remodelling of drain)	MCM	10.00	4.5	116	8.00
Flood Control Program					
Under Normal Flood Program (flood scheme)	No	25	10 to15	60	20

MAF: Million Acre Feet, MCM: Million Cubic Meters, Mhm: Million Hectare Meters, Mha: Million hectares

11.5 Programme for 2014-15

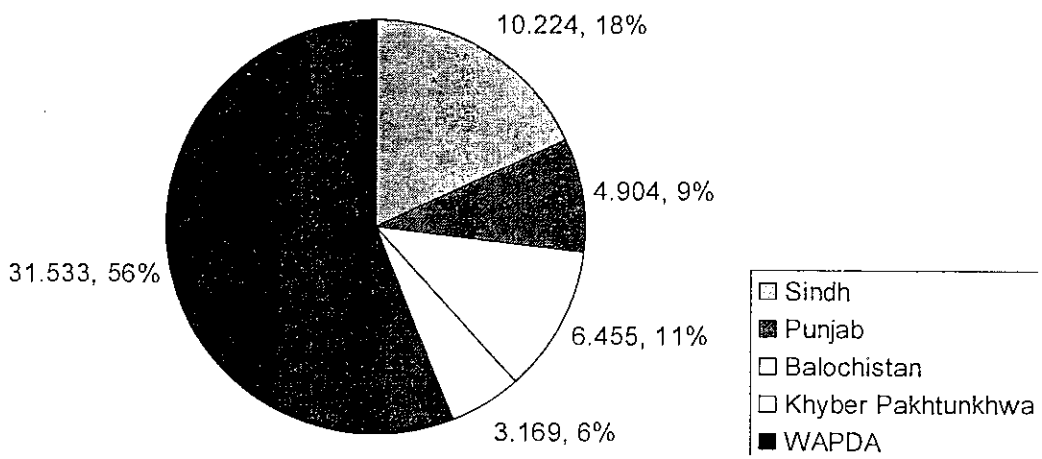
The main strategies and policies adopted in line with the objectives of Vision 2025 and 11th Five Year Plan (2013-18), the water sector's planned strategies/programmes are:

- Implementation of an integrated water resource development approach to overcome water sector's current and future challenges

- Giving priority to the augmentation measures (construction of small/medium dams)
- Completion of medium priority development programme in order to lessen the financial burden
- Operationalization of public investment already made
- Conservation measures to minimize water losses through lining of irrigation channels, rehabilitation of irrigation system, lining of water courses, construction of small dams
- Safe disposal of drainage effluent in a safe manner
- Protection of infrastructure, agriculture lands & abadies from onslaught of floods.

Knowledge management, institutional strengthening, capacity building and human resources development will be prioritized. For the next financial year 2014-15, out of total proposed water sector's budget Rs 43.227 billion, maximum resources have been allocated for on-going development programme for their timely completion, including construction of small/medium dams, drainage projects, construction of new canals projects and improvement of existing irrigation network.

Figure 11.2: Percentage Distribution of Water Sector PSDP 2014-15



Knowledge Based Management

(As envisaged in Vision 2025 & 11th Five Year Plan 2013-18)

- Pakistan's Vision 2025 envisages a knowledge based economy. This requires acquisition and management of knowledge for optimal use of resources.
- For the operationalization of Vision 2025, 11th Five Year Plan (2013-18) is the focused programme of action. In order to implement the agenda, developmental frontiers of knowledge are required in this competitive world of WTO's era.

- The government of Pakistan has strengthened and empowered the Planning Commission to play its role in the national development as an organization to meet the challenge of knowledge management.
- As a think tank, Planning Commission understands that its Members and Chiefs should be professionals of international repute and should be supported by better qualified officers.
- It is important to mention that Planning Commission being a decision making body should be a lean organization, therefore the idea of using knowledge and human resources outside Planning Commission is the basic input to change management in the Planning Commission.
- Water Sector involves a number of specializations such as agricultural engineering, hydraulic engineering, irrigation engineering, dam engineering, soil engineering, system engineering, efficient irrigation engineering, water quality, hydropower, drainage engineering, water logging and salinity, water environment & ecosystem, machinery and equipment, project management, hydrology, sedimentation engineering and water management as conventional subjects. Therefore, it is paramount to gather effective and integrated collaborative multidisciplinary participation.
- For cost effectiveness, it is important to utilize the services of experts hired for short term for specialized assignments and corporate/private sector where multi disciplinary activities are involved.
- Climate change, trans-boundary waters, demand management, water governance, resettlement, use of saline water, reuse of waste water, water rights management, recharging ground water, mutual water trade, international water laws are the emerging realities for the sustainability of land and water resources. Implementation of the plan will be carried out in reconciliation with these facts.
- A number of projects require professional input for efficient use of investment and proper solution to the problems for e.g.:
  - Augmentation of water resources by building new major dams (Akhori Dam, Diamer Bhasha Dam)
  - Medium dams (Munda Dam, Satpara Dam, Gomal Zam Dam, Mirani Dam, Kurramtangi Dam, Sabakzai Dam)
  - Irrigation infrastructure (Rainee Canal, Kachchi Canal, Greater Thal Canal)
  - Improvement of existing water infrastructure (widening of Pat feeder Canal, Remodeling of Keerthar canal, additional works of CRBC)
  - Conservation of water by lining of watercourses, canals and distributaries
  - Construction of small dams & delay action dams in Sindh, Khyber Pakhtunkhwa, Punjab and Balochistan
  - Implementation of Drainage Projects (RBOD-I, RBOD-II, RBOD-III),
  - Efficient use of Swat, Kabul and Chitral rivers.

In order to provide knowledge input into Water Sector development including above projects and other emerging needs, it is imperative to provide opportunity to utilize

existing and additional resources. The venture proposed is to cater above needs in a holistic, integrated and cost effective manner.

- Water is a people centered subject and scarcity generates contentious issues, therefore it is also imperative to consult broad based professional organizations, reflecting independent views.
- The task forces/think tanks/working groups constituted to operationalize Pakistan's Vision 2025 require essentially collective thinking; however, main streaming their suggestions and recommendations into the developmental plan is to be prioritized.
- It is envisaged that independent individual consulting firms' national and international experts will be hired to provide specific inputs. Furthermore, professional organization like PEC, Chamber of Agriculture will be supported to get their input and working group/ think tanks will be mobilized through this proposal.

11.6 Expected Water Availability

It is expected that the overall water availability at farm gate will remain about 17.03 Mhm (138.00 MAF) in 2014-15. This would include surface water supplies through canal withdrawals, canal lining/remodelling, irrigation system rehabilitation/ improvement programme, construction of small/medium dams, check dams and retention weirs. About 6.19 Mhm (50.21 MAF) of water would be included in the system from underground fresh water aquifer mainly by private tube wells. Water losses of the system through seepage would be improved through major emphasis on water conservation measures such as remodelling/rehabilitation of existing irrigation system, lining of irrigation channels/watercourses & completion of on-going mega projects.

Drainage

In the drainage sub-sector and improvement of irrigation infrastructure, the work on RBOD-I, II & III continue for this about 8.00 MCM of earth work for surface drains and concrete/stone work is planned for the next fiscal year 2014-15, more than 20 MCM of earthwork targets have been fixed for rehabilitation of existing channels, small/check dams, irrigation infrastructure/system improvement and construction of major /minor structures.

Flood Management

Under Normal/Emergency Flood schemes, it is planned to spend an amount of Rs 1,000 million to complete about 20 on-going/new small emergent flood schemes in Pakistan.

Irrigation

An amount of Rs 35,492 million (84% of total water sector allocation) has been proposed during 2014-15 for irrigation projects (small/medium dams, check & delay action dams, canals, lining of irrigation channels & Improvement of existing irrigation system). Programme for "lining of irrigation channels in saline zones" will continue in Punjab, Sindh and Khyber Pakhtunkhwa to check for seepage and other losses. A sum of Rs 4,380 million has been proposed for this programme for the next fiscal year 2014-15. Sufficient budget has been allocated to on-going (Mangla, Gomal Zam Dam, Ghabir, Darwat, Nai Gaj, Kurram Tangi & Naulong dams. Remaining works of Phase-I of Kachhi & Rainee, and Extension of Pat Feeder Canal in Balochistan will continue in full swing for their timely completion. In addition to this, adequate funds have also been provided for revamping/rehabilitation of irrigation system of Sindh, Punjab and Khyber Pakhtunkhwa, Lining of Irrigation Channels in Punjab and Sindh.

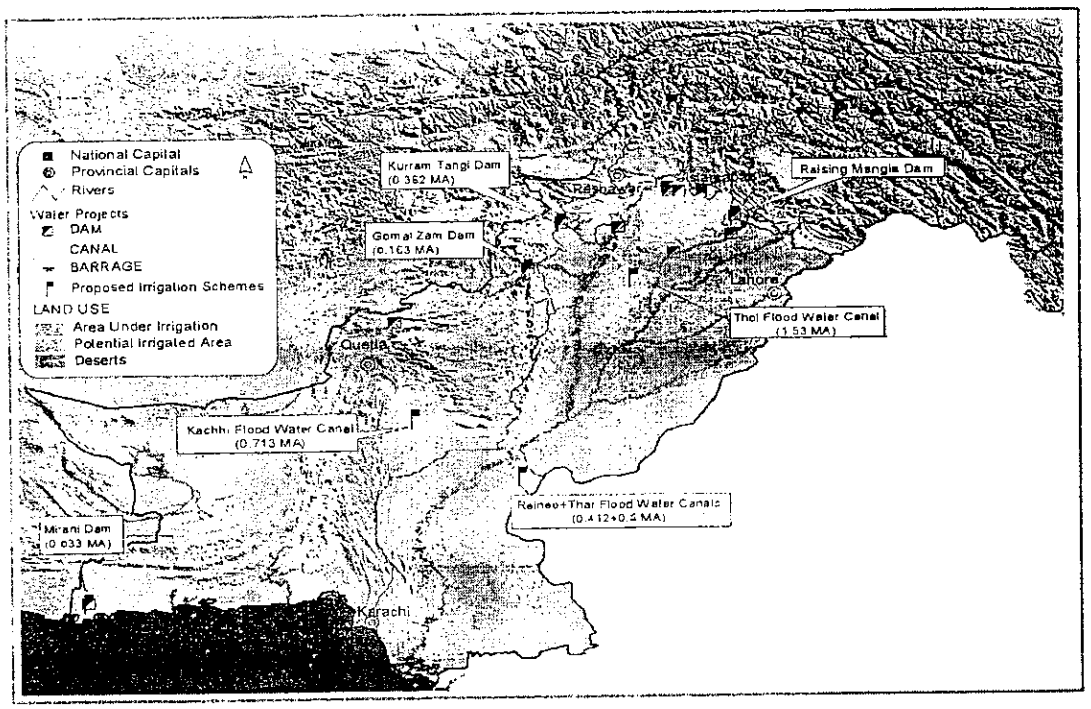
Major On-going Projects

- Raising of **Mangla Dam** (Physically completed, liabilities to be cleared).
- **Gomal Zam Dam** (Main dam structure has been completed whilst work on irrigation network is 87% completed)
- **Darawat Dam** (More than 93% physically completed)
- **Naulong Dam** (Initial works in progress)
- **Nai Gaj Dam** (30% completed)
- **Kachhi & Raniee Canals** (Phase-I of both canals is substantially completed)
- **RBOD-I, II & III** (Physical works completed 89%, 66% & 83% respectively).
- **Construction of 100 Small dams (Package-I &II) Balochistan** (under Package-I, out of 20 small/delay action dams, 16 have been completed and remaining will be completed by Dec. 2014. Whereas under Package-II, one is completed while more than 50% work has been completed on 11 delay action dams)

Other On-going Projects

- Construction of Tayyab drain in Punjab
- Revamping/rehabilitation of Irrigation & Drainage System in Sindh.
- Punjab Irrigation System Rehabilitation Punjab.
- Lining of Irrigation Channels in Punjab, Sindh & Khyber Pakhtunkhwa.
- Makhi Farash Link Canal and Sukkar Barrage Rehabilitation works (Sindh)
- Extension of Pat Feeder Canal (Balochistan).
- Construction of Shadi Kour, Akra Kour, Bolan, Toiwar/Bathoza Dam, Balochistan.
- Six Flood Dispersal Structures on Nari River, Balochistan
- Flood Protection Programme
- Survey, Investigation and Research

Figure 11.3: Major On-going Water Sector Projects' Locations



Chapter 12 Urban Development

The Physical Planning & Housing Sector support urban development and mega cities across all provinces and regions of the country through provision of housing, drinking water supply and sanitation facilities. Construction of government offices and development of Islamabad is also comes under the umbrella of this sector. The subjects of water supply and sanitation have been devolved to the provinces after the 18th Amendment in Constitution of Pakistan; however, Federal Government is still providing partial financial assistance to the provinces to achieve Pakistan's Millennium Development Goals. Provincial governments undertake the physical planning & housing sector activities at local level, by preparing and implementing development plans / programs / projects, as well as sharing of financial resources with local governments. The delivery of municipal services remains the responsibility of local governments.

Cities are the pathways for higher growth, and globally there is a strong relationship between urbanization and GDP growth. Most growth in recent decades has originated in urban-based services, followed by industry that is also largely urban in nature. Pakistani cities contribute overwhelmingly to GDP and towards government revenues. Although they are the sources of economic growth, Pakistani cities are short of delivering basic services to many of their residents. Investments in basic urban services for all are required to maintain and enhance the productivity dividend of urban living, and for sustained and inclusive higher growth.

12.1 Existing Situation

The population of Pakistan was 32.5 million in 1951, at that time it was 14th most populous country in the world. Its population has since increased approximately 5.5-fold, reaching 184.5 million in 2012-13. Pakistan is now the sixth most populous country in the world (NIPS-2013). The current population growth rate is 2 percent. According to estimates, Pakistan will become the fifth most populous country in 2050 at its current rate of population growth (NIPS-2013). At present, the population density in Pakistan is 231 persons per square kilometer.

The Housing Census of 1998 recorded a total of 19.21 million housing units (12.03 million in rural areas and 7.18 million in urban areas). It represented an occupancy rate of 6.8 persons per housing unit (6.7 persons in rural areas and 7.0 persons in urban areas). These numbers are almost double then the United Nations definition of tolerable overcrowding i.e. 1.4 to 2.0 persons per room. The housing shortage estimated in 1998 is about 8.25 million (5.31 million housing units in rural areas and 2.94 million units in urban areas). The annual production of housing units lags behind the annual demand, which creates a backlog and adds-up annually, to the existing shortage of housing. The annual housing demand in Pakistan is estimated to be 680,000 housing units (450,000 units in rural and 230,000 in urban areas). It is estimated that annual production is

approximately 410,000 housing units (286,500 housing units in rural areas and 123,500 units in urban areas). Consequently, the estimated backlog adding-up to the existing shortage of housing is 270,000 housing units (163,500 housing units in rural and 106,500 units in urban areas) every year. The supply side is extremely weak, meeting about one-third of the requirement. Most of these houses are being built by the private sector, which tend to exclude the coverage of low-income groups. Public sector housing schemes are less in number and take very long to develop.

In spite of the government's encouragement of the private sector, the latter's participation has been nominal. In cities, there remains the chronic issue of lack of water supply and poor sanitation. Access to safe water and sanitation are basic determinants of better health. Access to an improved source of drinking water is nearly 93% (NIPS-2013). The most common source of drinking water in urban areas is water piped into a dwelling, yard, or plot (50%), followed by a tube well or borehole/hand pump (23 %), a public tap or standpipe (9 %), a filtration plant (8 %), and bottled water (6 %). In contrast, a tube well or borehole is the main source of drinking water in rural areas (62 %), followed by water piped into a dwelling or yard (20 %), a public tap or standpipe (5 %), and a protected well (3 %). Another issue with regard to water is that its sources (river, canal, lakes and groundwater) are being polluted.

Households' sanitation facilities are important in preventing risks of diseases such as diarrhea, dysentery, and typhoid. At the household level, adequate sanitation facilities include an improved toilet and disposal that separates waste from human contact. A household is classified as having an improved toilet if it is used only by household members (is not shared with another household) and if it separates waste from human contact (WHO and UNICEF, 2010). A total of 59 % of households have an improved, not shared toilet facility, and 11% use a shared facility. Urban households are more likely than rural households to use a toilet facility that is not shared (86 % and 45 %, respectively). About 30 percent of households use a non-improved toilet facility. Of these households, 6 % use a flush toilet that is not drained to a sewer or septic tank/pit latrine, and 2 % use pit latrines without slabs or have open pits (NIPS -2013).

In Pakistan city development and expansion has always been based on horizontal axis (ribbon development / remote towns). The development of the infrastructure has not kept pace with urbanization and suffers from deficiencies both in quantitative and qualitative terms. The cities have now, accumulated huge deficits in all sub-sectors such as housing, water & sanitation, transport, utilities and road networks etc., which is adversely affecting their living conditions and their role as engines of economic growth.

Further, growing urbanization and increasing demand for development has placed enormous pressure on financing of urban development activities. The local governments continue to depend on transfers from the provincial governments rather than attempting to mobilize other resources and promoting private sector investment. The existing legal framework within which urban areas operate (a mixture of local government and development authorities) of large cities and urban areas needs reforms. There is a need to make legal and regulatory arrangements more conducive for private investment.

12.2 Issues and Challenges

The urban development focuses following characters:

- Lack of understanding and capacity to manage urbanism
- Unregulated urban property market
- Distortion of prices of urban real estate due to absence of an effective regulatory framework / mechanism;
- Real estate development suppressed by by-laws and zoning regulations;
- Automobile dependent urban sprawl;
- Housing development catered to elite and not need based;
- Low density, anti-pedestrian, anti-street, anti-mixed land use and anti-dissolved space central business districts and commercial centers;
- Displacement of settlements due to development and relocation of low income communities at urban peripheries;
- Discrimination and high transport costs due to lack of public transport;
- Unavailability of developed land to urban poor;
- Poorly designed civic architecture;
- Poor urban services and infrastructure resulting in environment and health hazards as well as disrupting economic activity; and
- Absence of properly planned and appropriately located transport and cargo terminals, wholesale markets, warehousing and storage areas.

12.3 National Sectoral Policies / Strategies

At present following policies are operational:

- Vision 2025
- National Housing Policy 2001
- National Resettlement Policy 2002
- National Water Policy 2009
- National Drinking Water Policy 2011
- National Sanitation Policy 2012

12.4 Performance Review of 2013-14

During the financial year 2013-14, an amount of Rs 17 billion was allocated to different Ministries / Divisions /departments as well as to the provinces throughout the country, for implementation of Urban Development Programs. Major allocations were made to the programs/projects relating to water supply & sanitation, government buildings, housing and urban roads etc. It is estimated that up-to 30th June 2014 about Rs 12 billion will be spent on development of projects pertaining to Physical Planning & Housing Sector such as water supply; sanitation/drainage; government office buildings; and low-income housing etc.

Box12.1: Urban Challenge Fund

A robust social infrastructure plays an important role in making cities attractive and successful places to live. In most of the cities of Pakistan local governments face acute financial constraints to support development of social infrastructure and cities are losing their charm and quality. They are not contributing optimally to the national economic growth also. Therefore, the principal objective of Urban Challenge Fund (UCF) is to address the issue of resources of the local governments and provide them financial support from the federal government in the form of small grants and enable them to undertake small scale social infrastructure projects in their cities. The other objectives are to:

- Create strong, healthy and sustainable urban communities
- Improve social and cultural conditions in cities
- Promote local culture, heritage, knowledge and creativity
- Generating economic and employment opportunities

12.5 Programmes during 2014-15

Rapid urbanization and bulging population has increased pressure on existing continuously deteriorating infrastructure and necessitated requirement for provision and expansion of sustainable and affordable urban municipal services and housing facilities with special focus on management. Therefore during the plan period 2014-15, focus will be on provision and expansion of sustainable and affordable urban municipal services and housing facilities with special focus on private sector / user management. Following are important strategic programs planned for FY 2014-15 to achieve national goals:

- Metro bus, metro train and circular train
- Establishment of Urban Resource Centre
- Establishment of Urban Challenge Fund
- Formulation of National Urban Sector Action Plan with a bottom-up approach
- Formulation of National and Regional Urban Policies
- Formulation of National Disaster Management Policy in consultation with national and international organizations
- Implementation of Prime Minister's Housing Program
- Federal Government will promote initiation of programs / projects for economic development of Cities like Multan Walled City Project would be replicated in other

historic cities to improve socio-economic and environmental conditions

- Provincial Government would be encouraged to implement urban policies that lead to increased public and private spending on urban services.
- Federal Government in collaboration with Provincial governments would focus on scaling-up efforts for provision of most affordable & sustainable municipal services.
- Provincial, local and city district governments would be encouraged to develop & implement water supply & sanitation programs according to Vision 2025.

Chapter 13 Environment

13.1 Environment and Climate Change

Climate change is a major emerging challenge globally, Pakistan is likely to face major consequence i.e. glacier melt and drought. Environmental degradation in natural resources (land, water, air) may cause damage to sustainable development. Industrial Pollution of Fresh Water though not too high at the moment, is likely to rise if economic activity is left unchecked and remains unaligned with the goals of sustainable development. By 2025 (Vision 2025), Pakistan seeks to attain goals of sustainable social and economic development, ensuring water, food, energy and environmental security, without over-exploiting forests and protecting ecosystems.

Forests and ecosystems of watershed areas play vital role in regulating quantity and quality of fresh water flowing down from the melting of snow and glaciers. Climate change is adversely impacting forest and ecosystems in multiple ways, both directly and indirectly. Degraded ecosystems of watershed areas inversely affect quantity and quality of fresh water to downstream reservoirs and irrigations networks, thereby impacting agriculture and agro-based industries. Diminished river flows result in large-scale disappearance of riverside forests and deltaic mangroves, exposing cities and irrigated tracts to further devastation. Many plant and animal species are under threat of extinction in the wake of rapid increase in climate change. Economic activities and sustainability of infrastructure including human settlements, communication networks, dams and canals also depend on consolidation of forests and ecosystems.

Environment sector is recognized in the calculus of the economic or social sectors in Pakistan, even though the direct and indirect losses to the economy are estimated at over Rs.400 billion annually (Source: World Bank 2006). The inability to address the situation will result in extremely high environmental and economic costs in the future. It is therefore necessary to help improve the country's capacity to achieve environmentally sustainable economic development to meet the needs of present and future generations. The Government of Pakistan believes in the creation of opportunities for the present generation without compromising on the potential of future generations to meet their developmental needs. Environmental degradation is also fundamentally linked to poverty in Pakistan. Approximately less than one-fourth of the country's population, like in most developing countries, is poor and directly dependent on natural resources for their livelihood through activities such as agriculture, hunting, forestry, fisheries, etc. Poverty combined with a rapidly increasing population and growing urbanization, is leading to intense pressures on the environment.

13.2 Environmental Challenges

Pakistan contributes very little to the overall Greenhouse Gas (GHG) emissions, but remains severely impacted by the negative effects of climate change by the increased glacier melt, severe and extreme events like floods, droughts, etc. In the long run, there is a forecast for increased river flows within the next two to three decades; followed by decreased river flows over time as glaciers recede; freshwater availability is also projected to decrease which will lead to biodiversity loss and reduced availability of freshwater; increased intrusion of sea; decreased crop yields, etc. Pakistan's geographical location and socio-economic fragility has pushed it to the top of the list of countries that are most vulnerable to the environmental, social and economic ramifications of climate change (Source: German Watch, 2011). Lack of resources and inclination to adapt to the changes will worsen the situation even further.

- Environmental Degradation - air and water pollution, climate change, ozone layer depletion, deforestation, desertification, and vanishing biodiversity and land degradation have resulted in an ecological imbalance - costing Pakistan's economy over Rs. 365 billion yearly, of which inadequate water supply, sanitation and hygiene accounts for Rs.112 billion, agriculture soil degradation Rs.70 billion, indoor pollution Rs.67 billion, urban air pollution Rs65 billion, lead exposure Rs.45 billion and rangeland degradation and deforestation Rs. 6 billion. But environmental experts believe that presently the environmental degradation cost must actually have increased beyond Rs450 billion.
- Water and Air Pollution causing widespread diseases.
- Adaptation to the impact of climate change and its effect on energy, water and food securities.
- Preparedness for adaptation/mitigation due to climate change and to avail opportunities under CDM.
- Preparedness for an effective disaster management strategy so as to avoid damages to the environment.
- Assess Watershed degradation and deforestation
- Waste (solid, liquid, hazardous) Management
- Green economy: improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities- initiatives and its impacts on Pakistan. Through linking natural resource based livelihoods to protection and rehabilitation of ecosystem services, the green economy can help reduce poverty and enhance environmental sustainability
- Implementation of planned initiatives with efficacy to increase forest cover and biodiversity.
- Reduce land degradation.
- Effluent treatment at source to avoid discharge of polluted industrial and domestic sewage to freshwater bodies and marine environment.

- Increase energy efficiency, with focus on conservation measures.
- The rapid pace of modernization, urbanization, and industrialization has led to serious environmental concerns in developing countries like Pakistan. Over the past few decades, natural resources have depleted remarkably resulting from accelerated pace of economic and social transformation.

13.3 Environment and Climate Change Strategy / Policy

Strategy to achieve the objectives of environment protection is to include the following elements:

- The Millennium Development Goals (MDGs) are the centre-piece of development efforts of the Government of Pakistan. The achievement of sustainable environmental targets (Goal-7) needs active persuasion at all levels.
- An action plan for implementation of National Climate Change policy has been finalized and requires adequate sharing of responsibilities at all levels for its implementation.
- In the wake of the 18th Amendment, environmental regulation of the country is reviewed and revised in consultation with federal and provincial environmental protection agencies, civil society and private sector. This will help in better implementation of policies and rules.
- Involvement of private sector and NGO's in specific relation to Public Private Partnership for effective and efficient conservation and management of natural resources.

Pakistan is situated in a semi arid to hyper arid region, which makes it more vulnerable to a rise in temperature, water shortage, heat stresses and droughts etc. In addition to this Pakistan is also vulnerable to sea level rise (coastal areas of Pakistan), floods in certain areas of the country due to change in pattern and intensity of monsoon rains. The recent recurrence of extreme weather events displayed by drought and excessive floods in the country has raised awareness about climate change issues.

Pakistan, being highly dependent for its irrigated agriculture on melt water originating from large scale glaciers' reserves, may be one of the most climate change-affected countries.

Climate change impact on glacier behavior is extremely crucial for the agriculture in Pakistan.

Some of the issues and present status regarding glacier behavior under climate change with impact on agriculture Pakistan is given in the **Box-13.1.**

Box 13.1: Glacier Behavior under Climate

- Pakistan has one of the world's largest glaciers reserves in the Karakuram-Hindukush-Himalaya ranges. More than 65 % of the fresh water resources originate in these ranges during summer and supply water to the Indus River System, the world's largest irrigation system. The irrigated land accounts for 84 % of the total 23.39 Million Hectares (Mha) of cropped area.
- With global average temperature rising, glaciers, ice caps and ice sheets melt and shed water, which contribute to the increase of sea levels, threatening the populations of low-lying nations and islands. A separate study in found that Himalayan glaciers and ice caps as a whole were losing mass less quickly than once feared, offering some respite to a region already feeling the effects of global warming.
- Glaciers are receding at an alarming rate. Ancient seasonal patterns are shifting. Rainfall is coming in more intense and concentrated bursts, just as predicted by models of global warming.
- The 10 warmest years have all occurred since 1990, with 2005 breaking all records. We need to use less energy and find cleaner sources.
- We need to break down barriers – including lack of information – that slow the adoption of clean energy technologies.
- We need sufficient funding to bring down costs for clean technologies and polices that promote their adoption.

Source: Planning Commission's Seminar on Glacier Behavior under Climate Change with impact on Agriculture Pakistan, 2008. Himalayan mountains buck glacier melt trend: study, France's University of Grenoble, April 15, 2012. Annual Meeting 2006, Focus Area - Energy & Climate Change Clinton Global Initiative

13.4 Environmental Indicators and Targets Data

Environmental indicators are multi-variable in nature, covering environmental policy, preservation of biodiversity, access to water and sanitation and urban development, which also cover the conservation of natural resources and wildlife, energy efficiency, air quality, water and sanitation and housing needs. Pakistan's forest cover and protected area has remained more or less constant over the last decade. The country's forest cover and protected areas are unlikely to change in the coming years too, keeping in view the climatic conditions and population pressures.

The use of CNG in transport in Pakistan is another contentious issue that has made news recently, and there is a debate on whether the diversion of a scarce resource for use by private consumers is justifiable. The national MDG target of reducing CNG vehicles to 920,000 by 2015 has already been achieved. Pakistan is still one of the countries with the highest number of CNG run vehicles in the world, with an estimated 2.9 million vehicles running on the fuel.

Moreover, the government has instructed oil refineries to reduce the sulfur content in high speed diesel from current levels of 1% to 0.5% or less by 2014 to meet Euro standard specifications by 2014. This would require significant investment by refineries, and it is not clear if this target can be achieved.

Table 13.1: Environmental Indicators and Progress

Environmental Indicators	2012-13	2013-14 (Achievement)	2015 MDG (Target)
Forest cover including state-owned and private forest and farmlands (as percentage of the total land area)	5.3%	5.3%	6.0%
Area protected for conservation of wildlife (as %age of total area)	11.5%	11.5%	12.0%
No. of petrol and diesel vehicles using CNG fuel	2.8 Million	2.9 Million	920*
Number of continuous air pollution monitoring stations	7	7	--
Percentage of Sulphur (by weight) in high speed diesel	0.6	0.6	0.5 to 0.25

*Already achieved >2.0 million

13.5 Projects / Programmes Undertaken during 2013-14

The government has undertaken projects and programmes on many levels to support the Environmental goals through federal/provincial resources. Around 200 projects are under implementation with focus on areas of capacity building, clean drinking water, environmental management, biodiversity, air pollution control and watershed management, urban development, promotion of tourism, restoration of lakes/ water bodies, environmental awareness, waste management, wetlands. After the 18th amendment, the bulk of the responsibility of devolved sectors has been undertaken by the provinces. However the Federal government still needs to develop new country wide programmes.

13.6 Integration: Federal and Provincial Programmes

The federal government has utilized Rs. 60 million in the environment sector during 2013-14, whereas, provincial governments have also allocated / utilized sufficient funds to the tune of Rs. 1500 million for the implementation of environment, climate change, forestry, wildlife and fisheries' sector projects. The capacity for integration of environment and development planning at federal and provincial levels is being improved through the National Impact Assessment Programme (NIAP). National Impact Assessment Programme (NIAP) was jointly implemented by the Planning Commission, Ministry of Climate Change (Pakistan Environmental Protection Agency), Provincial Environmental and Planning & Development Departments and IUCN Pakistan. The programme was funded by the Embassy of the Kingdom of the Netherlands. Overall objective of the programme was to contribute to sustainable development in Pakistan through strengthening of the Environmental Impact

Assessment (EIA) process and introducing Strategic Environmental Assessment (SEA) in the national development planning. Its Programme Coordination Unit is housed in the Planning Commission of Pakistan.

The NIAP has achieved following targets for SEA and EIA i.e. formulation of SEA Task Force at the Planning Commission. So far seven meetings of the Task Force have been held. In one of the meetings it was decided to undertake the first SEA Pilot in AJ&K titled "Hydropower Development Plan", while pilot project for Land-use Planning, Gilgit City was selected. Similarly awareness raising workshops for the policy and decision makers in order to make grounds for SEA, Capacity building through trainings on SEA, Case studies on SEA. Recently a dialogue was initiated titled "Highlighting Environment on the Political Agenda" in which various representatives of the political parties participated and presented their party's views on integration of environmental consideration in their economic growth plans.

13.7 Outlook for 2014-15

Environment and Climate Change Programmes

In the coming year 2014-15 environment and climate change programmes / projects have to be in line with the Vision 2025 while necessitating the sustainable growth of the country through integration of environmental considerations in development. Some of the programmes are:

- Establishment of Environment Section in Planning & Development Division. (Islamabad)
- Establishing National Multilateral Environmental (MEAs) Secretariat (Islamabad)
- Establishment of Clean Development Mechanism Cell (Islamabad)
- Establishing of National Bio-safety Centre (NBC) Project, (Islamabad)
- Sustainable Land Management Project Phase-1, (Islamabad)
- Development and Implementation of Water and Sanitation Management Information system in Pakistan
- Establishment of Centre for Sustainable Organization
- Establishment of Geometric Center for Climate Change and Sustainable Development 2012-2015, (Islamabad)
- Indoor Air Quality in Buildings

Part –V

Poverty Reduction and Human Resource Development

Chapter 14 Poverty Reduction and Millennium Development Goals

14.1 Poverty Reduction

Poverty is a multi-dimensional concept, encompassing many attributes which brings many households in their struggle for survival to the margins of society. The attributes include lack of sufficient income or consumption and broader handicaps such as illiteracy, ill-health, powerlessness and social exclusion. In the context of a developing country like Pakistan, poverty is often defined as the inability to afford consumption expenditure necessary to meet nutritional requirements. Tackling poverty requires a holistic approach that promotes pro-poor economic growth, creates opportunities and choices while maintaining macroeconomic stability, improving governance and protecting vulnerable segments of society.

Poverty estimates are highly sensitive to a variety of factors, such as the choice of poverty line employed, its underlying data and methodology, the specification of the threshold level of poverty in terms of caloric requirements, expenditure or income, the determination of the scale of the household in terms of number of individuals or adult equivalents, spatial and regional differences in prices or consumption patterns. In the large number of poverty studies undertaken in Pakistan since the early 1970's, these choices have differed to a great deal, with substantial differences in their results and the policy usefulness of these estimates. Each methodology or choice has its own advantages as well as limitations. It is not surprising, therefore that poverty estimates and their trends over time vary substantially among the various studies.

Box 14.1: Poverty Reduction Strategy of the Plan

The strategy to achieve the objective of poverty reduction includes:

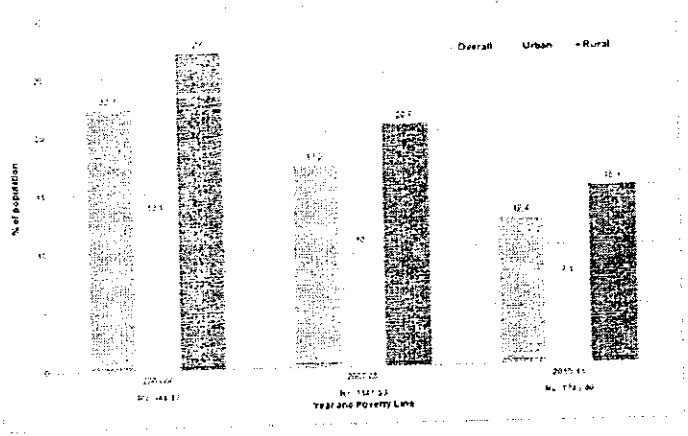
- Accelerating the pace of agriculture development and to reduce poverty by diversifying the rural economy to expand non–farm employment.
- Ensuring a fuller utilization of the country's human resources for productive purposes by expanding employment opportunities in order to reduce poverty.
- Provision of productive assets inclusive of micro finance.
- Enhancement of capacity of the people through human development programs, such as education, health, population welfare and skills development.
- National cohesive Social Protection Policy to protect the vulnerable, including those suffering from natural or manmade disasters.
- Reforming and strengthening institutions for better delivery of public services.

14.2 Poverty Situation 2005-06 to 2010-11

Household Income and Expenditure Survey (HIES) data, using consistent consumption based poverty estimation methodology, shows that poverty declined from 34.4% in 2000-01 to 22.3% in 2005-06. Since then, despite slow growth, high food & energy prices, power shortages affecting employment situation and war against extremism, natural disasters, even then the incidence of poverty seems to have improved. The analysis of household consumption behavior demonstrates an improvement in the well being of households. This has also been reflected in the poverty statistics, as shown in Figure 14.1. However, further in depth analysis shows that though average consumption might have improved, the causes might be cultural and political rather than economical. This has created an enigma for the researchers to ponder about and come up with valid explanations supported by the empirical evidence.

Figure 14.1: Poverty Indices by Region

(% of population living below national poverty line)



Source: Planning Commission estimates using PSLM data of respective years

Poverty headcount, based on consistent consumption based estimates, comes to around 12.4 %; 7.1 % in urban areas and 15.1 % in rural areas[1] in 2010-11, down from 17.2 %; 10.0 % in urban areas and 20.6 % in rural areas in 2007-08 (see Table 14.1). The decline was highest, 5.1 %age points during 2005-06 to 2007-08, while the magnitude of decline is estimated to be 4.8 %age points during 2007-08 to 2010-11. The decline during the later period can be associated with a number of factors including better support prices of agriculture products helped improvement in the poverty situation in rural areas, better varieties of crop seed resulting in better agriculture output, improvement in inflow of remittances owing to better manpower export policies. Targeted interventions including BISP cash disbursements, subsidies, increase in individual and corporate philanthropy and increase in female labour force participation rate in rural areas are other factors that might have contributed to the decline in consumption based poverty head count.

[1] The poverty headcount figures for 2007-08 and 2010-11 may be considered interim indication of poverty situation in the country. A Technical Group on Poverty is reviewing official methodology and to find out possible causes of variance in poverty numbers and recommend final official estimates.

Table 14.1: Poverty Indices by Region

(% of population living below national poverty line)

Year	2005-06	2007-08	2010-11
Poverty Line	Rs. 944.47	Rs. 1141.53	1745.00
Overall	22.3	17.2	12.4
Urban	13.1	10.0	7.1
Rural	27.0	20.6	15.1

Source: Planning Commission estimates using HIES data of respective years

14.3 Strategy for Poverty Reduction

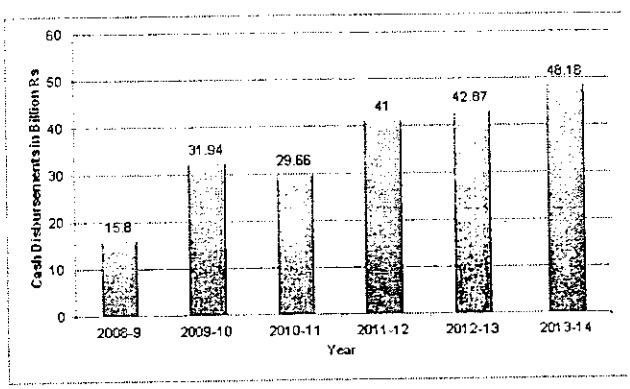
Government recognizes social protection/safety nets as a means to mitigate and manage risk, vulnerability and to reduce poverty through transfers and social insurance for risk mitigation regardless of prior or future contribution. The Social Safety Net Project in Planning Commission is currently engaged with the Provincial Governments in the process of developing provincial social protection policies through providing them Technical Assistance with the assistance of the World Bank. In addition, all the provincial governments have signed MoUs with the Planning Commission for developing provincial social protection policies. An elaborate process flow has also been agreed with the Provincial Governments with regard to SP Policy development.

A national framework for social protection will encompass all provincial policies and bring up national features of the national social protection system. It is planned to bring all existing social protection programs under one umbrella with a unified and transparent inclusion criteria, better targeting system and efficient monitoring mechanism.

14.3.1 Benazir Income Support Program (BISP)

The national cash transfer program under the BISP compares well with international best practice for design and administration of social assistance cash transfer programs. The national cash transfer program under the BISP now serves as the country's main safety net mechanism to provide minimum income support to female representatives of extremely poor families. The program aimed to contribute to the redistributive goals of the

Figure 14.2: Annual Cash Grants

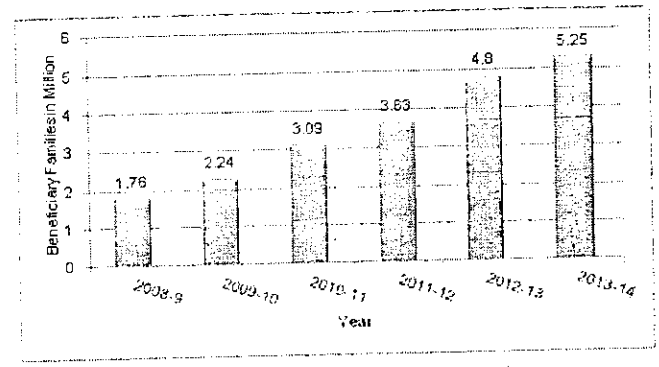


Source: Benazir Income Support Program

federal government. It recognized that regular and predictable cash assistance for the poorest households would provide a reliable source of supplementary income, and it aimed to build the foundation for moving from the essential basic safety net to coherent social protection services that can help them to graduate out of poverty. The program contributed significantly to the country's safety net modernization by introducing an objective targeting method and improving the administration and governance of cash transfer programs.

BISP annual disbursements rose from Rs. 16 billion in 2008-09 to Rs 48 billion 2013-14 (July-March) as shown in Figure 14.2, while the number of beneficiaries has increased from 1.7 million families in 2008-09 to nearly 5.25 million in July-March, 2013-14 (see Figure 14.3). Around 78% of BISP beneficiaries are receiving payments through technology enabled innovative payment mechanisms.

Figure 14.3: Number of Beneficiaries



Source: Benazir Income Support Program

There is an increasing role of complementary interventions in determining the sustainable impact of cash transfers on the uptake of education and health services, nutrition outcomes, and in improving livelihoods to increase the chance of graduation from poverty. Global experience suggests that when programmes are combined with complementary, well-sequenced interventions, they have greater potential. The programme has four closely associated and complementary components including Waseela-e-Haq (Micro-finance), Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e-Sehat (Life & Health Insurance) and Waseela-e- Taleem (Primary Education).

Waseela-e-Haq (Micro-finance): Aiming to break the vicious cycle of poverty Waseela e Haq provides long-term interest free financial assistance of Rs. 300,000 to randomly selected beneficiaries in order to help them start their own business. So far, an amount of Rs. 2.6 billion has been disbursed to 16,119 beneficiaries while 9,193 beneficiaries have started their own businesses.

Waseela-e-Rozgar (Vocational & Technical Training): Waseela-e-Rozgar provides free of cost vocational training for every woman beneficiary or her nominee (between the age of 18 and 45) from her own family. So far, around 57,000 individuals have been trained under this initiative. BISP plans to merge its Waseela-e-Rozgar and Waseela-e-Haq schemes so that BISP beneficiaries who do not want to take jobs will be given micro credit loans to start their own businesses.

Waseela-e-Sehet (Life & Health Insurance): The Life Insurance was launched to provide insurance coverage of Rs. 100,000 to the life of bread-earners of every beneficiary family. Over 4.1 million beneficiary families now have their bread earners covered for three years under the life insurance scheme. Health Insurance providing full hospitalization, pregnancy care, day-care treatment, and diagnostic tests for all beneficiary families, to a maximum limit of Rupees 25,000/- per family per year has also been launched as pilot project. For this purpose, Benazir Health Cards (biometric cards) have been issued to more than 58,000 enrolled families.

Waseela-e-Taleem (Primary Education): Waseela-e-Taleem aims to encourage BISP beneficiary families with children in the age group of 5 to 12 years, to send their out of school children to schools for Primary Education (and in school children to continue their education), in return for cash transfers of Rs. 200 per child per month for up to three children of each BISP beneficiary family in return for their compliance with the co-responsibilities of school admissions and a minimum of 70% quarterly attendance. So far, a total of 33,067 children have been confirmed as admitted in the schools in five pilot districts.

14.3.2 Zakat

Zakat is one of the important pillars of Islam which plays an important role in poverty reduction and in some way helping economic stability in society. Zakat funds are utilized for assistance to the needy, indigent, poor, orphans, widows, handicapped and disabled for their subsistence or rehabilitation. As a consequence of 18th Constitutional Amendment, the subject of Zakat has been devolved to the provinces/ special areas. A total amount of Rs. 4,053.6 million was distributed as per following detail given in Table 14.2:

Table 14.2: Zakat Distribution (2013-14)

Province/Area	% Share	Rs. Million
ICT, FATA & GB (7% of total)	ICT = 35.1 FATA = 46.3 GB = 18.6	ICT = 99.7 FATA = 131.3 GB = 52.7
Punjab	57.4	2162.4
Sindh	23.7	893.8
Khyber Pakhtunkhwa	13.8	507.9
Balochistan	5.1	521.0
Grant Total		**4053.6**

Source: Ministry of Religious Affairs

14.3.3 Employees' Old-Age Benefits Institute (EOBI)

Employees' Old-Age Benefits Institute provides monetary benefits to eligible insured persons and their survivors fulfilling the prescribed conditions regarding qualifying age, payment of contribution etc. As such, these benefits have proved to be a major factor in combating poverty. The Scheme may be used as a major poverty alleviation vehicle if its coverage is enhanced to total working population. During July-March 2013-14, EOBI disbursed Rs 10.98 billion to some 330,645 beneficiaries while, EOBI expects disbursement of Rs 16.7 billion during 2014-15 to 385,332 beneficiaries (Table 14.3).

Table 14.3: Achievements of EOBI during July-March, 2013-14 and Plan for 2014-15

(Rs Million)

Benefits	2013-14 (July-March)		2014-15	
	Number of Beneficiaries	Amount of Benefits Paid	Number of Beneficiaries	Amount of Benefits Paid
Old-Age pension	205,298	6,916	238,667	10,571
Survivors' Pension	118,421	3,853	137,342	5,890
Invalidity pension	4,717	156	5,774	238
Old-Age Grant	2,209	60	3,549	91
Total	**330,645**	**10,985**	**385,332**	**16,790**

Source: Employees' Old-Age Benefits Institution

14.3.4 Pakistan Bait-ul-Mal (PBM)

Pakistan Bait-ul-Mal (PBM) is making a significant contribution towards poverty reduction through its various poorest-of-the poor focused services by providing assistance to destitute, widows, orphans, invalid, infirm and other needy persons irrespective of their gender, caste, creed and religion through its on-going core projects/schemes. Details of the programs/schemes are provided below:

Box 14.2: PBM: Plan/Programs for 2014-15

In order to address the grievances of the poor segments of the society, the future vision of Pakistan Bait-ul-Mal for 2014-15 is as under:-

- Establishment of Pakistan Great Homes
- Scale-up of Orphanage Centres (Pakistan Sweet Homes) in every city
- Scale up of Child Support Programme (CSP) to 144 districts
- Automation for e-governance
- E-transfer of funds to ensure transparency
- Rehabilitation of war, conflict and crisis-affected masses
- Health Insurance Plan
- Economic Rehabilitation Programmes

- *Individual Financial Assistance (IFA):* Under this program an amount of Rs. 1,156.05 million was disbursed to benefit 35,838 individuals countrywide during 2012-13 and Rs.605.98 million is disbursed to benefit 13,434 individuals during the period from July-March, 2013-14.

- *Child Support Programme (CSP)*: Under CSP, cash incentive is provided to the parents for sending their children to schools. Rs. 300 per month is paid to the families with one school going child and Rs.600 per month to the families with two or more school going children in (14) districts. An amount of Rs. 71.9 million was disbursed among 23,653 beneficiaries during 2012-13 and Rs.31.6 million is disbursed among 16,680 beneficiaries during the period from July-March, 2013-14.

- *Institutional Rehabilitation for NGOs* provides grant-in-aid to registered non-governmental organization (NGOs) having excellent track record aimed at institutional rehabilitation of the poor and deserving persons of the society. During 2012-13 an amount of Rs 49.2 million was spent among 24,554 beneficiaries and Rs.12.2 million is spent among 6,102 poor beneficiaries during the period from July-March, 2013-14.

- *National Centres for Rehabilitation of Child Labour (NCsRCL)*: Under this program, an amount of Rs.316.9 million was utilized during 2012-13 and Rs.285.3 million is utilized during the period from July-March, 2013-14.

- *Vocational/Diversified Vocational Dastkari Schools (VDS/DVDS):* Under VDS/DVDS, an amount of Rs.156.785 million was utilized during financial year 2012-13 and Rs.136.252 million is utilized from July-March, 2013-14.

- *Pakistan Sweet Homes (PSH)*: During 2012-13 an amount of Rs 282.1 million was spent for welfare of orphans while Rs.168.1 million is spent during the period from July-March, 2013-14.

- *Pakistan Great Home:* Presently (in 2014), one Pakistan Great Home is established at Lahore on pilot basis. Thereafter, this initiative would be up scaled to Provincial Headquarter level and then at divisional/ district level. Each Pakistan Great Home would accommodate (100) senior citizens (above 60 years of age) where they would be provided free of cost boarding/lodging and medical care. During July-March, 2013-14, an amount of Rs.1.3 million is utilized.

14.3.5 Workers Welfare Fund established since 1971 with one time initial contribution of Rs. 100 million by the Government, is financing the projects of house for industrial workers, education of workers children, health, technical education and other welfare measures like, marriage grant (Rs. 100,000 per daughter per worker), death grant (Rs. 500,000) and post secondary scholarship for students (Table14.4).

Table 14.4: Disbursement during 2013-14

Description	Cases (in Nos)	Rs. Million
Marriage Grant	3,927	280.4
Death Grant	761	342.3
Post Secondary Scholarship	13,554	553.6

Source: Workers Welfare Fund

14.3.6 Skill Development

NAVTTC presently running President's "Fanni Maharat Program" and Prime Minister's "Hunarmand Pakistan Program" (see Table 14.5 for details). An allocation of Rs.350 million has been allocated for these programs in 2014-15. Under President's "Fanni Maharat Program", NAVTTC has established 130 vocational training centres/institutes in 79 uncovered tehsils of Sindh, Punjab, KPK, Balochistan, AJ&K and Gilgit-Baltistan, where previously no TVET institutes existed. Under Prime Minister's "Hunarmand Pakistan Program" NAVTTC, took the initiative of offering short-term skill development programs of mostly up to six months duration courses in collaboration with public and private sector training institutes. It covers four priority sectors including: Construction, Agriculture (Dairy & Livestock), IT & Telecommunication and Services (Hospitality Health etc.) other sectors being focused are Textiles, Oil and Gas, Child Care, Transport, Paramedics and traditional trades (cottage crafts etc.) In addition, in line with its defined priority areas, NAVTTC through its two aforementioned programs envisions training of 20,000 people in two years i.e. 2014-15 & 2015-16. Since its inception NAVTTC has trained 153,640 students up to February 2014.

Table 14.5: Number of Individual Trained during 2013-14 and Target for 2014-15

Year	President Fanni Maharat Program		Prime Minister Hunermand Pakistan Program	
	Trained	Under Training	Trained	Under Training
July-February 2013-14	763	780	8,893	188
2014-15	13000			

Source: NAVTTC

Prime Minister Youth Skill Development Program will train 25,000 youth in 348 institutes in all over country. Under this program, minimum middle qualified youth within age bracket (18 to 35) shall be trained all over country starting from Gilgit to Gwadar. The training program is free for students and they shall be given stipend Rs. 2,000 and for FATA Students Rs 3000 per month. Moreover, operating cost of Rs. 3,000 per month per student shall be given to training institutes.

Linkage between Vision 2025 and sectoral targets and achievement: Pakistan was awarded GSP plus status by EU in 2013 for three years. Acquiring a GSP plus status is a big achievement for Pakistan, and if it is utilized properly Pakistan can export more than US$1billion worth of products to the European markets. To increase the export of Pakistan and to accomplish targets post assigning of GSP plus, there is need to have available trained manpower. However, according to recent study industry needs 950,000 trained manpower whereas only 350,000 trained people are available in the market. Therefore, in order to bridge this gap, NAVTTC has taken following initiatives:

- Reformed the apprenticeship ordinance 1962 by incorporating both formal and informal TVET sector which will increase the number of trained manpower.
- Initiated Public Private Partnership (PPP) by forming Industry Advisory Groups (IAGs) and Sector Skills Councils (SSCs). Engaged industry in imparting hands on skills to young people
- President Fanni Mahartat and Prime Minister's Hundermand Pakistan Program will also be continued.
- Initiating Prime Minister's Youth Skill Development Program 2013-14 which will be continued during 2014-15 under which will 25,000 youth will be trained.

14.3.7 Microfinance and Business Development

The microfinance industry broadly provides services in three categories of micro-credit, micro-savings and micro-insurance. Within micro-credit, the number of average borrowers as on December 2013 was at 2.8 million Outreach growth rate has increased to 20 % compared to the growth rate of 2012 which was a 13 %. Micro-savings grew by 42 % in the 2013 in the last one year and stood at Rs 33 billion. Table 14.6 delineates an institution wise breakdown of the major microfinance providers; the number of active borrowers, as well as number and size of disbursements.

Table 14.6: Number of Microcredit Beneficiaries and Disbursements

(Rs Billion)

Microfinance Program	Active Borrowers	Number of Loans Disbursed	Disbursements (July – Dec 2013-14)
Microfinance Banks	1,119,185	650,639	21,274
Microfinance Institutions	877,135	388,741	8,770
Rural Support Programs	672,377	365,171	7,549
Other Microfinance Institutions	164,018	98,856	2,260
Total	**2,832,715**	**1,503,407**	**39,853**

Source: Pakistan Microfinance Network

Box 14.3: PPAF: Plan/Programs for 2014-15

During 2014-15, 1,128,000 new micro-credit loans will be extended to the borrowers by disbursing an amount of Rs. 23,920 million; it includes an amount of Rs. 3,500 under Prime Minister's Interest Free Loans Programme.

Under Livelihoods, Employment and Enterprise Development, 262,500 individuals from extremely and chronically poor households will be trained under various technical, vocational and enterprise development skill trainings.

Health and education based interventions, 150 new health and education facilities along-with 267 water & infrastructure projects will be initiated while 300 health awareness sessions, enrolment, and nutrition promotion campaigns will be completed during the planning period. An amount of Rs. 2,800 million will be disbursed for the said activities.

The Economist Intelligence Unit's (EIU) 'Global Microscope on the Microfinance Business Environment' report ranks Pakistan at number one in the world for regulatory frameworks and practices, and number three globally for overall microfinance business environment in 2011.

During the period Jul-Dec 2013-14, 584,719 new micro loans were extended to borrowers including 71% women borrowers. Under the Livelihood, Employment and Enterprise Development (LEED) 42,729 individuals received skills/entrepreneurial trainings and 11,103 productive assets were transferred to ultra and vulnerable poor (58% women). A total of 5,169 community and partner staff members trained in different categories including 42% women trainees. Over a 1000 new students were enrolled and over 2 million patients (59% female) were treated under various ailments.

174 new Community Physical Infrastructure (CPI) sub-projects were initiated in different sectors including Drinking Water Supply Schemes (DWSS), irrigation, Drainage & Sanitation, Roads and Bridges and Flood Protection Work. Similarly, 526 sub-projects initiated by the Water, under various categories including Drought Mitigation and Preparedness (DMPP), Integrated Water Efficient Irrigation Projects (IWEIP) and Sindh Coastal Area Development (SCAD) were initiated.

14.3.8 Small and Medium Enterprise Development Authority (SMEDA)

Small and Medium Enterprises (SMEs) are considered to be one of the principle driving forces in the economic development of the country. The significant role of SMEs is clearly indicated by research and statistics. In Pakistan, 99% of economic establishments are SMEs, absorbing 80% of unskilled labour. They contribute over 40 % to GDP, and 30 % to exports from the manufacturing sector. SMEs are flexible and can adapt quickly to changing market demand and supply situations. Their ability to generate employment and to diversify economic activity makes them a significant contributor to economic prosperity by alleviating poverty. SMEs play a critical role in generating income and improving growth rate in underdeveloped and developing economies.

Box 14.4: SMEDA's 5 - Year SME Development Plan (2013-18)

In order to lift the growth trajectory of SMEs in a globally competitive environment, SMEDA has developed a 5-Year SME Development Plan (2013-18). With a renewed commitment and mission to "Assist in Employment Generation and Value Addition to the National Income, through Development of the SME Sector, by helping Increase the Number, Scale and Competitiveness of SMEs", the three Pillars of SMEDA's SME Development Plan are:

i. Policy/Regulatory Reforms and Advocacy on behalf of SMEs
ii. Developing Entrepreneurial Ecosystem
iii. Sector Development

Prime Minister's Youth Business Loans Scheme: The Prime Minister's Youth Business Loans scheme addresses the issue of 'Access to Finance' for new start-ups and business expansion for spurring entrepreneurship in the country. SMEDA has been tasked with

an advisory role in implementation of the PM's Youth Business Loans scheme both in terms of developing information tools and resources and guiding and disseminating information to loan aspirants. In this regard, SMEDA has developed as many as Fifty six (56) Business Prefeasibility Studies along with information resources and tools including, Financial Calculators, Guidelines/Template on developing Business Plan, and seven (07) Training Video Documentaries on various aspects of business. More than 11.3 million pre-feasibility studies and other tools and resources have been downloaded from SMEDA website since the launch of the scheme in December 2013 to date. Exclusive Help Desks have been established by SMEDA at 28 locations in 19 cities including Muzaffarabad, Chitral, and Gilgit, for facilitation of loan applicants. More than 20,500 loan aspirants have been facilitated through SMEDA's helpdesks.

14.3.9 Disaster Management

Earthquake Reconstruction and Rehabilitation Authority (ERRA) has undertaken following interventions under Poverty Reduction Strategy to ensure that vulnerable people in the earthquake affected areas are provided with basic social services, livelihood assistance and support for rehabilitation, primarily within their own families and communities, and to establish linkages with mainstream social welfare services.

a. Under Livelihood Support Cash Grant, ERRA provided temporary financial support to the most vulnerable people, in the form of cash grants. The programme assisted approximately 268,000 vulnerable households through a monetary support of Rs 3,000 per month for six months and extending it for 22,000 most vulnerable households for another six months in all nine affected districts of KP and AJ&K.

b. ERRA's formulated its Rural Landless Programme (RLLP) under which a financial assistance package of Rs 75,000 was provided to a rural landless family for purchase of land. The main features of the programme were as under:-
   - The programme was designed to benefit landless families.
   - **Rs 75,000** were disbursed to each verified landless family for purchase of 5 Marla piece of land through a transparent mechanism in one window operation. The amount was sent to the account of the land seller.

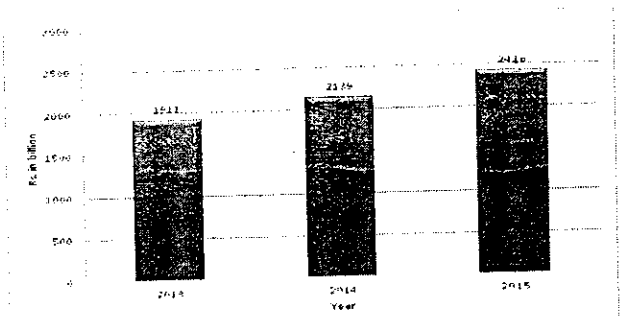
c. ERRA provided rain water harvesting systems to 40,000 households benefiting 280,000 people which have reduced difficulties of, predominantly, female water fetching groups and have saved their time for productive activities at home.

14.4 Expenditures on Pro-Poor Sectors

Poverty reduction cuts across all sectors and include both current and development expenditure. Pro-poor expenditures cover 17 related heads. Based on historical trend, it is expected that poverty related expenditures will reach to Rs. 2,416 billion in 2014-15 from Rs 1,911 billion in 2012-13 (Figure 14.4). The pro-poor budgetary expenditures during 2013-14 are expected to be Rs. 2,139 billion.

The Government has allocated Rs. 100 billion (20% of PSDP) in the Annual Budget 2014-15 for the social sector programs. In addition, the Government has launched Pakistan MDGs and Community Development Programme with allocation of Rs. 12.5 billion for accelerating the pace of MDGs at the grassroots level.

Figure 14.4: Pro-Poor Expenditures (Rs. billion)



14.5 Progress on the Millennium Development Goals

With only two years remaining, the need to multiply the efforts for the achievement of the Millennium Development Goals (MDGs) has become increasingly important. The government has taken numerous steps that will have far reaching impact on the lives of the people by transforming the social, political, and economic landscape of Pakistan. This will also impact the outcomes and achievements against the set targets of Pakistan's Millennium Development Goals. Pakistan has faced serious challenges in the last few years, slow growth security issues; war against extremism has put further pressure on our economy. Furthermore the catastrophic floods, have affected approximately more than 20 million people, ravaged different urban and rural areas and caused immense damage to the infrastructure and agriculture of the country and adversely affected the overall economy and the achievement of many of the MDG goals and targets.

Despite the adverse circumstances and problems, the Government of Pakistan is fully committed towards the achievement of the MDGs. A number of initiatives have been taken towards this end. In addition to the efforts of the Government of Pakistan, provision of access to markets, new technologies and favorable terms of trade by the developed world would help in attaining the MDGs.

14.5.1 Poverty

Pakistan adopted a particular methodology for poverty estimation following the practice in vogue in many countries in 2002. Using that methodology, poverty incidence in Pakistan in 1990-91 was 26.1%. The MDG targets halve this proportion to 13% by 2015. The incidence of poverty, based on the poverty estimation methodology adopted by the Government and data collected by the Pakistan Bureau of Statistics under Pakistan Social and Living Standards Measurement Survey (PSLMS), appears to have reached closer to the target. Using the consistent data and methodology, the poverty head count was estimated to be 17.2% in 2007-08 and 12.4% in 2010-11. The apparent causes of the decline in poverty include private and corporate philanthropy and targeted interventions.

Women's share in wage employment in the non-agricultural sector has consistently increased from 8.07 from the year 1990-91 to 10.45 in the year 2010-11.

14.5.2 Education

The target is to achieve universal net primary enrollment as a basis to improve overall education and literacy levels. Retaining already enrolled children till they complete their primary education and bringing those who have never been to school is a big challenge especially for the poor.

In 1990-91 the NER was 46% which rose up to 57% in 2012-13. Concerted efforts are underway to keep this indicator on track by providing a cushion to vulnerable families to cope with inflation through various conditional cash transfer programs. The shortfall in achieving the MDG targets for Goal 2 is considerable and requires strategic planning, commitment at all levels as well as concerted efforts in order to be able to reach close to the targets.

14.5.3 Health

Estimates for 2012-13 show that the under-five mortality rate has declined to 89 from 117 (per thousand live births) in 1990-91, while the infant mortality rate has declined from 102 deaths (per one thousand live births) in 1990-91 to 74 by 2012-13.

The proportion of fully immunized children (against six preventable diseases) under two years of age improved from 75% to 82% between 1990-91 and 2012-13, whereas the proportion of children under one year of age immunized against measles also improved to 81% during the same period.

Given the state of economy and fiscal constraints, which have resulted in the reduction in allocations to the social sectors, meeting the targets of the MDGs for Goal 4 will be challenging for Pakistan. In view of the Seventh National Finance Commission Award and the 18th Constitutional Amendment, it is expected that provinces will accord high priority in terms of funds allocation and program implementation in order to be able to achieve the targets under Goal 4.

Maternal Mortality Rate (MMR) declined to 276 (deaths per 100,000 live births) in 2010-11 from 533 (deaths per 100,000 live births) in 1990-91. However, achieving the MDG target of 140 (deaths per 100,000 live births) require immense resources and efforts. The share of deliveries attended by skilled personnel has gone up to 52% in 2012-13 from 18% in 1990-91. The situation demands immediate attention and consistent efforts to increase this rate further.

During 1990-91 and 2012-13, CPR among married women improved from 12% to 35%. A decrease in the TFR over the period 1990-91 to 2012-13 is from 5.4 to 3.8%. Despite remarkable improvement in antenatal care between 1990-91 and 2011-12 from 16% to 68%, the number of mothers having at least one antenatal visit to the doctor.

Goal 6 of the MDG focuses on combating HIV/AIDS, malaria and other diseases. The indicators for measuring progress on HIV prevalence among 15-24 years old pregnant women and HIV prevalence amongst vulnerable groups. Although in Pakistan, the burden of this disease has not been very significant but HIV epidemic is expanding particularly among Injecting Drug Users (IDUs) and Sex workers. Since 1987, over 4000 cases have been registered. However; the number of people infected with HIV may be higher. Though no comprehensive survey has been conducted yet, some studies of limited scope indicate that HIV prevalence among 15-24 year old pregnant women is less than 0.1%. The HIV prevalence amongst the vulnerable groups shows increasing trend from 10.8% in 2005-06 to 37.4% in 2010-11. Among other factors that have contributed in spread of HIV are low level of literacy and education, large number of migrants & refugees and vulnerability due to social and economic shortcomings.

Malaria is another major public-health concern that threatens millions. The disease is now emerging as a prominent health problem. Malarial epidemics occurrence at the interval of 8-10 years is a mystery. There is need to carry out research in order to fully understand the underlying causes and take measures to resolve the issue.

Tuberculosis is another major health problem in Pakistan with a considerable large proportion of TB cases in the age group 15-49 years. Higher population growth, lack of adequate immunization & health care facilities and incomplete treatment of TB patients are the main causes of its prevalence. The %age of TB cases detected and cured has increased from 79% in 2001-02 to 91% in 2010-11.

14.5.4 Women Empowerment

Primary GPI in Pakistan has improved from 0.73 in 1990-91 to 0.90 in 2011-12. Pakistan also made consistent progress towards achieving Youth Literacy GPI that increased from 0.51 in 1990-91 to 0.81 in 2011-12. However; progress on this indicator is quite slow. After devolution provincial governments need to take steps to achieve this target by 2015. Gender inequalities in terms of women's political participation and share in the national decision making process has greatly improved over the years in Pakistan, as their representation rose from 0.9 (National Assembly) and 1% (Senate) in 1990-91 to above 22% and 17% in 2012-13 in both the National Assembly and Senate, respectively.

14.5.5 Environmental Sustainability

Since 1990-91 the land area under forest cover has improved from 4.8% (of the total area of Pakistan) to 5.2% in 2011-12. Pakistan aims to increase the forest cover area up to 6.0% by 2015 which requires dedicated efforts and matching investment to achieve this goal. GDP per unit of energy has been fluctuating over the years and value addition per ton of oil has increased from Rs. 26,471 in 1990-91 to 26,543 in 2008-09. The MDG target of Rs. 28,000 is potentially achievable, though rigorous efforts will be needed to materialize this.

Inadequate potable water and poor sanitation facilities and practices are associated with a host of illnesses such as diarrhea, typhoid, intestinal worms and hepatitis. In order to step up efforts to provide access to improved drinking water to 93% of population by 2015, Government launched Clean Drinking Water for All strategy. Drinking water coverage, according to the latest available estimates, increased from 53% in 1990-91 to 87% in 2012-13. The proportion of sanitation has been targeted to rise from 30% in 1990-91 to 90% by 2015. In 2012-13 the ratio is 71%.

14.5.6 International Trade and Information Technology

Goal 8 envisages fostering cooperation at the bilateral and multilateral level for realizing the MDGs in resource constrained countries like Pakistan. The Official Development Assistance as per commitment of aid giving countries was to rise to 0.7% of GDP but the developed economies are providing only 0.25% of their GDP. This raised financial starvation in countries like Pakistan.

Pakistan's persistent large current account deficit (almost 5.0% of GDP) for an extended period of one decade; rising real cost of borrowing; stagnant exports and a declining flow of foreign exchange have been responsible for a rapid accumulation of external debt in the 1990s. The debt service as a %age of exports of goods and services decreased from 14.4% in 1990-91 to 12.2% in 2009-10. Pakistan's exports to the European Union can surge by 1 billion dollar in value due to GSP Plus status. Granting of GSP Plus status to Pakistan will be quite instrumental in enabling Pakistan to achieving its long-term goals of stabilizing economy, accelerating growth and eradicating poverty.

Following deregulation of the telecom sector in 2004, this attracted substantial investment. Over the last seven years more than US$ 12 billion were invested in telecom infrastructure and new technologies, leading to the current situation where 90 % of the population has access to telecom services.

Progress on various MDGs indicators is tabulated in Annexure 14.1:

14.5.7 Strategy to Achieve MDGs

The government has taken a number of steps including strengthen existing programs for achieving Millennium Development Goals (MDGS) by 2015. These include:

a) Provincial agreement on MDG Acceleration Framework (MAF) on education, while engagement for health sector MAF is in progress.

b) Comprehensive Plan of Action for each province to implement the MAF commitments.

c) Pakistan MDGs and Community Development Programme has been launched all over the country by involving communities at the grass root level.

d) Enhancing capacity of the people through human resource development that involve better education, health, population welfare, skill development

services, improved access to clean water & sanitation and gender mainstreaming initiatives.

e) Provision of productive assets inclusive of micro finance at individual level.

f) Moving towards a comprehensive social safety net to protect the vulnerable and those suffering from natural or manmade disasters.

g) Reforming and strengthening institutions for better delivery of public services to people.

h) Improving access and quality of education services
   - Improving Human Development Indicators in the country
   - Enrolment campaign on World Literacy Day 2013
   - Basic Education Community School Project
   - Youth Laptop Scheme

i) Improving access and quality of health services
   - National Maternal Neonatal and Child Health Program (MNCH)
   - National Program for family Planning & Primary Health Care
   - EPI and Control of Diarrheal Disease
   - Enhanced HIV/AIDS Control Program
   - Roll Black Malaria Program
   - National TB Control Program

j) Providing improved population welfare facilities

k) Infrastructure development

l) To help augment physical assets of the poor, Pakistan Poverty Alleviation Fund is providing improved access to microfinance.

Annexure-14.1

Millennium Development Goals

Sr. No	Indicators	1990-91	2012-13	MDG Target
	Eradicate Extreme Poverty and Hunger			
1	Proportion of population below the calorie based food plus non-food poverty line.	26.1	12.4 (2010-11)	13
2	Prevalence of underweight children under 5 years of age	40	31.5 (2011-12)	< 20
3	Proportion of population below minimum level of dietary energy consumption	25	30 (2001-02)	13
	Achieving Universal Primary Education			
4	Net Primary Enrolment Ratio	46	57	100
5	Completion/Survival Rate to Grade 5	50	57	100
6	Literacy rate (age 10+ in %)	35 (M:48, F:21)	58 (M: 69, F:46)	88 (M:89, F:87)
	Promoting Gender Equality and Women's Empowerment			
7	Gender parity index (GPI) for primary & secondary	0.73	Primary: 0.90 Secondary: 0.81	Primary:1.00 Secondary: 0.94
8	Youth Literacy GPI	0.51	0.81	1.00
9	Share of women in wage employment in the non-agricultural sector	8.07	10.45 (2010-11)	14
10	Proportion of seats held by women in national parliament	National Assembly: 2/217 (0.9%) Senate: 1/100 (1%)	National Assembly: 60/342 (22.2%) Senate: 17/100 (17%)	
	Reduce Child Mortality			
11	Under-five mortality rate	117	89	52
12	Infant mortality rate	102	74	40
13	Proportion of fully immunized children 12-23 months	75	80	>90

Sr. No	Indicators	1990-91	2012-13	MDG Target
14	Proportion of under 1 year children immunized against measles	80	81	>90
15	Proportion of children under five who suffered from diarrhea in the last 30 days and received ORT	26	9	<10
16	Lady Health Workers' coverage of target population	n/a	83 (2008-09)	100
	Improve Maternal Health			
17	Maternal Mortality Ratio (MMR)	533	276 (2006-07)	140
18	Proportion of births attended by skilled birth attendants	18	52	>90
19	Contraceptive prevalence rate	12	35	55
20	Total fertility rate	5.4	3.8	2.1
21	Proportion of women 15-49 years who had given birth during last 3 years and made at least one antenatal care consultation	15	68	100
	Combating HIV/AIDS, Malaria and Other diseases sources			
22	HIV prevalence among 15-24 year old pregnant women (%)	n/a	0.041 (2011-12)	Baseline to be reduced by 50%
23	HIV prevalence among vulnerable group (e.g., active sexual workers) (%)	n/a	IDU=37.4 FSW=0.8 MSW=3.1 HSW=7.3 (2011-12)	Baseline to be reduced by 50%
24	Proportion of population in malaria risk areas using effective malaria prevention and treatment measures	n/a	40 (2011-12)	75
25	Incidence of tuberculosis per 100,000 population	171	230 (2011-12)	45
26	Proportion of TB cases detected and cured under DOTS	n/a	Detected=65% Cured=91% (2009-10)	85

Sr. No	Indicators	1990-91	2012-13	MDG Target
	Ensure Environment Sustainability			
27	Forest cover including state-owned and private forest and farmlands	4.8	5.2 (2011-12)	6.0
28	Land area protected for the conservation of wildlife	9.1	11.5 (2011-12)	12.0
29	GDP (at constant factor cost) per unit of energy use as a proxy for energy efficiency	26,471	26,543 (2008-09)	28,000
30	Sulphur content in high speed diesel (as a proxy for ambient air quality)	1.0	0.6 (2010-11)	0.5-0.25
31	Proportion of population (urban and rural) with sustainable access to a improved drinking water source	53	89	93
32	Proportion of population (urban and rural) with access to improved sanitation facility	30	72	90
	Develop a Global Partnership for Development			
33	Debt service as a %age of exports of goods and services	14.4	12.2 (2009-10)	
34	Telephone lines and cellular subscribers per 100 population	Fixed lines per 100 population = 1.05	Fixed lines per 100 population = 1.9 Cellular subscribers per 100 population= 64.8	
	Personal computers in use	n/a	Personal computers per 100 population=13.0 Internet users per 100 population=16.8	

Source: Pakistan Millennium Development Goals Report 2013 and Pakistan Bureau of Statistics

Chapter 15 Youth Empowerment

In Pakistan the problems and issues of Youth are being realized in order to mainstream and harness the potential of this powerful segment of society. According to world data 99 countries have a youth policy, 56 are revising their policy and 43 have none to speak of. Youth policies, laws and legislation vary widely across the world. The country still lacks a national youth policy which could clearly spell out the future plan of action. In the year ahead the country is set to embark upon a national youth development agenda under Vision 2025.

The Vision's objective is to encourage an energetic and harmonious Pakistani youth with strong spiritual and moral values. The focus is on developing a knowledge base of the youth as well as to support skill development. Major policy guidelines have been formulated in the Vision 2025 and concrete projects and programs have been initiated under the PM's Youth Program. There are about 48 million Youth in Pakistan between the ages of 15 to 29 years. Youth possesses immense economic potential provided they are channelized and mainstreamed. Special attention is paid to Youth training, skill development, employment, entrepreneurship, funding, education, health, sports and recreational opportunities so that this vast potential and energy is tapped for the overall growth and advancement of the country. Currently two parallel streams of development are in operation. At Federal level there is a national youth development agenda which covers the entire country and at provincial level, the provinces have their own programs. The programs at federal and provincial level are mutually complementary.

15.1 Policy Guidelines

The following policy guidelines for the Youth of Pakistan have been chalked out in consultation with all stakeholders:

- Establishment of National Youth Council under the Chairmanship of Prime Minister of Pakistan having representatives from all provinces in order to have better collaboration among different federal and provincial departments working for betterment of youth.
- Establishment of Nation Youth Hostels in different parts of the country which aims at promotion of youth travel, and help to bring national integration and brotherhood amongst the youth of Pakistan.
- Job opportunities to be created for Youth and selection will be on merit.
- The stipend of interns will be according to inflation and wage rate in market.
- Career counselling centres shall be established in every college and university.
- Educational institutes will consult private sector, industries, and all job providers about the demand of particular degrees or skills. In this way, institutes

will distribute the demand of required skills/degrees among different study programs.

- More skill development institutes will be established and proper qualified faculty members would be hired for these institutes.
- Madrassah education will be regularized by issuing licenses to qualified religious people in order to avoid the distraction of youth.
- The number of educational scholarships will be increased.
- Government will support organizations like Girls Guide & Scouts and Youth NGOs.

15.2 Prime Minister's Youth Programme 2014-15

The Prime Minister's Program for Youth has a broad canvas of programs enabling youth and poor segments of the population to get good opportunities of employment, financing, economic empowerment, acquiring skills needed for gainful employment, spreading use of computers and imparting on-the-job training for young graduates to improve the probability of getting a productive job.

15.2.1 Prime Minister's Youth Business Loans

Prime Minister's Youth Business Loan is for young entrepreneurs between the age group of 21- 45 years. Under this program loans from Rs.100000/- to Rs.2000000/-are provided to young applicants through computer balloting so they can start their own business. The loans are given for a period of eight years at low mark-up cost. The program is carried out through designated financial institutions namely National Bank of Pakistan (NBP) and First Women Bank Ltd. (FWBL).

The first computerized balloting of Prime Minister Youth Business Loan Program ceremony was held on 28th February, 2014. Around 38,000 applications (including 28,000 from Punjab, 600 from Islamabad Capital Territory, 3,500 from KPK, 100 from Gilgit-Baltistan, 1,000 from Balochistan, 500 from AJK and 3,000 from Sindh) were received. Out of these applications 6,127 were approved for balloting, of which 5,399 have been given loans in the first phase. Most of the participants have expressed their interest in livestock, agriculture, education and cottage industry.

The program will continue during the year 2014-15 and about 100,000 loans amounting to Rs 0.1 to 2.0 million will be disbursed. Government will share 50% of losses subject to a maximum of 10% of the loan amount. Standardized schemes/projects/undertakings designed by SMEDA, projects designed by private sector service provider or individuals themselves will be given loans.

15.2.2 Prime Minister's Qarz-e-Hasana Program

Qarz-e-Hasana or the microfinance loan facility is aimed at providing interest free financing from 2.5 million people to 5.0 million people in the next 5 years. Vulnerable

rural and urban poor with a poverty score of up to 40 are eligible to apply for this loan. The national outreach of the program would not be limited in geographic terms. However, preference would be given to limited and un-served areas. A total number one million beneficiaries (50 % share for women) will receive upto Rs.50,000/- interest free loan. An amount of Rs.3.5 billion has been allocated to the program by the Federal Government. Pakistan Poverty Alleviation Fund (PPAF) would be the central executing agency of the program. Registered partner organizations and community organizations that have necessary expertise and experience will also be engaged in the process.

The scheme will make headway in the year 2014-15. It has been approved by Prime Minister of Pakistan in a meeting held on 13.5.2014. Under this program, each federating unit has been given share as per the NFC Award with the primary focus on rural areas. Proper loan and business support centers will be established to facilitate the beneficiaries. Fifty percent loan will be given to women. Under the scheme each beneficiary would receive up to Rs 50,000/- which would be distributed through Pakistan Poverty Alleviation Fund.

15.2.3 Prime Minister's Youth Skills Development Program

The Youth Skills Development Program is aimed at providing vocational training to unemployed young individuals for acquiring productive skills for gainful employment. Young men and women, who have received middle level education (8th Grade) and are maximum 25 years of age, are eligible beneficiaries of the program. The government is supporting a fee equivalent to or less than Rs.3000/- per month for duration of six months. A monthly stipend of Rs.2000/- for six (6) months would also be paid to each beneficiary of the program.

An estimated twenty five thousand (25000) individuals will benefit from the program. The break-up of 25,000 youth to be trained is: 200 from Islamabad, 500 from Azad Jammu and Kashmir, 300 from Gilgit-Baltistan, 400 from FATA, 3,000 from Khyber Pakhtunkhwa, 2,000 from Balochistan, 5,850 from Sindh and 12,750 from Punjab. Out of a total of 25,000 youth, 8,524 females will be given technical and vocational training. NAVTTC/Ministry of Education and Trainings are the main executing agencies of the program. Provincial TEVTAs and the Federal Government Skills Training Institutes will work in collaboration with the main executing agency who is responsible for designing the program and the final evaluation the program.

The project has been approved at a cost of Rs.800.00 million by CDWP on 28.10.2013. About 350 well-reputed technical education and vocational training institutes from the public and private sector all over the country have been selected through the Provincial Technical Education and Vocational Training Authorities (TEVTAs) and NAVTTC's regional offices in Islamabad, Lahore, Multan, Karachi, Larkana, Quetta, Gwadar, Peshawar and Gilgit-Baltistan. The advertisement to invite applications from potential trainees from all over Pakistan has also been published in leading national newspapers.

The program will make progress in the year 2014-15. In total 25,000 youth, of the lesser developed areas from all over the country, would be imparted training in 100

disciplines. The allocation of seats is according to the population in the federating units, based on the National Finance Commission (NFC) award.

15.2.4 Prime Minister's Program for Provision of Laptops

The Prime Ministers Program for Provision of Laptops is an attempt to enhance the scope of research and quality education in the country and to increase access to information technology. A total of 100,000 students from across Pakistan will be awarded a laptop. The program has nationwide outreach; students registered in an HEC approved institutes from across the country can benefit from the program.Students, both male and female, registered in an HEC approved educational institution are eligible for the program. All masters/doctoral students and 50% under-graduate students will get the laptop. The project was approved at a cost of Rs.4000.00 million by CDWP in its meeting held on 31.12.2013. The whole project cost has been released to HEC. The work of import of 100,000 laptops has been awarded to Haier, China. During the year 2014-15 the laptops will be distributed among the selected students.

15.2.5 Prime Minister's Program for Fee Reimbursement for Poor

With the aim of encouraging pursuit of higher education, the program will provide scholarships for post graduate degrees (M.A, M.Sc or higher level) to students, male and female, belonging to remote and under-privileged areas of the country. The tuition fee of the student selected will be financed under this program and paid directly to the relevant university. All students, male and female, registered in a Masters/PhD program in an HEC approved public sector educational institution are eligible to apply to the program. Students domiciled in interior Sindh, Southern Punjab (Divisions of Multan, Bahawalpur and DG Khan), Balochistan, less developed areas of KP (Malakand, Kohistan and D.I. Khan), Gilgit-Balitistan and FATA are eligible to apply for the program.

During the year 2014-15 under the PM fee disbursement scheme approximately 33,000 eligible students of M. Phil and PhD from 59 districts will avail provision of tuition fee and other education charges.

15.2.6 Prime Minister's Youth Training Program

Under this program, young individuals with 16 years of education from recognized institutions will be provided on-the-job- training/internships at private and public sector offices. Professional trainings will equip them with abilities to get job opportunities in the country or abroad. A total number of 50,000 interns would be hired under the operations of the program and a monthly stipend of Rs.10,000/- shall be paid to each selected applicant for a period of twelve (12) months.

Graduates with minimum 16 years of education from HEC approved educational institutions and of age not more than 25 years (26 for less-developed areas) are eligible to apply. A budget of Rs.4.0 billion has been allocated to the program. A top class management consulting firm/university from the private sector in collaboration with the

Govemment will be responsible for the design, placement of internees and their periodic evaluation. Partnership with the private sector would increase financial transparence, ensure selection on merit and produce more efficient outcomes/results. The program is expected to be launched in the year 2014-15.

15.3 Provincial Youth Initiatives

In pursuance of the 18th Constitutional Amendment, Federal Youth Ministry was devolved on 8th April, 2010. Following the devolution process, the process of youth policy formulation has been initiated in the four provinces (i.e. Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan) and two territories (i.e. Azad Jammu & Kashmir, Gilgit Baltistan). A brief review of youth development programs of the four provinces of Pakistan in the year 2013-14 is as under:

Different youth programs like Punjab Youth Internship (PYIP), Laptop Awards and PEEF Scholarship under Chief Minister Youth Development Program which were initiated for Youth continued in the year 2013-14.However, the coverage area of provincial Laptop program has been extended to Federal and Boards of Intermediate & Secondary Education of other three provinces, Azad Jammu & Kashmir and Gilgit-Baltistan in the year 2013-14.

Sports Board of Punjab has successfully organized Punjab Youth Festival 2014 in the year 2013-14. The Youth Festival was the largest festival ever to be held in the world covering 55200 sports and youth development councils at neighborhood/village level, 3464 union councils, 137 Tehsils, 36 Districts, 9 Divisions. People from all walks of life were invited to participate.

Government of Sindh has launched fifth (V) phase of Benazir Bhutto Shaheed Youth Development Program (BBSYDP) and about 55000 youth have been provided trainings in the year 2013-14. The program, since its inception in year 2008 has successfully completed four (4) phases and has provided training to about 200,000 youth (Male=68.5%, Female=31.5%). Keeping view the success of the program, the World Bank has offered $100 million for the program. Similarly an International Donor Agency IDA has offered Rs.1606.88 million soft loans to provide skill training to additional 45,000 youths within three (3) years.

Govemment of Khyber Pakhtunkhwa (KPK) has launched skill development program 2014 on 20th February, 2014 for youth of the province and Rs.100.00 million have been made available for the program. Under this program, government is not only bearing training charges but also is providing stipend to students aged 18-25 undergoing the technical training.

Sports Department, Govemment of Balochistan has organized Balochistan Youth festival from 22nd March to 27 March, 2014 in which 26 sporting events were held including football, cricket, hockey, cycling, karate, squash, boxing, shooting, badminton and others.

Chapter 16: School and College Education

Government is committed for taking special measures to ensure the education of girls, children with disabilities, minorities, refugees, children of undocumented migrants, stateless persons, children living in institutions and those living in remote areas and slums, due to their vulnerability to poverty and marginalization and to ensure that everyone is able to know, seek and receive information about all human rights and fundamental freedoms and that everyone has access to human rights, education and training.

16.1 Vision 2025

Vision 2025 seeks a Pakistan in which every citizen has the opportunity to improve his/her choices and quality of life.

Vision 2025 aims at substantial expansion in access to education as well as making significant improvements in the quality of education.

Table 16.1: Educational Benchmark and Targets 2025 (%age)

Year/Level	Benchmark 2013				Target 2025			
	Male	Female	Total	GPI	Male	Female	Total	GPI
Literacy 10+	71	48	60	0.67	100	90	95	0.90
GER Primary	98	83	91	0.85	110	100	105	0.90
GER Matric	65	48	57	0.73	82	68	75	0.83

Source: Pakistan Social & Living Standards Measurement (PSLM) Survey 2012-13

Education also imparts knowledge and information that encourages critical thinking. All children, including those living in poverty, are able to enjoy their right to free and compulsory primary education through the provision of quality education in schools within safe reach and without indirect costs. Government is committed to provide schools in disadvantaged areas with quality trained teachers and adequate infrastructure, including gender-sensitive sanitation facilities, water and electricity and taking steps to progressively ensure the availability, accessibility, acceptability, adaptability and quality of education in all forms at all levels. This includes the priority allocation of resources towards persons living in poverty to compensate for socio-economic disadvantages, for example proactive measures to combat school dropout, grants and school meal provisions.

16.2 Challenges and Strategies

Following are the key challenges in education:

- Lack of access to education
- Poor quality of education
- Governance

To address these challenges, a set of in-school and out-of-school factors were identified, along with some solutions for overcoming these challenges. Issues and strategies are as in the following:

Table 16.2: Key Challenges and Strategies

Access	
In school Factors	**Strategies/Interventions**
• Shortage of Teachers • Teacher absenteeism • Missing basic facilities • Lack of friendly environment • Teachers' harsh attitude	• Hiring of more teachers • Strict monitoring of teachers • Provision of basic facilities • No corporal punishment • Incentives to retain students e.g. free books, uniforms, food, etc.
Out-of-school Factors	**Strategies / Interventions**
• Shortage of schools • Distance especially for females • Insecurity • Poverty • Cultural norms • Parents are reluctant • Parents lack awareness	• More schools to be established • New schools established nearer to communities • NFE / Community schools be established • Enforcement of security and law and order • Free education • Awareness campaigns on importance of education • Community involvement in education

Quality	
In School Factors	**Strategies/Interventions**
• Ill trained teachers • Outdated Teaching Methods • Missing facilities • Lack of Monitoring/Supervision	• Training of teachers/refresher courses • Teaching methods to be revised • Provision of basic facilities • Involve community members to monitor schools
Out-of-school Factors	**Strategies/Interventions**
• Poor Governance • Political pressures	• Effective monitoring and supervision • Rewards and punishments • Involve community members to monitor schools • End undue political interference and ensure merit-based appointments

Governance	
In School Factors	**Strategies/Interventions**
• Lack of School Mapping in view of catchment area and population density • Transfer/posting of teachers • Placement of teacher on need based/class enrolment • Culture of temporary duty	• Establishment of new educational institutions purely on need basis • Transfer/posting policies and implementation mechanism • Need rationalization of posting of teachers

16.3 Objectives

Main Objectives of Basic Education are:

- Ensure easy access to 10 years of formal basic education;
- The provision of free, universal basic education for every Pakistani child of school going age;
- Reducing drastically the incidence of dropout from the formal school system through improved relevance, quality and efficiency;
- Ensuring the acquisition of appropriate levels of literacy, numeric, manipulative, communicative and life skills as well as the ethical, moral and civic values needed for laying a solid foundation for lifelong learning;
- Provision of education up to Secondary level to all children - boys and girls by the year 2025;
- Making schools more attractive for retaining the children by providing an attractive learning environment, basic missing facilities and other measures;
- Making schooling more attractive by adding community service programs.

16.4 Progress in Educational Targets

Table 16.3: Progress in Educational Targets at National Level

Indicator	2001-02	2004-05	2007-08	2010-11	2011-12	2012-13	MDG Target 2015
Net Primary Enrolment Rate (5-9 years)	42	52	55	56	57	57	100
Completion / Survival Rate 1 grade to 5	57.3	67.1	52.3	49	50	51	100
Literacy Rate (%) (10 years and above)	45	53	56	58	58	60	88

Source: Pakistan Social and Living Standards Measurement (PSLM) Survey of respective years

Table 16.4: Progress in Educational Targets at National and Provincial Level

Indicators	National	Punjab	Sindh	KPK	Balochistan
Net Primary Enrolment Rate	57	62	52	54	45
Male	61	64	56	59	54
Female	54	60	48	48	35
Completion / Survival rate 1 grade to 5	51	54	52	44	34
Male	60	61	62	59	49
Female	42	47	41	29	18
Literacy Rate (%) (10 years and above)	60	62	60	52	44
Male	71	71	72	70	62
Female	48	54	47	35	23

Source: Pakistan Social and Living Standards Measurement (PSLM) Survey 2012-13

Net Primary Enrollment Ratio (NER) in the year 2011-12 was 57 percent and remained unchanged in the year 2012-13. NER increased from 42 percent in the year 2000-01 to 57 percent in the year 2012-13 which stands only 15 percent which is unsatisfactory. NER Primary seems better in Punjab than other provinces.

The achievement in Completion/Survival rate from 1 grade to 5 grades in the year 2013-14 remained 51 percent which was 57.3 percent in the year 2000-01 which is alarming. Punjab and Sindh provinces stand at 54 and 52 percent respectively. Pakistan along with other world leaders adopted the Millennium Declaration in the year 2000 and fixed the targets of Millennium Development Goals (MDGs) and at that time the Completion/Survival rate was 57.3 percent and further target of 42.7 percent was fixed to achieve 100 percent target for Pakistan till 2015.

The achievement in Literacy Rate in the year 2013-14 remained 60 percent. Literacy rate stands high in Punjab as compared to other provinces. Literacy Rate increased from 45 percent in the year 2000-01 to 60 percent in the year 2013-14 which is not a satisfactory performance as the MDG Target for the year 2015 is 88 percent. Pakistan needs to attain an annual target of 28 percent to attain an MDG target by 2015 which seems most difficult task in the prevailing situation.

Table 16.5: Federal PSDP 2013-14

Schemes	Schemes Nos.	Allocation (Million Rs.)
Capacity Building of Teacher Training Institutions and Training of Elementary School Teachers	05	829.354
Establishment/ strengthening/expansion of schools/colleges / Trainings, etc.	08	84.523
Scholarships	05	98.894
Literacy through BECS & NCHD	02	4703.053
Total	**20**	**5,715.824**

16.5 Overview of 2013-14

16.5.1 Financial Status

During 2013-14 the Federal Government budget for education was Rs. 59,277 million. PSDP allocation of federal government for school and college education was Rs. 5715.824 million.

16.5.2 Physical Progress

Work on the following development projects at the federal level remained under progress:

- The capacity building projects of teacher training institutions & training of elementary schools teachers in ICT, AJK, GB, FATA, Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan (CIDA).
- Provision of Quality Education Opportunities for Students of Balochistan & FATA & 3 PMUs
- Award of 400 Scholarships to Students from Indian Occupied Kashmir in the field of Medicine, Engineering & IT
- Award of 100 Scholarships to the Bangladeshi Students
- Merit Scholarships for Minority Students (Phase-II)
- Award of Cultural Scholarship to students from other countries Phase-II
- National Book Foundation (NBF) Head Office Building, Phase-II Islamabad
- Strengthening of IMCG, F-7/4, Islamabad
- Establishment of F.G. Degree College for women Bhara Kahu
- Establishment of FG degree College for Boys at Nowshera, FGEI.
- Establishment & Operation of Basic Education Community School in the Country
- Improving Human Development Indicators in Pakistan (NCHD)
- Educational Leadership and Institutional Management (ELIM) Phase-III
- Establishment of Project Monitoring & Evaluation Cell
- Financial Management for Good Governance (FMGG) Phase-II
- Training of Education Managers for Use of Data for Educational Planning & Management Using Computer Software.

16.6 Plans for 2014-15

Federal Government is launching 32 schemes for development of education. PSDP Allocations are given in the following:

Table 16.6: Federal PSDP 2014-15

Schemes	Schemes Nos.	Allocation (Million Rs.)
Capacity Building of Teacher Training Institutions and Training of Elementary School Teachers in ICT, Punjab, Sindh, Khyber Pakhtunkhwa & Balochistan	05	406.794
Establishment/ Construction/ Strengthening/ Up-lifting/Expansion of Schools/Colleges / Trainings, etc.	23	913.979
Scholarships	02	77.731
Literacy through BECS & NCHD	02	2772.056
Total	**32**	**4170.560**

Federal Government is committed to:

- Implement Article 25-A; increase access to all levels of education such as pre and primary, middle, secondary and higher secondary education by necessary legislation; resource mobilization and investments in educational institutions in close proximity; free schooling, encouraging public-private partnership, provision of missing facilities, and presence of good teachers.
- Enhance the quality of all levels and types of education through provision of qualified and trained teachers appointed on merit, timely provision of relevant teaching and learning materials, effective governance, and strong community participation.
- Build capacity, through training of education planners and managers to design and implement education services effectively.
- Expand the non-fomal basic education network to reach the "unreached" i.e. the out of school children in far and remote areas, especially girls.
- After implementation of the 18th Constitutional Amendment; Education is the responsibility of the Provinces. Establishment of "National Curriculum Commission" is under consideration of the Federal Government with the major objective to maintain uniform educational standards in all over the country.
- Millennium Development Goals Acceleration Framework (MAF) (2013-16):

Ministry of Education, Trainings and Standards in Higher Education Government of Pakistan has prepared National Plan of Action for MDGs Acceleration Framework 2013-16. The said Framework reflects that there are 3225793 Existing Schools in Pakistan. A National Plan of Action (NPA) 2013-16 has been formulated. During this period 1326905 New Schools will be added in the Country. Total Plan costs Rs.784 billion.

Health, Nutrition and Population

17.1 Health

Health is a fundamental and basic right of each and every individual and in order to achieve a colossal task of universal health coverage especially in a developing country where 20 percent of the population live below the poverty line; we need to establish a coherent approach towards establishment of a strategy which could foster people's health at large and keep from entering into a vicious circle and poverty trap through catastrophic health expenditures. People are prone towards huge out of pocket health expenditures due to their infidelity on Public health facilities in urban areas and on the other side lack of coverage in remote and rural areas.

The commitment to improving the health of population along with alleviation of poverty at large now rests with the Provincial governments who have been given the autonomy and resources after 18th Constitutional Amendment. A multi-sectoral approach would definitely enhance the chances of achieving these huge tasks especially indicators for women and children delineated in Millennium Development Goals by exploiting immense potential of decentralization. The development of health management systems and its use in the diverse terrains through proactive approach and accountability mechanisms would help in establishing service delivery standards.

Box 17.1: Vision 2025 and 11th Five Year Plan

Vision 2025 and 11th Five Year Plan seeks accelerated and sustained growth and development based on economic reforms with emphasis on productivity. In health sector the strategy envisages perusal of the following themes for implementation in short and medium term:

- Revamping/management of primary, secondary and tertiary healthcare (Rescue 1122; Strengthening DHQs; Tertiary care hospitals autonomy)
- Healthcare Financing Reforms (Social Health Protection for poor; Health Insurance; other financing options)
- Governance reforms in health sector (setting quality standards; essential services package; aid effectiveness; service structure; capacity; access to affordable medicine; Health Ombudsman; federal-provincial coordination)
- [Provincial Departments of Health to implement & Federal government to Coordinate]

Challenges
• Post-devolution- Issues of management and coordination between federal and provincial quarters along with funding issues. • Lack of Integration and ownership after decentralization of health Programs • Lack of evidence based planning and decision making that lead to recent outbreaks of measles and new polio cases. • Weak management & governance systems particularly at district and sub-district levels • Wide spread prevalence of communicable and Non-communicable diseases. • Partially functional logistics and supply systems • Poorly motivated and inadequately skilled staff • Capacity building issues and lack of adequate supervision • Low levels of public sector expenditures and their inequitable distribution

Strategic Priorities
• Establishment of Provincial Health Strategies and priorities. • Establishing a legal, policy and operational framework for public private partnerships. • Communicable disease control • Mobilization of resources through international development partnerships • Initiate social protection schemes including social health insurance • Health sector reforms (service structure, remuneration package) • Improvement of mother and child health through capacity building at local and referral levels, training and placement of skilled personnel, provision of emergency and obstetric care • Functional integration of Population and Health Sectors and Integration of National programs together through establishment of efficient Health Information, and Disease Surveillance System • Initiate social protection to assure provision of newly health care to the poor for nationwide Health Care System. • Social determinants of health: healthy environment, health awareness community-based initiatives, strengthening linkages with health-related ministries, gender mainstreaming. • Improvement in quality of life through control & prevention of diseases, reduction of disabilities and control of population growth. • Equitable distribution of healthcare & universal coverage of health & Universal access to family planning services with particular emphasis on vulnerable segment of population

17.1.1 Review of Health PSDP 2013-14

An amount of Rs. 21.06 billion was provided in Federal PSDP 2013-14 with utilization of approx. Rs.18.2 billion during the year 2013-2014 for improvement of health status of the people and reduction of burden of disease, a series of programs and projects are on track.

The Following vertical programs and projects remained under implementation:

- **Programme for Family Planning and Primary Health Care (LHWs Program)**

The program has recruited almost 95,000 Lady Health Workers (LHWs). The total population covered under this program spread over 60 % in Balochistan to more than 80 % in Punjab. LHWs services have shown visible impact the health status of the women and children in particular through improved hygiene, birth spacing, iron supplementation, greater immunization coverage and through Ante-natal and post-natal coverage of the pregnant women. The new PC-I of provincial as well as area governments are under the process of approval in which salary packages of the staff of this program have been increased through regularization of their services in compliance of the orders of the Supreme Court of Pakistan. These proactive steps will definitely lead towards greater commitment and betted health service delivery at the door steps of the vulnerable. Still overarching issues of governance and monitoring needs attention at the district and sub districts level.

- **Expanded Program for Immunization**

EPI Program provides immunization to children against the seven vaccine-preventable diseases under one year of age i.e. childhood tuberculosis, poliomyelitis, diphtheria, pertussis, neonatal tetanus, measles and hepatitis B. New vaccines like penta-valent vaccine have been introduced with the help of UNICEF. During the year 2011-12, 8 million children of 0-11 months and 6.5 million pregnant women were immunized against 7 deadly diseases and tetanus toxide vaccine respectively. Though after devolution this has become largely the responsibility of the provincial/area governments but Federal EPI cell is currently took the responsibility of the procurements, coordination and technical guidance whereas provincial EPI cell are largely responsible for implementation of the program. World Bank along with other financial partners WHO and JICA have largely contributed towards smooth implementation of the program. Still the issues of routine immunization in the out reached areas of FATA and Balochistan needs attention. Recently World Bank approved $ 250 million loan for polio eradication activities in Pakistan.

- **Malaria Control Program**

Malaria, the 2nd most prevalent and devastating communicable disease in the country, has been the major cause of morbidity in Pakistan. More than 90% of disease burden in the country is shared by 56 highly endemic districts, mostly located in Balochistan (17 out of 29 districts), FATA (7 agencies), Sindh (12 districts) and Khyber Pakhtunkhwa (12 districts). Most of the reported cases from these districts are due to falciparum malaria which is the most dangerous form of malaria. Federally Administrated Tribal Areas (FATA) is the second highest malaria affected belt of the country which accounts for 12-15% of the total case load in the country. National strategy for Malaria Control is based on the following 6 key RBM elements:

  - Early diagnosis and prompt treatment.
  - Multiple prevention
  - Improved detection and response to epidemics

- Developing partnerships with national and international partners
- Focused operational research
- National commitment.

- **TB Control Program**

Pakistan is ranked 6th amongst 22 high disease burden countries of the world. The 40% of the burden of disease in Pakistan is in the form of communicable diseases such as malaria and TB. Still the incidence if TB stands at 231/100,000 population and prevalence of about 300 cases per 100,000 population. TB Control Program has achieved over 80% Directly Observed Treatment System(DOTS) coverage in public sector and in the last five years the programme has provided care to more than half a million TB patients in Pakistan. The programme is moving steadily to achieve the global targets of 70% case detection. There are areas where NTP has to improve suspect management, contact management, quality bacteriology services, engaging all care providers through public private partnership and inter-sectoral collaboration, monitoring and supervision, research for evidence based planning and advocacy communication and social mobilization (ACSM).

- **HIV/AIDS Control Program**

The number of injecting drug users has posed a threat of increasing numbers of total cases of HIV/AIDS in Pakistan. Still the prevalence of HIV/AIDS is considered to be as low as 1%, hence not considered a high risk country. The focus of the program is on behavior change communication (BCC), services to high-risk population groups, treatment of sexually transmitted infections (STIs), supply of safe blood and capacity building of various stakeholders. Till date 4,500 HIV positive cases have been reported to the AIDS Control Programs at federal and provincial levels. The program is technically supported by the UN agencies and Global Fund against AIDS, TB, and Malaria.

- **Maternal & Child Health Program**

Mother and Child health has been one of the priority areas of Public health in Pakistan. This Program has been launched by the government in order to improve Maternal and Neonatal Health services for all particularly the poor and the disadvantaged at all levels of health care delivery system. It aims to provide improved access to high quality Mother and Child Health and Family Planning services, train 10,000 community midwives (50% of CMWs have been deployed during 2013-14), comprehensive Emergency Obstetric and Neonatal Care (EmONC) services in 275 hospitals/health facilities, basic EmONC services in 550 health facilities, and family planning services in all health outlets. Despite these modalities, Pakistan had shown modest improvement in this segment and the Infant mortality rate and Child mortality rates are still very high as compared to the other countries in the region. It is envisaged that successful implementation of this project will bring these indicators in a respective range with improved health status of mothers and children.

- **Prime Minister's Program for Prevention and Control of Hepatitis in Pakistan**

  All forms of hepatitis are of concern within a public health framework. The program envisages meeting the challenges posed by the high prevalence of viral hepatitis in the country. The program aims at 50% reduction in new cases of hepatitis B and C by 2015 through advocacy and behavior change communication, hepatitis B vaccination of high risk groups, establishment of screening, diagnosis and treatment facilities in 150 teaching and DHQ hospitals, Safe Blood Transfusion and prevention of hepatitis A and E. A long awaited Safe Blood Transfusion project with the technical cooperation of GIZ and Kfw has been revived and is in the implementation process in all four provinces that will bring down the incidence of hepatitis in the country.

- **Cancer Treatment Program**

  Cancer has been considered as one of the deadliest forms of non-communicable disease and the number of cases is increasing alarmingly. Pakistan Atomic Energy Commission's (PAEC) 13 Cancer Hospitals in four provinces are already providing diagnosis and treatment facilities to cancer patients, nine new cancer hospitals are in the process of construction. Bannu Institute of Nuclear Medicine and Radiotherapy had been completed during the FY 2013-14.

17.1.2 Physical Progress (2013-14)

The achievements for the health sector during 2013-14 included establishment of 8 Rural Health Centers (RHCs) 31 Basic Health Units (BHUs) and upgradation of 9 existing RHCs and 29 BHUs. The manpower included the addition of 5000 new doctors, 500 dentists, 3150 Nurses, 4500 paramedics and 450 Traditional Birth Attendants. Under the preventive program, about 8 million children were targeted to be immunized and 23 million packets of ORS were to be distributed during 2013-14. Till date 4500 HIV positive cases have been reported to the National and Provincial AIDS Control Programs. It includes 2700 full blown AIDS; around 1030 patients are receiving free treatment through 12 AIDS Treatment Centers. The total number of TB cases is 69500. Whereas the absolute number of cases is 211500 upto the third quarter of 2013 and the treatment success rate remained 91%. The percentage of TB case-detection rate is 82% and cure rate is 80%.

17.1.3 Plan of Health 2014-15

An amount of Rs 20.78 billion has been proposed in Federal PSDP 2014-15 including different preventative and curative programs in Health Sector for improvement in quality of healthcare and achievement of MDG targets. All the vertical programmes in health sector shall continue to be funded by federal government during FY 2014-15.

Focus on Basic Health Care and Renewed Focus on Secondary Health Care

- The policy is to consolidate the existing health facilities instead of creating new infrastructure. Focus would be on strengthening Primary Health Care facilities based on the recommended yardsticks.

- The emphasis is on upgradation of THQ & DHQ Hospitals as well as establishment of new ones.

- Provision of Equipment in BHUs and rehabilitation of Rural Health Centers.

New Strategic Thrust

- National MDGs Acceleration Framework and Strategy beyond 2015 would be developed in consultation with the provincial governments and other relevant stakeholders. Planning Commission has allocated Rs. 12.5 billion for this purpose. Subsequently the provinces would develop their own action/implementation plan based upon the above referred National Strategic/Acceleration Plan to pursue the post MDGs development agenda

- Similarly National strategic planning for safe blood transfusion would be initiated/conducted during the annual plan period (FY 2014-15).

- Health Regulatory bodies would be an important step towards achievement of quality health services. Healthcare Commission in Punjab and Health Regulatory Authority in Khyber Pakhtunkhwa had been established for registration of clinics and hospitals in private sector.

- Establishment of Health Sector Reforms Unit in Provincial Health Departments for renewed focus on health in line with government priorities

- Development of Civil Registration and vital Statistics system with the help of NADRA and WHO. This will be a big breakthrough for collection of important data and its use for policy makers. National strategic plan on CRVS and provincial implementation/action plans will also be developed during 2014-15.

- Development of Minimum Service Delivery standards to cater for poor and vulnerable segments of population through integration of health services.

- Hospital waste management has always posed a serious threat to the health care providers as well as to the public and environment.

- Social Health Insurance schemes in Khyber Pakhtunkhwa and Gilgit Baltistan have been launched with the financial assistance of German development partners. The scheme would initially cover 4 districts in Khyber Pakhtunkhwa and one district in Gilgit Baltistan to keep people from the catastrophic shocks of health expenditures.

- Cancer hospitals at federal and provincial capitals shall be established to reduce burden of NCD.

Table 17.1: Physical Targets /Achievement 2013-14 and 2014-15

Sub Sector	2013-14			Targets 2014-15
	Targets	Achievements	(%)	
A. Hospital Beds	**5000**	**3600**	**72**	**6000**
B. Health Manpower				
Doctors	5000	5000	100	10000
Dentists	500	500	100	1000
Nurses	4500	3150	70	4000
Paramedics	5500	4500	82	6000
C. Preventive Programme				
Immunization (Million Nos)	8	6	75	8
Oral Rehydration Salt (ORS) (Million Packet)	23	21	90	25

17.2 Nutrition

17.2.1 Nutrition and Consumption

Malnutrition remains a major factor affecting physical and mental growth during the life cycle and a major burden on the health and education sector while at later age low labor productivity leading to poverty and consequently socio-economic development of the country. Malnutrition reduces the GDP almost 2-3 percent every year in the country. Several MDGs could not be achieved due to food and nutrition security issues, directly or indirectly depends on nutrition interventions in various sectors. The factors affecting malnutrition are food security, feeding practices, access to health care, water supply & sanitation, education and nutrition awareness.

Box 17.2: Policy and Strategy of Vision 2025

Since nutrition security goes beyond food security by considering a community's access to essential nutrients, not just calories, ensuring food and nutrition security at each level is the government priority and policy to overcome hunger and malnutrition through different approaches i.e. Scaling Up Nutrition (SUN) Movement for Nutrition Specific and Nutrition Sensitive interventions, supplementation, food fortification and Bio fortification and nutritional awareness etc. The efforts are to improve the nutritional status of the population particularly women and children through adequate diet and nutritional awareness and is also evident in the country's Vision 2025.

17.2.2 Physical Review 2013-14

i) Food Availability

The food availability situation in the country has been sustained during 2013-14 to meet overall national requirements. The caloric availability through major food items has been estimated at about 2415 calories a day per person. The yearly overview of food availability pattern of major food items is given in the following table.

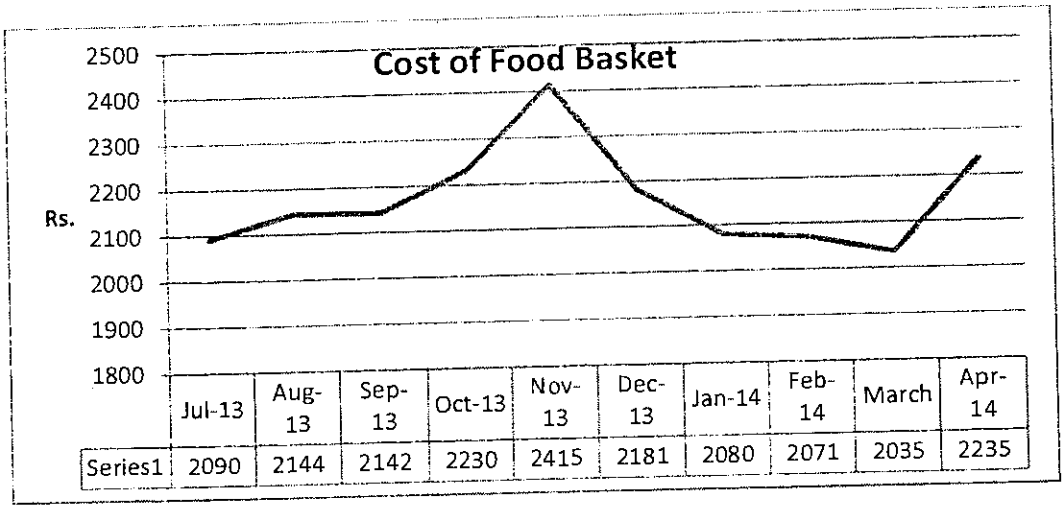
Table 17.2: Food Availability (kg per Capita per annum)

Year	Cereals	Pulses	Sugar	Milk (Ltrs)	Meat	Edible Ghee/oi	Cal/ day	Proteins/ day (gms)
2012-13	160.0	6.7	31.0	97.3	21.0	13.0	2450	72.5
2013-14 (P) (Estimates)	155.0	6.5	31.0	96.5	20.7	12.8	2415	72.0
2014-15 (T)	161.0	6.5	32.0	96.8	21.1	13.0	2460	72.7

ii) Food Expenditure

The overall supply of major food items sustained, despite increasing trend in retail prices of few essential items. The cost of the minimum food basket for 2013-14 (July-13 to April14) has been remained fluctuating. It gradually increased to Rs 2415 from 2090 in the month of November and then fell to Rs 2035 in the month of March 2014 and increased again to 2235 in April 2014.Details are given below:

Figure 17.1: Cost of Food Basket



iii) Nutritional Status

According to the recent National Nutrition Survey (NNS) 2011, launched in September 2013 showed that almost 32 percent children less than five years of age are underweight, 44 percent stunted and 15 percent wasted. It also reflects about 60 percent anemia in children and 50 percent mothers having anemia and 18 percent of women have chronic energy deficiency low Body Mass Index(BMI) and one third of women are either overweight (19%) or obese (9.5%), indicating a double burden of under and over nutrition. This high level of malnutrition is affecting overall socio economic development of the country. Inadequate or inappropriate food intake and/or inefficient biological utilization results in hidden hunger; macro and micro nutrient imbalances.

17.2.3 Financial Progress 2013-14

No new financial initiative has been taken during the year at federal level due to post 18th Amendment. However, outside PSDP allocation, nutritional interventions have been operational in public and private sector i.e. food fortification, supplementation and mass awareness about nutrition. The Provincial governments prepared their PC-Is on nutrition. The new PC-Is of all provinces have been approved in this year.

17.2.4 Physical Achievements

At federal and provincial levels different nutritional interventions and strategies are considered for combating malnutrition through joint efforts of public and private sector, UN agencies and non profit organizations. For improving the nutritional status of the people, following activities are carried out during the subject year:

- Pakistan formally signed the Scaling Up Nutrition (SUN) Movement in December 2013, founded on principle that all people have a right to food and good nutrition, to join hands with partner countries and relevant stakeholders for improving nutritional status and thus alleviating malnutrition globally. Multisectoral approach has been adopted to reduce malnutrition, and upon Integrated Nutrition Policy Guidance Notes provincial SUN road map has been developed within parameters of Vision 2025. The five year plan 2014-19 is going to be finalized in which strategic and operational plan for development of a National Nutrition Policy will be devised.
- National Food and Nutrition policy in Agriculture sector has been drafted to overcome food security problem which is going to be finalized. The policy entails overall production and supply of food items through containment of food losses, enhanced the productivity and accessibility of food up to gross roots.
- Provinces are taking care to overcome malnutrition problem through multisectoral strategy. Punjab and KP have prepared their integrated PC-Is in Health Sector while Sindh (Rs. 4117.92 million) and Balochistan (Rs.1492.620 million) developed independent PC-Is for Nutrition in their ADPs. All these PC-Is have been approved. Gilgit Baltistan (GB) is also drafted their nutrition PC-I in this regard.
- The Universal Salt Iodization (USI) Pakistan Program is currently being implemented with the assistance of the Micronutrient Initiative and other development partners including WFP, UNICEF and GAIN throughout the country.

It provides technical and operational support to around 1400 salt producers, benefitting more than 158 million populations.

- Micronutrient supplementation to address Anemia, Vitamin A deficiency in children under five, women of child bearing age, growth monitoring, counseling of breastfeeding & weaning practices and awareness through 95000 Lady Health Workers in Primary Health Care(PHC) continued across the country to cover about 60 percent population.
- Benazir Income Support Program (BISP) and Pakistan Bait-ul Mal continued their services successfully as effective social safety Net Measures by providing cash incentives to the poor segments of the population to overcome malnutrition.
- National Zero Hunger Program, a Joint collaboration among public and UN agencies is being devised to address hunger and malnutrition. This program aims to reach to most food insecure and vulnerable sections of society: malnourished and primary school children, pregnant women, by provision of nutritious and fortified food.
- Management of Severe Acute Malnutrition & Nutrition Surveillance has been initiated. Regional training and development manual for Management of Severe Acute Malnutrition has been developed. About 50 surveillance centers are being established for identification and treatment of acute malnutrition.

17.2.5 Prospects for 2014-15

The aim of national food and nutrition security up to household level would be the government's main goal to have a well-nourished nation with sound human resource that effectively contributes to socio economic development and prosperity. The production and availability of major food items will be sustained to provide nutrients and is estimated 2460 calories per capita per day which will be adequate to meet the average nutritional requirements of the population.

The SUN multisectoral approach has been adopted as a strategy to address the consequences of malnutrition along with improving the public distribution system, balancing price inflation and strengthening social safety net measures especially income support transfer schemes to reduce chronic malnutrition and household food insecurity.

17.2.6 Programs

The following nutritional interventions will continue in the public and private sector:

- UN Scaling up Nutrition (SUN), a global nutrition Movement will provide a single combined platform to the government and relevant stakeholders for enhanced mutual coordination, collaboration, resource allocation, and monitoring & evaluation mechanism to overcome malnutrition.
- Provincial PC-Is on nutrition, prepared by all the provinces will be starting implementation from this year to combat malnutrition.

- Wheat flour fortification with iron and folic acid is being revitalized and wheat Biofortification with Zinc are considered to be initiated in the coming year to overcome hidden hunger with the help of private sector.

- Universal Salt Iodization (USI) expansion along with the improvement in Quality Management System (QMS) and sustainability of Potassium Iodate is being focused in the coming year. It will assist the salt producers, regulatory and monitoring authorities to overcome production and quality issues.

- Benazir Income Support Program (BISP) as a measure of Food security and social safety net will continue to provide cash incentives to the poor segments of the population with linking to the nutrition indicators for monitoring of the program.

- Nutrition awareness in PHC system will remain under focus through Lady Health Workers and in the community through the public private sector.

17.3 Population

Pakistan is the sixth most populous country in the world. It has the highest population growth rate at 2%, among the SAARC countries, resulting in, annual addition of 3.6 million people in its population size. Since inception, Pakistan has experienced a high population growth rate. Its population has increased from 32.5 million to 188 million, during 1947 to 2014, which is projected to reach 210 million by the year 2020, and 227 million by 2025. With the current rate of population growth, it is expected that Pakistan will attain fifth position in the world in terms of total population in 2050 and will double its population size in next 35 years. Its Total Fertility Rate (TFR) is 3.8 and Contraceptive Prevalence Rate (CPR) is 35%. The maternal mortality ratio is 276 deaths per 100,000 live births.

The proven nexus between family planning and development has been globally emphasized and recognized. This requires a particular focus on investing into family planning to arrest the rapid population growth rate. The high population growth rate is undermining economic progress of the country. The socio-economic gains already accomplished, are largely diluted by the increase in population. It has allowed little progress in the field of social services such as Food, Health, Education, Housing, Energy, Transport, Clean Water and Proper Sanitation etc. Population size and growth have a strong bearing on all aspects of a nation's welfare, especially health, education environment and poverty alleviation. It has been realized that if the population grows faster than economic development, the country will never be able to meet people's needs for economic and social services and every one will suffer especially the poorest. Arresting the population growth rate will therefore, improve the per capita availability of goods and social services.

Pakistan is persistently adding up to the numbers of Human, in contrast to its economic growth trends which collectively are not rising with the same pace. The fertility in Pakistan has declined at lower pace in comparison with other Asian Nations. The considerable gap between fertility intensions and fertility behaviour underscores the bankable opportunities for all the stakeholders, which can only be efficiently utilized

with a better coordination and synchronized coordinating efforts between the federation and provinces, who have become the custodians of Population Welfare in the post devolution scenario. Population stabilization therefore, requires accumulative and unpunctuated efforts from all corners of society. There is non-existence of mechanism for the functional integration of the Population Welfare and Health Departments at the service delivery level. The Population Welfare Programme is continuing with its own only 4500 service delivery out lets. There is a need to involve all 100,000 LHWs and 14000 service outlets of the health departments for extending family planning, services.

17.3.1 Post 18th Amendment Scenario

The Population Welfare Program was a concurrent subject in the Constitution and in view of the 18th Amendment the concurrent list has been abolished and MoPW was devolved on 7-12-2010. Since 2002 the service delivery of the Population Welfare Program had already been transferred to provinces but now the Regional Training Institutes, Population Welfare Training Institutes, were also devolved, and under the administrative control of the Provinces. Now the Provincial Governments have to implement the entire Population Welfare Program by themselves. Under the NFC award, the Federal Government will provide funding to all Provincial Welfare Departments up to June 2015. However, the administrative of NIPS, Central Ware House, NRIFC and NATPOW will with the M/O Health Services Regulation and Coordination.

17.3.2 Review of 2013-14 and Programme for 2014-15

Review of Financial Performance (2013-14) and Funding for (2014-15)

As against the PSDP allocations and releases of funds amounting to Rs. 8226.064, it is expected that by 30.6.14 there is will be full utilization against releases and allocations. An amount of Rs 8226.064 million has been allocated as PSDP 2014-15.

Table 17.3: Project-wise Detail

(Rs. Million)

S. Nn.	Name of Prnject	Approval Status	Approved Cnst		Estimated Expenditure upto 30-6-2014	PSDP allocation 2013-14	PSDP allocation 2014-15
			Total	Foreign Aid			
1	2	3	4	5	6	7	8
1	Population Welfare Programme - Federal (2010-15)	ECNEC	2701.768	0.00	0.00	0.00	0.00
2	Population Welfare Programme - Punjab (2010-15)	ECNEC	19628.278	0.00	3633.589	3633.589	3633.589
3	Population Welfare Programme Sindh (2010-15)	ECNEC	13336.043	0.00	2082.373	2082.373	2082.373
4	Population Welfare Programme Khyber Pakhtunkhwa (2010-15)	ECNEC	6233.959	0.00	1283.447	1283.447	1283.447
5	Population Welfare Programme Balochistan (2010-15)	ECNEC	5425.792	0.00	805.736	805.736	805.736
6	Population Welfare Programme AJK (2010-15)	ECNEC	1245.3	0.00	223.356	223.356	223.356
7	Population Welfare Programme Gilgit-Baltistan (2010-15)	CDWP	663.103	0.00	118.722	118.722	118.722
8	Population Welfare Programme FATA (2010-15)	CDWP	997.254	0.00	78.841	78.841	78.841
9	District Population Welfare Services, District Islamabad	CDWP	378.904	0.00	0.00	0.00	0.00
	Grand total:	**Approved**	**50610.4**	**0.00**	**8226.064**	**8226.064**	**8226.064**

Source: Planning Commission

Review of Demographic Indicators 2013-14 and target (2014-15)

Some of the selected demographic indicators for the period (2013-14) and targets for (2014-15) are reflected in the Table.

Table 17.4: Selected Demographic Indicators

Indicator	2013-2014 (1st July)	2014-2015
Total Population (million)	188	192
Urban Population (million)	71	67.5
Rural Population (million)	117	113.2
Total Fertility Rate (TFR)	3.4	3.4
Crude Birth Rate (per thousand)	27.2	27.1
Crude Death Rate (per thousand)	7.2	7.1
Population Growth Rate (percent)	2.0	2.0
Life Expectancy (years)	65.3	65.4

Source: National Institute of Population Studies (NIPS)

Demographic Indicators Target (2014 to 2015)

- Reduce fertility level from present 3.4 per women to 3 births per woman
- Reduce CPR from present 35.3% to 37%
- Ensure universal access to safe family planning services.
- Reduce incidence of first birth (in ages less than 18) by two-thirds.
- Promote birth-pregnancy spacing (of more than 36 months) from existing 30 percent to 45 percent.
- Reduce proportion of mothers giving late birth (ages beyond 34) to half.

Physical Targets and Achievements (2013-14) and Targets (2014-15)

The table given below reflects targets and achievements for the year 2013-14 and targets for the year 2014-15. It reflects that as against the physical targets little achievements have been made.

Table 17.5: Physical Targets & Achievements 2013-14 and Targets 2014-15

(Cumulative Number)

	2013-14 (Targets)	2011-12 (Achievement)	2014-15 (Targets)
Family Welfare Centers	3427	2891	3500
Reproductive Health-A centers	269	207	300
Mobile service units (MSUs)	300	292	350
RHS-B Centers	184	133	184
Registered Medical Practitioners	27576	9297	27576
Hakeem and Homeopaths	14009	8071	14009

17.3.3 Implementing Agencies/ Departments

The Population Welfare Programme is executed through four Provincial Population Welfare Departments and Population Welfare Programme; AJK, FATA, Gilgit-Baltistan and ICT.

Central Warehouse

The Central Warehouse is located at Karachi; its objectives include to provide uninterrupted supply of contraceptives and forecasting the demand at the National level, for Population, Health, NGOs and Private Sectors. The contraceptives are provided by Central Warehouse & Supplies, Karachi to all the vertical programmes and health departments. The USAID Deliver Project will continue the procurement of the contraceptives free of cost till March 2015. However, afterwards the Provinces will take over their responsibilities regarding procurement of contraceptives.

National Institute of Population Studies (NIPS)

National Institute of Population Studies (NIPS) carries out substantive and methodological research in the field of population and development, conducts impact surveys and evaluation of various components of the programme. It provides feedback to the Ministry Of Planning and Development and Reform on population development related issues. It prepares and provides population projections to the Planning and Development Reform Division, which are circulated by P&D and R, to relevant government departments and other stakeholders. It also undertakes short-term training courses on data analysis and population related issues.

17.3.4 Service Delivery Network

Family Welfare Centres

Family Welfare Centres (FWCs) are the main service delivery units of Population Welfare Programme. Currently their number is about 3000, throughout the country. These constitute extensive network in the country to promote and deliver family planning services in the urban and rural areas.

Mobile Service Units (MSU)

Mobile Service Unit provides FP/RH services at the doorsteps to the underserved communities in the rural areas, through pre-determined camping schedule. Currently their number is about 300, throughout the country. The specific objectives pursued through this component include; to make family planning information and services accessible in underserved/ un-served rural communities and to reduce the unmet need of family planning by making services more accessible, particularly the clinical methods including IUCD and injectables. Furthermore, to provide RH Services including curative services to women and children.

Reproductive Health Service A-Centres (RHS-A)

The Reproductive Health Services (RHS)-A centers are hospital based service delivery units. Currently their number is about 250, throughout the country. These RHS 'A'

centers provide full range of Reproductive Health services comprising of Comprehensive Family Planning (FP) services which include conventional and clinical methods as well as male and female contraceptive surgery facilities in static units and extension service camps under safe, and sterilized circumstances and provide Mother and Child Health (MCH) care.

17.3.5 Policy

Promotion of self dependency and sustainability are the key determinants of development policy. It is primarily focused on attainment of a minimum standard of living for populace, through provision of basic necessities of life and development of potential sectors. **Key features of policy are as follows:**

- Optimum economic & administrative decentralization
- Promoting sustainable economic environment
- Attaining minimum standard of living for inhabitants
- Reducing social & economic disparities
- Alleviating poverty at grass root level
- Improvement in Law & order situation for promotion of stable economic environment
- Modernization of socio-economic infrastructure
- Reaping the demographic dividend by providing health & education facilities to youth and provision of employment opportunities & Promoting awareness among masses.
- Promotion of public private partnership (PPP)

17.3.6 Strategic Framework

The development policy is largely focused on optimum devolution and decentralization of administrative & financial powers. In order to reach these goals a comprehensive strategy is vital with the thrust on development of local potential and maximum exploitation of natural resources.

- High priority for education and health sectors in allocation of funds
- Training centers for capacity building of labor force with higher priority for women
- Strengthening grass root institution to ensure quality service delivery
- Ensuring timely release of funds.

17.3.7 Intervention to Achieve the Desired Goals

In order to achieve a desirable level of total fertility rate there is a lot to be done. A robust family planning programme is imperative to regain the momentum in lowering the increased rate of population growth which staggering around 2 percent. With a very high unmet need for contraception (20 %), several barriers need to be overcome;

including misgivings regarding family planning methods, difficulties to access the facilities and services, misinterpreted religious concepts regarding use of contraceptives, absence of client focused quality services, as well as a disrupted flow of information and availability of contraceptive methods. In this regard, strict monitoring and evaluation, accountability, assurance of quality services at the individual level, all of such have a critical role to play. An effective communication strategy to address these barriers and build demand for family planning remains a major area warranting attention. All these issues also need to be incorporated in Health Policy so that ownership and collective resolve in an important cause is reflected. Quality of service, which includes availability and choice of methods, information to clients, technical competence of providers, good rapport between users and service providers, continuity of services and a constellation of services offered, all need to be comprehensively reviewed and accordingly addressed.

The need for a broad-based integrated reproductive health approach is considered a prerequisite for achieving any further breakthrough in the population sector, along with greater coordination between the public sector programme, the private sector and the civil society. For achieving the long-term objective of attainment of a lower replacement level of fertility by 2020, the Population Welfare Programme focuses on the new initiatives and priority programmes through focused interventions described as under:

- Implement a comprehensive reproductive health (RH) package, and improve coordination of the RH programme within the government (Functional integration between Health and Population Sectors); multinational, bilateral agencies and civil society organizations including NGOs.
- Involve women organizations and other groups working for women's needs in the planning, implementation, and monitoring of RH services and programmes.
- Promote men's participation in RH programmes, through sensitization and creating awareness among them for responsible reproductive behavior in relation to women's health benefits and overall improvement in the quality of life and family welfare.
- Ensure the highest level of quality of care in providing information and services.
- Promote an approach that provides a constellation of linked or integrated services to meet the needs of clients.
- Make available as wide a range of safe and effective modern methods of family planning as possible, as well as emergency contraceptives and advice on the safe practice of traditional methods.
- Create awareness and a better understanding of the social, cultural and behavioral aspects of RH service provision through improved quality of care.
- Develop a strong Reporting, monitoring and Evaluation System.
- Strengthening of a referral system

17.3.8 Key Strategies

The key strategies and ingredients critical for effective implementation of the population programme will focus on the following:

- Strong commitment and political will at all levels.
- Close coordination among different sectors.
- Collaboration between public and private sectors.
- Integration between health and population sectors and improving availability of RH services at First Level Care Facility (FLCF).
- A well-directed and integrative communication and media policy/strategy to disseminate population programme interventions related to optimal birth spacing, emergency contraception and more focused Interpersonal Communication (IPC).
- Improved managerial and service provision capacity at different tiers of the government, following the devolution of the federal subjects.
- Improve performance of programme personnel at all levels by introducing performance indicators for all categories of administrative and service delivery.
- Strengthening Public Private Partnership.

Chapter 18 Social Welfare and Women Development

18.1 Social Welfare

Inclusion and equity across the social welfare system have been crucial in poverty reduction and upward economic and social mobility. The economic benefits need to be distributed equitably to improve the living standards of poor, vulnerable and marginalized segment of population. However, excluded population is more likely to be denied opportunities for economic, social, and human development and they remain caught in a vicious cycle of poverty. Including these people and their needs on every level are required to break this cycle.

Social Welfare is concerned with institutional care and rehabilitation of all who are in need - poor, vulnerable, marginalized, disadvantaged and excluded segments of population including children, women, Persons with Disabilities (PWDs) and senior citizens to enhance their capabilities for mainstream socio-economic life. Social Welfare approach also enables the poor and vulnerable groups to access for their basic necessities like education, health, nutrition, skill development, water and sanitation etc. Socio-economic empowerment of poor, vulnerable, marginalized and excluded segment of population is a basic criterion of setting up the targets for social welfare sector.

The hitherto lack of integrated social and economic policy interventions are the main areas of concern for non-implementation of obligations enshrined in the Constitution, existing policies and programs. Furthermore, weak interventions in social welfare sector have prevented the discharge of national responsibilities and international commitments flowing from various obligations such as *National Policy for Persons with Disabilities, UN Convention on the Rights of the Child (CRC), Convention on the Rights of Persons with Disabilities (CRPD) and Convention on Elimination of All forms of Discrimination Against Women (CEDAW).*

At national level, a well coordinated national planning is an issue after 18th Constitutional Amendment. The review and revision of existing social welfare policies, strategies and federal/provincial action plans are immediate concerns of the sector for effective services delivery and well being of the target population. Some of the major issues and challenges include:

- Inadequate coverage and funding for execution of the existing programs/services for child protection, persons with disabilities, child labour, special children, street children, older persons, and poor and deserving patients
- While continuing the benefit from GSP plus status which Pakistan recently gained, a challenging task ahead is to effectively implement international conventions on human rights.

- Lack of research work and hence insufficient qualitative and quantitative data/information on:
  - Target population of poor, vulnerable, marginalized and excluded children, women, youth and elderly; available services of each target group;
  - Registered NGOs and their interventions;
  - Mapping of community services to address the emerging social issues of disability, inclusive education; child welfare and protection; older persons; vocational training and skill development etc.
- Thinly spread Community Development Initiatives in urban / rural areas to promote the health, education and family wellbeing of vulnerable, underprivileged and marginalized community population.
- Lack of effective voluntary work, mobilization of local community resources and grass root initiatives of NGOs to capacitate the poor, marginalized and socially excluded population
- Capacity and institutional constraints for effective implementation of social welfare strategy including i) availability of the relevant professionals of social welfare fields, ii) professional training of personnel and iii) strengthening of the existing federal and provincial social welfare organizations in terms of their manpower and office automation.

Box 18.1: Social Welfare Strategic Approach for Vision 2025

The vision approach for social welfare sector is 'to provide an enabling environment and tangible opportunities through policies, programs and projects for promotion of social justice and equity in the country addressing the needs of downtrodden, marginalized and vulnerable segments of the society'.

18.1.1 Strategic Priorities for 2014-15

The strategic interventions for social mitigation focus on new initiatives and expansion of existing institutional welfare services for care and rehabilitation of the target population. There is need to (a) build awareness about the constitutional, legal and international obligations, (b) establish integrated mechanisms to bring those objectives within reach of disadvantaged groups, c) Education and Research for developing professional expertise through universities and centers of excellence and (d) make adequate financial provision for expansion and strengthening of the social welfare services infrastructure to fulfill national and international obligations through mitigating and managing the socio-economic risk and vulnerability of the target population. In this regard, the strategic priorities include:

- Mainstream target population including children, women, youth, PWDs, patients, senior citizen etc. to secure their livelihood and income opportunities.

Mainstreaming of the target population is based on human rights based approach to social justice and development.

- Estimation and mapping of vulnerable and marginalized populations such as excluded women, children, youth and senior citizens; community services available, emerging issues of disability, special/inclusive education; child rights and protection; birth registration; abuse and violence of women and children, vocational training and skill development etc.
- Mapping of registered NGOs, their fields of operation, geographic areas covered and numbers of vulnerable and marginalized populations served.
- Sustainable community development and organization to provide need-oriented services to underprivileged strata of population by promoting voluntary work, mobilizing local resources and effective community participation.
- Support and promote grass root initiatives of voluntary social welfare agencies and NGOs through technical and financial assistance and other appropriate measures like their capacity building for achieving the targets set to address social welfare issues.
- Promotion of Inclusive Education System and Vocational Training for Special Children and Persons with Disabilities
- Philanthropy reform and judicious utilization of indigenous philanthropy, Pakistan Baitulmal and Zakat funds for social welfare, protection, development and rehabilitation programs.
- Welfare and protection of Senior Citizens to ensure their rights of health, participation, care, livelihood and protection to make them socially and economically productive.

18.2 Gender and Women Development

The issues of gender equality, women's rights and women's empowerment has evolved gradually keeping in view its significant contribution to economic development. Women constitute about half of the population and labour force which commonly play dual role including reproductive role as a major and as productive workers. Despite the recognized constitutional, legal and religious rights of women, their status remained bleak due to insufficient policy and program framework for enforcing these provisions. To enable them to contribute in socio-economic development as an equal partner, their protection, well-being, development, empowerment and participation are to be ensured.

Pakistan has committed to meeting the MDGs and is also signatory to UN Convention for Elimination of all forms of Discrimination against Women (CEDAW). Women have been the victims of neglect, violence and injustice. There is need to address these inherent problems through women's empowerment by looking at gender as a key player and cross-cutting theme.

Gender Development Index is lower than the human development index depicting that half of the population does not meet the standard in access of opportunities, resources and benefits between men and women are skewed. According to the Pakistan MDGs Report 2013, Gender Parity Index in schools at primary level has been reported as 0.9, at secondary level as 0.8, GPI for youth literacy as 0.81, share of women in wage employment in non agriculture sector as 10.45% and proportion of women holding seats in the National Parliament has been reported as 22. The major issues of the sector include:

- Lack of data on women indices and most of the information remains under or unreported. Given these short comings, the available information still indicates high maternal mortality, malnutrition, low literacy and education, unemployment and access to economic opportunities.
- Persistent gender disparities in education, health, economic, and political spheres
- Absence of an institutional mechanism at the national level; after 18th amendment impedes the process of mainstreaming gender across national governance structures
- Discriminatory laws, parallel legal system and ruling of Jirgas, Panchayats impede realization of equal citizenship to women
- Lack of access to resources, basic facilities and entitlements: economic, social and political
- Ineffective representation of women's issues and concerns in policy formulation and implementation process
- Religious extremism and potential violence against women due to patriarchal interpretation of religion and culture
- Low level of investment in women compounded by discriminatory social and cultural patterns makes the eradication of gender discrimination and disparities difficult in all realms of society
- Lack of gender dimensioning in public policies and plans at all levels

Box 18.2: Women Development Strategic Approach to Vision 2025

The vision 2025 focuses to end the multifaceted exclusions and discriminations faced by women and provide an enabling environment to every woman to develop her full potential and share the benefits of economic growth, prosperity and social development. Strategies and policies framework has been outlined to enable women to be partners in their own development through participation in the family, community and national life.

18.2.1 Strategic Priorities for 2014-15

- Gender mainstreaming: Gender as a key player for development through i) development of gender sensitive need based policy programs and projects and ii) Integration of gender issues into all sectors of national development
- Women's Rights based approach to development for protecting women's economic and development rights and entitlements. Enforcement machinery sensitization on gender issues to improve implementation
- Review and revision of legislative framework to protect women's rights in daily life through designing documentation and widely dissemination for effective enforcement.
- Practices based on discriminatory cultural, family and customary patterns be discouraged and analyzed vis-a-vis legislative framework and its impact on individual, community and humanity.
- For women participation in decision making, capacity building programs at various levels, assessment of public programs/institutions and evolving a pragmatic research agenda for policy decisions
- Awareness raising and monitoring women rights violation i.e. abuse, violence and harassment against women in all public spaces and occupations
- Strengthening of support mechanisms for women survivor of violence and in distress (with 24 hours help lines and the provision of free legal aid and counseling and rehabilitative services).
- Creation of Gender based knowledge through research and gender disaggregated data (including third gender).
- Day Care Facilities for infants/children of working spouses to keep them comfortable productive workers and to create women friendly workplace.

18.3 Review of PSDP 2013-14

An amount of Rs. 134.6 million was allocated in PSDP 2013-14 for implementation of total 15 projects of social welfare and women development sectors. Of which Rs. 124.6 million are expected to be utilized during the current fiscal year. The financial and physical achievements of these projects are given as under:

18.3.1 Social Welfare

During the year 2013-14, 02 projects with PSDP allocation of Rs.46.6 million remained in progress for which 100% expenditure is expected to be incurred. These projects mainly focused on i) early child care and protection through establishment of Model Child Welfare Centre, at Hummak, Islamabad and ii) printing of Braille books / reading material for 170 institutions of visually impaired children across the country through establishing National Braille Press. Whereas one new project on Vocational Rehabilitation and Employment for Disabled Persons at Ali Pur Farash, Barakahu, Tarnol and Rawat Islamabad with PSDP allocation of Rs.10.0 million could not be started due to its unapproved status throughout the year.

18.3.2 Women Development / Human Rights

12 development projects 'Establishment of Women Centers/SBBCW one each at Lahore, Vehari, Sahiwal, Mianwali, Rawalpindi, Bahawalpur, Multan, Sialkot, Faisalabad, Muzzaffargarh. Khushab, D.G. Khan were remained in progress during 2013-14 with PSDP allocation of Rs.78.0 million. 100% allocation of funds is expected to be utilized by the end of the year. These centers mainly focused on prevention and protection of women from abuse, violence, exploitation and harassment. Providing shelter, legal and medical aid and counseling facilities to women victims of abuse and violence. Presently, these 12 Centers have been transferred to the Government of the Punjab due to its devolved status.

Table18.1: Social Welfare & Women Dev. Projects: Allocation and Expenditure during 2013-14

(Rs. Million)

Sub-sector	Total cost	Allocation	Expenditure
Social Welfare	224.5	56.6	46.6
Women Development	600.0	78.0	78.0
Grant Total (Social Welfare and Women development)	**824.5**	**134.6**	**124.6**

Source: Planning Commission

18.4 Outlook for 2014-15

An amount of Rs. 20 million has been proposed in Federal PSDP 2014-15 against two (02) different projects of human rights. The detail of these projects alongwith proposed PSDP allocation for the year 2014-15 is given below:

18.4.1 Women Development / Human Rights

During the year 2014-15, two (02) projects for promotion and protection of human rights including women and children rights across the country have been proposed with PSDP allocation of Rs. 20 million. The main objectives and scope of these new projects include monitoring protection of human rights through establishing MIS and 24 hour helpline for legal advice. The sub-sector wise detail of the proposed projects, their total cost and PSDP allocation for the year 2014-15 is given below:

Table 18.2: Proposed Projects and Allocation of Funds for Human Rights

(Rs. Million)

Sub-Sector	No. of Projects	Total Cost	Allocation 2014-15
Human Rights	02	291	20
Total	**02**	**291**	**20**

Source: Planning Commission

Chapter 19 Area Development

Socio-economic disparity among the regions is the impediment in harnessing the developmental potential of the country. Balanced economic development, covering all sectors as well as regions is the only hope to address the issues of pervasive poverty and socio economic inequality and the sustainability of development process requires all regions and sectors to progress in a persistent manner.

Special areas comprised of FATA, AJK and Gilgit Baltistan (Federally administered tribal areas, Azad Jammu & Kashmir and Gilgit Baltistan) regions, covering the area of 113,013 square kilometers (FATA 27,220 km^2, AJ&K 13, 297 km^2 & GB 72,496 km^2) with total estimated population of around 10 million. These are the economically neglected and socially backward regions of the country. These areas are geographically hilly with population dispersed in tiny hamlets. A larger proportion of population lives in rural areas with agriculture as main source of livelihood. With less economic resources these areas require special attention in term of financial resource allocation and institutions base need to be strengthen to catch the growth pattern of developed part of the country.

The socio-economic development indicators of these regions are far less, when compared with relatively developed part of the country, due to inaccessibility, lack of infrastructure and adverse law & order condition. Thus development interventions, spread over all potential sectors are required, to bring these regions at par with rest of country.

Due to its importance, focused efforts are required to harness the economic potential of these areas. For this purpose special allocations are made by the federal government for the social & economic development of these less developed Special Areas (FATA, AJ&K & GB). This amount has been utilized for the development of infrastructure and to provide facilities in education, health, physical planning & housing, agriculture, power, irrigation & social welfare sectors.

19.1 Major Challenges & Issues

Major issues faced by Special areas can be broadly categorized as economic and social challenges these are hindering the development process of these regions. Major issues are outlined as below:

- Pervasive poverty and widening social & economic disparities
- Law & order problem especially in FATA
- Lack of investment & industrialization
- Poor human resource development & increasing unemployment
- Poor socio-economic infrastructure
- Natural resource degradation

- Non-exploitation of natural resource endowment
- Weak service delivery system and infrastructure constraint
- institutional weaknesses
- absence of reliable socio-economic Data

19.1.1 Policy

Promotion of self dependency and sustainability are the key determinants of development policy in Special areas. It is primarily focused on attainment of a minimum standard of living for populace through provision of basic necessities of life and development of potential sectors. Key features of policy are as follows:

- Optimum economic & administrative decentralization
- Promoting sustainable economic environment
- Attaining minimum standard of living for inhabitants
- Reducing social & economic disparities
- Alleviating poverty at grass root level
- Improvement in Law & order situation for promotion of stable economic environment
- Modernization of socio-economic infrastructure
- Provision of employment opportunities & Promoting awareness among masses.
- Promotion of public private partnership (PPP)

19.1.2 Strategic Framework/ Ways of Implementation of Policy

The development policy of these areas is largely focused on optimum devolution and decentralization of administrative & financial powers. In order to reach these goals a comprehensive strategy is vital with the thrust on development of local potential and optimal use of natural resources. The strategic framework for the development of less developed special areas is formed on the following aspects:

- Improvement/Up-gradation of infrastructure (roads, street pavement & sanitation facilitation)
- High priority for education, health sectors in allocation of funds
- Training centers for capacity building of labor force with higher priority for women
- Tourism Development in the potential areas in AJ&K & Gilgit Baltistan
- Minerals development & Exploitation of Hydel Power Generation capacity
- Substantial increase in allocation for productive Sectors to enhance income / revenue
- Strengthening grass root institution to ensure quality service delivery

- Ensuring timely release of funds to avoid cost over-run and timely completion of the projects

19.2 Review of 2013-14

19.2.1 Financial

For 2013-14, originally, an amount of Rs 45.82 billion was allocated, for developmental activities in Less Developed Regions, including Special Areas. These funds were provided through respective ministries / divisions (i.e. Narcotics Control Division (NCD), Interior Division, M/o Kashmir Affairs & Gilgit Baltistan (KA&GB) and SAFRON Division). Out of total allocation, an amount of Rs 1.7 billion was set aside for the projects reflected in Narcotics Control Division, Interior Division, for Areas Development Projects and special packages for militancy affected areas, whereas an amount of Rs. 43.0 billion was earmarked as block allocation for development activities in Special Areas. Administrations of concerned region were authorized to allocate funds to respective sectors according to felt needs. Details of allocation/utilizations for various agencies may be seen below:

Table 19.1: Agency/Division-wise Allocations & Utilization for 2013-14

(Rs. Million)

Agency/ Ministry/Division	Allocation	Utilization (Expected)
Ministry/Division		
Narcotics Control Division	241.448	233.91
Interior Division (ICT)	1,528.26	1,528.26
Sub Total	***1,769.71***	***1,762.17***
Special Areas		
Azad Jammu & Kashmir		
Block Allocation	10,500.00	10,500.00
Special Development Package AJK	6,000.00	0
Other Projects	857.39	857.39
Sub Total (AJK)	***17,357.39***	***11,357.39***
Gilgit Baltistan	8,200.00	8,200.00
Federally Administrated Tribal Area	18,500.00	18,500.00
Sub Total (Special Areas)	***44,057.39***	***38,057.39***
Grand Total	**45,827.10**	**39,819.56**

Source: Planning Commission

19.2.2 Physical

During the period under review, various activities were implemented through area development programs in AJ&K, GB and FATA, Special Development Package in Islamabad for strengthening capacity-building institutions etc. The objectives of these

programs are for improving the life of the rural poor. However, due to poor law and order problem, militancy and financial constraints, the desired targets could not be achieved as envisaged. The Physical targets and achievements for 2013-14 may be seen in Table 19.2.

Table 19.2: Physical Progress for 2013-14

Sector	Targets 2013-14			Achievement 2013-14	Achievement (%)
	Area development	ICT	Total		
Rural Roads (km)	35	43	78	55	70
Drinking Water Supply Schemes & Irrigation Channels (No.)	35	-	35	20	57
Hydel Powers stations (No)	5	-	5	2	40
Street Pavements (Sft)	-	1,366,641	1,366,641	770,587	56
Distribution of seed, fertilizers (acres)	1,709	-	1,709	1,429	84
Irrigation Schemes	22	-	22	4	18

Source: Planning Commission

The physical achievement during 2013-14 remained relatively low as depicted in the Table 19.2 show that 70% of the target achieved in rural roads, 57% in Water supply, 40% in hydel power, in street pavement it remained 56% and irrigation schemes completed 18%. The major constraints faced by the special areas administration had been the following:

- Adverse Low & order situation
- Delayed release of funds.
- High throw-forward liabilities

19.3 Program for 2014-15

19.3.1 Financial

During the fiscal year 2014-15, an amount of Rs 47.03 billion is proposed for Accelerated Development for Less Developed Regions in Pakistan. Out of total allocation, an amount of Rs 0.34 billion has been set aside for the projects reflected in Narcotics Control Division, and Rs 0.82 billion for Interior Division, for areas

development projects and special packages for militancy affected areas in Malakand, D.I Khan, Bannu, Swat and other conflicted areas. An amount of Rs 47 billion has been carmarked as block allocation for development activities in Special Areas. Administration of concerned are authorized to allocate funds to respective sector according to need of area. Details of allocation for various agencies may be seen at Table 19.3.

Table 19.3: Agency-wise Allocations for 2014-15

(Rs. Million)

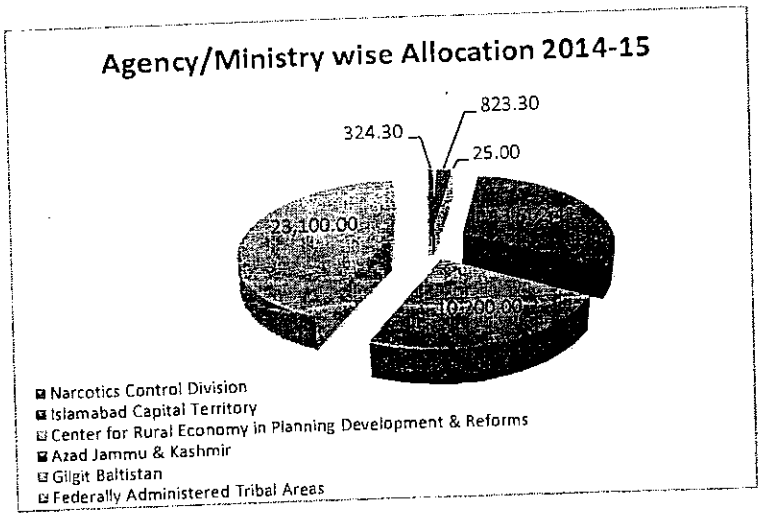
Agency/ Ministry/Division	Allocation 2014-15
Ministry/Division	
Narcotics Control Division	324.30
Interior Division (ICT)	823.30
Center for Rural Economy	25.00
Sub Total	**1,172.60**
SPECIAL AREAS	
Azad Jammu & Kashmir (Block Allocation)	10,500.00
Federal Special Development Program/project for AJK	3,000.00
Other Projects	62.41
Sub Total AJK	***13,562.41***
Gilgit Baltistan (Block Allocation)	8,200.00
Federal Special Development Program/project for GB	2,000.00
Sub Total GB	***10,200.00***
Federally Administrated Tribal Area (Block Allocation)	19,100.00
Federal Special Development Program/project for FATA	4,000.00
Sub Total FATA	***23,100.00***
Total (Special Areas)	**46,862.41**
Grand Total (Min./Div./Sp. Areas)	**48,035.01**

Source: Planning Commission

In PSDP 2014-15, the development of Special Areas (FATA, AJK & GB) has been emphasised. An amount of Rs. 9.0 billion has been earmarked under the head of Federal Special Development Program/project for the Special Areas, to support the development activities in these less developed areas in the light of the seven pillars of the Pakistan vision 2025 and to bring these areas at par with the rest of country.

The distribution of allocation for various ministries /divisions in Area Development Sector shows that Rs. 46.86 billion (97.5%) of allocation has been made for Special Areas. Rs. 1.17 billion (2.5%) allocation has been set aside for Area Development Projects under Narcotics Control and Interior Division. Details given in Figure 19.1:

Figure 19.1: Agency/Ministry-wise Allocation 2014-15



19.3.2 Physical

During the financial year 2014-15, highest priority have been accorded to those ongoing schemes/ projects, which are near completion, so that the benefits of projects can reach the people of less developed areas. These development activities are supplemented to federal vertical programme being implemented in various sectors such as power generation projects, health sector programme, Education Improvement Projects, street pavement, provision of basic necessities, agricultural development, and area development projects in poppy growing areas of FATA.

Table 19.4: Physical Target for 2014-15

Sector	Unit	Area Development Projects	ICT Project	Total
Rural Roads	km	30	50	80
Drinking Water Supply Schemes	No.	20	-	20
Street Pavements	Sft	-	6,447,514	6,447,514
Training of male / female in different fields.	No.	-	450	450
Hydel Powers stations	No	5	-	5
Irrigation Schemes	No	15	-	15
Distribution of seed, fertilizers	Acres	1,053	-	1,053

Source: Planning Commission

19.4 New Initiatives/Reforms

- Instigated formulation of Vision 2025 to help planning of long-term and sustainable Development Program

- 11th Five Year Plan 2013-18 has been initiated to work as a benchmark to attain the goals of Pakistan Vision 2025
- In Post 18th amendment scenario, the development of less developed areas has been transferred to the provincial governments. Devolution was largely focused on the four provinces of Pakistan, thereby the Federal Government is still responsible for the development process in the Special Areas, (FATA, AJK & Gilgit Baltistan)
- Transparency & accountability is taken as a priority in execution of projects.
- Promotion of self-sustainability is the major aim of Pakistan Vision 2025.

19.5 Pakistan Vision 2025

The proposed development interventions are directly linked to the objectives and overall frame work Pakistan Vision 2025. It seeks to promote socio- economic equality, increase productivity through harnessing the local developmental potentials available in these neglected areas. An approach with multi-sectoral thrust is adopted to improve social service delivery & natural resource endowment.

The area development programmes for less developed areas focus on the infrastructure improvement and investment on human capital development as the key for balanced & sustainable growth lies in optimum utilization of resources and development of human capital.

The block allocation for FATA, AJ&K and Gilgit Baltistan is the major contribution by the federal government to decentralize financial resources to the administration of these areas, which tends to increase the economic efficiency & competitiveness to speed up the development process in special areas.

Part –VI

Connectivity

Transport and Logistics

Transport and Logistics (T&L) sector comprises physical as well as soft infrastructure. Physical infrastructure constitutes rails, roads, air and water transport; whereas, soft infrastructure covers such activities as packaging, delivery, storage and trade logistics & facilitation. Transport and logistics cost is an important component of cost of doing business and determines efficiency of connectivity. High freight, insurance, longer delivery times in Pakistan restrain growth in connectivity of people and places. Hence, connectivity features prominently in the Vision 2025 and framework for 11th Five Year Plan. In designing the reform agenda and implementation plan to improve connectivity for rapid economic growth, issues of all dimensions of physical and soft infrastructure will be addressed.

20.1 Strategy

The T&L Sector is required to be improved by modernizing through a continuous process of reforms supported by focused investments. The overarching objective is to bring down the costs of doing business by improving various sub-sectors of T&L. The sector claims **around 31%** share of PSDP **2014-15**. Approximately two to three times more investment is required in T&L to support the growth process and especially to accommodate the transport sector projects under China – Pak Economic Corridor (CPEC). In addition to public investment and reforms, effort needs to be made to promote PPPs and leverage higher investment from the private sector to accelerate growth in the shortest possible time. Vision 2025 and framework for 11th Five Year Plan emphasizes participation of private sector/ PPP in T&L as a growth-driver. This will further enhance productivity, competitiveness, efficiency, innovation and entrepreneurship in the country.

20.1.1 China Pak Economic Corridor

Recognizing the importance of transport to economy and besides making large investments to improve road, rail, air and ports infrastructure, the government has planned to focus on supporting trade and logistics services through introduction of government's new initiative of developing Economic-Trade Corridor to connect Gwadar with Khunjerab & up to Kashgar & developing further east and west linkages besides developing economic trade centers/zones at potential locations. This is why it has planned to invest heavily in improving transport infrastructure (road, rail, air and ports) – thereby facilitating regional trade and investment.

20.1.2 Draft National Transport Policy

To implement growth strategy for sustainable growth, Ministry of Communications prepared a draft National Transport Policy in consultation with all stakeholders. The Policy covered all modes of transport; roads, railways, ports & shipping and aviation,

under the NTCIP (National Trade Corridor Improvement Program). The broad objectives of the draft NTCIP were to provide safe, reliable, effective, efficient, affordable, accessible, sustainable and fully integrated transport system that will meet the needs of freight & passenger mobility requirements, improved service in a cost effective fashion that supports government's goal of increasing public welfare through economic growth, social improvement, poverty reduction and infrastructure development while being environmentally and economically sustainable and energy efficient. The numbers of initiatives / projects taken up under the NTCIP are in implementation stage.

An overall review of PSDP and logistics sector for 2013-14 and outlook for 2014-15 are discussed in the subsequent paragraphs:

20.2 T&L Sector 2013-14

20.2.1 Federal Programs

The PSDP for 2013-14 provided an outlay of **Rs. 107,471 million** for the federal program. Against this expenditure of **Rs. 82,972 million** is expected to be incurred by the end of the current financial year; giving an overall expenditure of 77%. **(Annex-20.1)**. Salient features of implementation of the program in respect of the each sector of transport are given below.

- **Pakistan Railways**

Against an allocation of **Rs. 30,964.9 million,** an expenditure of **Rs. 26,013.6 million** is reported to be incurred during 2013-14. The main thrust was at the improvement of existing infrastructure, signaling system and procurement and manufacture of rolling stock like locomotives, coaches, bogie wagons. Work on track rehabilitation, doubling of track from Khanewal to Raiwind, procurement / manufacture of 150 Diesel Electric (DE) locomotives, procurement / manufacture of 202 passenger coaches, replacement of old signaling gear system from Lodhran to Shahdara Section, rehabilitation of railways assets damaged during riots of 27th – 28th December, 2007, rehabilitation of 27 number HGMU-30 DE locos, continued with further acceleration including work on a pilot project for manufacture of 5 DE locos,. Revival of KCR, Strengthening/ Rehabilitation of 159 weak bridges and track rehabilitation on Khanpur –Lodhran Section. However the projects for procurement / manufacture of 53 high capacity wagons, replacement of 03 breakdown rescue cranes and procurement of 05 sets of relief trains, procurement of plant & machinery for C&W Shop Mughalpura, procurement of 43 DE locos out of 50 DE locos all in CBU condition and doubling of track on Lodhran to Khanewal Section via Multan Cantt have been substantially completed. It is expected that the completed projects would help in enhancing quality of public service, boost freight and passenger business and run Railways on commercial lines keeping in view the national interest.

- **Ports and Shipping**

Against an allocation of Rs.500.0 million an expenditure of Rs.321.1 million is expected to be incurred during the plan period giving a utilization of around 64 percent. The projects acquisition of fiber glass security boats, acquisition of mobile cranes, Gwadar Port infrastructure development (*miscellaneous work*) and installation of 02 pontoons have been substantially completed.

- **National Highway Authority (NHA)**

Against an allocation of Rs. 63,038.6 million (FEC: Rs. 30,916.4 million); an expenditure of Rs. 50,913.138 million is expected to be incurred during the plan period giving a utilization of around 80.76 percent. Against the allocated funds it was planned to gear up the slow moving on-going projects especially for Gwadar links and regional connectivity and inject funds to those projects which were nearing completion or on the verge of completion stage. Also emphasis on R&D was taken care of for which work on the establishment of Highway Research and Training Center (HRTC) near Burhan on M-1 in collaboration with Government of Japan was initiated. Out of 98 planned projects for the FY Year 2013 – 2014, 30 projects have been substantially completed including construction of 02 Lane Bridge over River Chenab, dualization of Sakrand – Benazirabad Road, improvement of N – 65 Nuttal – Sibbi – Dhadhar Section, Shershah bridge over River Chenab, Islamabad – Muzaffarabad – Kohala Road and construction 02 lane Mosa Pak Shaheed Bridge over River Sutlej. And projects for construction bridge across River Chenab linking Shorkot and Garh Mahraja, construction of bridge over River Indus at Qazi Ahmed – Amri, construction of Larkana-Khairpur bridge and Khushalgarh bridge at Kohat over River Indus, establishment of Highway Research Training Center (HRTC), land acquisition for Gojra to Shorkot section of Faisalabad – Khanewal Motorway, construction of Faisalabad – Khanewal Motorway (M – 4), Lyari Expressway, Lowari tunnel project and rehabilitation / improvement / widening of KKH (Raikot –Khunjerab Section). Work on roads connecting Gwadar with rest of National Highway Network has also been accelerated in the FY 2013 – 2014. Main objective of the above projects is to enhance countrywide mobility, accessibility, safety in travel and productivity, reduction in travel time and costs thereby boosting trade and economic activities.

- **National Highways and Motorways Police (NH&MP)**

Against an allocation of Rs.28.0 million; an expenditure of Rs. 23.745 million (85%) is expected to be incurred during the plan period. The on-going works included for construction of NH&MP Complex at Rahimyar Khan, construction of Central Police Office at Mauve Area, Sector G-11/1, Islamabad and purchase of land for construction of NH&MP Offices at Gwadar. The NH&MP is playing an important role in maintaining discipline and safety on the National Highways and Motorways and is a role model for any public sector entity. Their contribution has helped in reducing the number of road accidents to some extent and other mishaps on the National Highways and Motorways.

- **Construction Technology Training Institute (CTTI)**

The entire allocation of Rs.77.32 million is expected to be incurred during the plan period on the on-going works under the project for Enhancement of Training Capabilities of the CTTI (Phase-IV) and establishment of Pak – Korea Information Communication Technology Center (ICT) of excellence in Islamabad.

- **Commerce Division**

Against an allocation of Rs.50.0 million, no expenditure has been incurred on the project of "Trade & Transport Facilitation Unit (TTFU-2)" under NTCIP due to closure of project before due date.

- **Maritime Security Agency (MSA)**

Against an allocation of Rs.65.0 million an expenditure of Rs. 27.0 million (*41%*) is expected to be incurred on continuation of works on construction of barrack accommodation at MSA base Pasni and establishment of MSA digitized operation room at new HQ MSA building at Karachi which reached at fairly advanced stage of completion.

- **Civil Aviation Authority (CAA)**

Against an allocation of Rs.800.0 million an expenditure of Rs. 49.0 million (6%) is expected to be incurred on preparatory works for construction of New Gwadar International Airport (NGIA) at Gwadar; only project which is being funded through public sector due to strategic reasons.

Box 20.1: Restructuring Plan of Pakistan International Airlines

A restructuring plan of PIA has been finalized which addressed corporate governance, human resource rationalization, financial and operational restructuring, engineering improvement, procurement and logistics, marketing and fleet airport services and dispatch reliability. Increased fuel cost has been a major downside risk to the financial strength of PIA and effective measures has been put in place to mitigate the effect. Various other cost minimization and revenue enhancement measures have been put in place to reduce revenue-expenditure gap in the medium term. Fleet renewal and addition is being planned. Route rationalization, code sharing and alliance are being pursued for moving to a new business model. Dispatch reliability will be improved through various initiatives including expansion of reliability system, use of reliability tools and standardized data exchange on maintenance. Strategic Business Units (SBUs) are being established for outsourcing of non-core functions of PIA. Rationalization of employment is being addressed through attrition and no new hiring is being undertaken except operational staff. Financial restructuring plan has been finalized which includes equity injection, rollover of loans and government guaranteed loans among others. A new approach of wet lease has been adopted to increase the efficiency of PIA operations / services. A holistic view needs to be developed for revitalization PIA entailing industry dynamics, aviation policy and strategic needs which is the focus of the government.

- **Karachi Shipyard & Engineering Works (KSEW)**

Against an allocation of Rs. 2,300.0 million an expenditure of Rs. 499.7 million (22%) is expected to be incurred on completion of installation of new Ship Lift and Transfer System with lifting capacity upto 7,781 tonnes and Civil Works for upgradation of existing facilities.

- **Finance Division**

Against the total allocation of Rs. 4,886.9 million, an expenditure of Rs. 3,115.0 million (64%) is expected to be incurred for completion of ongoing works of various provincial road projects sponsored by this division.

- **Housing & Works Division**

Against the total allocation of Rs.1,654.7 million an expenditure of Rs.1,086.4 million is expected to be incurred for completion of ongoing works of various provincial / federal road projects sponsored by this division.

- **Kashmir Affairs & Gilgit Baltistan Division**

Against the total allocation of Rs. 3,004.4 million, an expenditure of Rs. 800.0 million (27%) is expected to be incurred for completion of ongoing works of various provincial/ federal road projects sponsored by this division.

20.3 Outlook for 2014-15

The Transport strategy 2014-15 is based on multi-modal transport system. Emphasis will be on:

- Asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system,
- Enhancing the role of private sector participation in sector development and institutional capacity building,
- Research and development by adopting modern technology, procedures and processes to increase sector efficiency,
- Improving the regional and domestic connectivity; regional connectivity will provide links to China, Central Asian States, Iran, Afghanistan and India.

During the period, various measures would be adopted to improve transport planning and mobilization of resources from users & the private sector. An integrated and holistic approach would be adopted for making transport system more productive, efficient and reliable, which may lower the transport costs and enhance the productivity in the economy.

It is also planned to revitalize the Railway system by transforming it into a commercially oriented entity, while retaining the railway network in public ownership.

Development of port infrastructure and rationalization of port charges is envisaged to cater to trans-shipment through the landlord port concept with enhanced private sector participation. Likewise rationalization of airport charges and the development of airports through the private sector are also planned.

20.3.1 Federal Transport Development Program 2014 – 2015

An allocation of **Rs. 162,522.0 million** has been proposed for the Development Program of T&L. This includes **Rs. 51,059.0 million** for the budgetary program and **Rs. 111,463.0 million** for NHA under the budgetary corporations program (**Annex-20.1**). Salient features of the proposed program relating to T&L sector are outlined as under:

Pakistan Railways

An allocation of Rs. 39.366.0 million has been proposed for 2014 – 2015. Works on track rehabilitation of Pakistan Railway network, procurement / manufacture of 150 DE locomotives, procurement/manufacture of 75 Nos. D.E. locomotives, procurement of remaining 7 DE locos out of 50 DE locos in CBU condition, special repair to 150 DE locos besides pilot project for manufacture of 5 DE locos trough indigenization, procurement / manufacture of 202 passenger coaches, doubling of track on Khanewal - Raiwind Section (246 km), upgradation and improvement of existing track between Khanpur and Lodhran (287 km both UP & DN lines), damages to Railway Assets during riots in December 2007, replacement of old & obsolete signaling system on Lodhran-Khanewal to Shahdara Section with modern state of the art system, rehabilitation of over aged 27 HGMU-30 DE Locos, replacement of metal sleepers and track renewal on Lodhran – Shahdara section and other on-going projects would reach to advance stage of completion.

The new initiatives will include up-gradation and doubling of remaining section of main line (i.e. Shahdara to Peshawar and Shahdara to Faisalabad) in phased manner, procurement of new rolling stock, improvement of signaling system with state-of-the-art new computerized signaling system, privatization of railways operations with particular reference to track access and improvement in its systems and processes. Besides, feasibility study for provision of new rail links from Gwadar to rest of the Railways Network to facilitate functioning of the Gwadar Deep Sea Water Port would be initiated. With the provision of new rail link, Gwadar will be linked with the Central Asian countries. Preparatory works on Karachi Circular Railway (KCR) under JICA funding would also be taken up. Additional schemes which will be initiated during the Plan period include: i) feasibility study for up gradation of main line 1 from Karachi to Peshawar and development of dry port at Havelian under China Pakistan Economic Corridor (CPEC) initiative ii) up-gradation and improvement of existing track between Khanpur and Lodhran (Phase-II); iii) continuous replacement/up-gradation of rolling stock; iv) development of rail links between Peshawar- Jalaladad (Afghanistan); iv) Chaman - Spinbouldak (Afghanistan) v) development of infrastructure for uninterrupted coal supply chain from Karachi to various coal fired power plants including procurement of locomotives and rolling stock.

Ports and Shipping

An allocation of Rs 2,576.0 million has been proposed for the Ministry of Ports & Shipping (P&S) Under P&S sector, work on Ports Master Plan for Pakistan's three ports would continue which, after completion would establish the role / basis for the responsibilities of each port with a view to optimal / efficient use of port infrastructure either through competition among ports or by way of specialization of the port. Outsourcing of container and other terminals at the ports is also planned. Land acquisition process for free trade zone at Gwadar will also be initiated. Under CPEC initiative, construction of east bay expressway, construction of Breakwaters, dredging of berthing areas and channels and Integrated Development of Gwadar City/Region and its related infrastructure is also envisaged.

National Highway Authority (NHA)

A Policy and Regulatory framework for private sector participation in National Highways would be adopted in consultation with different stakeholders to facilitate investment and increase efficiency. An allocation of Rs 111.463 billion has been proposed for the NHA. Among the on-going projects, works will continue on the projects for acquisition of land & property compensation for construction of 184 km Faisalabad-Khanewal Expressway and construction of Faisalabad - Khanewal Expressway (184 km), Phase-II, Rehabilitation of Larkana-Rasheed Wagan-Nasirabad Road (34 km), Bridge over River Indus linking N-5 with N-55 at Nishtar Ghat, Construction of Bridge across River Chenab Linking Shorkot and Garh Maharaja, Construction of Ratodero-Daddu-Sehwan ACW (E-6B) (200 km), Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero (Khori-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road N-85 (459 Km), Hassanabdal-Havelian-Manshera Expressway (Land Acquisition, Property Compensation and Shifting of Utilities), Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (883 Km) - revised, National Highway Development Sector Project (NHDSP) – revised for improvement / construction of 687 km of roads under the ADB financing, Jalkhad-Chillas Road (N-15) [66 km], Kalat-Quetta-Chaman (N-25) [247 km], Kolpur Bypass N-65, Lowari Tunnel & access roads, Bewata-Khajuri-Waigum Rud (N-70) [132 km], Alpuri-Besham Section (N-90) [34 km], Rehabilitation / Upgradation of Jalalpur Pirwala-Uch Section (45 Km) of Multan-TMP Road, Widening and Improvement of Bosan Road, Multan, Construction of Amri - Kazi Ahmed Bridge over River Indus at Qazi Ahmed Amri including Sakrand Bypass, Realignment of KKH & Barrier Lake Attabad, Khushal Garh Bridge over river Indus (N-80), Multan inner Ring Road including six interchanges and approaches for Larkana Bridge over River Indus.

The new projects under China Pakistan Economic Corridor include: i) Land acquisition & shifting of utilities for Karachi-Lahore Motorway (KLM) ii) construction of Lahore-Abdul Hakim-Khanewal Section (276 Km) of KLM on B.O.T basis, GoP share (30% VGF) (iii) construction of Multan-Sukkur Section (387 Km) Credit Financing (90:10) iv) Construction of Raikot-Havelian-Islamabad Section (460 Km) Credit Financing (90:10) including Land.

Other new initiatives include i) Construction of Hassan Abdal - Havelian Expressway (59.1 Km) , ii) Land Acquisition, shifting of utilities and construction for approach road to New Islamabad International Airport; iii) Feasibility study for construction of Babusar top tunnel; iv) Construction of bridge between Chishtian & Burewala over River Sutlej; v) Construction of Tunnel in Leepa Valley; vi) Improvement and Widening of Jaglot-Skardu Road (S-1) (167 km), vii) Dualization of Multan-Muzzafargarh-DG Khan section of N-70 (80 Km) VGF, viii) Land acquisition and construction of Lahore Eastern bypass on G.T. road and ix) Sangla hill (Pendorian-Beranwala) interchange on M-3.

The plan also envisages to developing industrial clusters, oil storage facilities and oil and gas pipelines along the proposed motorways and expressways corridors. These initiatives would open up new areas and potential hubs of trade with China, Central Asian Republics and Iran.

Box 20.2: China Pak Economic Corridor

Economic corridor between Pakistan and China has enormous potential. Economic integration of two countries and the region will benefit about three billion people in China, South Asia and Central Asia. Enhancing connectivity between China and Pakistan is of great importance to expand economic and trade cooperation, promote economic integration, and foster economic development of the two countries.

A number of strategic projects are being envisaged under the Pak-China Economic Corridor especially in transport infrastructure and energy, which will further expand regional economic cooperation/integration. The deepening and widening of connectivity with the close proximity countries would reinforce Pakistan's position as the hub of region and could further be strengthened through realising the potentials of border connectivity in the longer term with its partners in the wider region.

The key sectors for physical integration of the economies in the region are transport infrastructure including road, railways, aviation, ports and waterways, and energy.

Ministry of Communications (NH&MP, CTTI)

An allocation of Rs 178 million has been proposed for continuation of on-going works under the MOC for its attached departments.

Ministry of Defense (Pakistan Maritime Security Agency (MSA)

An allocation of Rs. 141.078 million has been proposed for continuation of on-going and initiation of new works under the MOD for its attached departments.

Karachi Shipyard & Engineering Works (KS&EW)

An allocation of Rs. 937.327 million has been proposed for continuation of on-going works for Installation of Ship Lift and Transfer System to provide docking and repair facilities for big ships of upto 7,781 tonnages at the KSEW and Civil works for upgradation of existing facilities at KSEW.

Finance Division

Total allocation of Rs. 4,533.5 million has been proposed for continuation of ongoing works besides initiation of new provincial road projects in all the four provinces by this division.

Civil Aviation Authority (CAA)

Total allocation of Rs. 1,300.0 million has been proposed for continuation of ongoing works on New Gwadar International Airport besides initiation of new projects which include , i) operationalization & strengthening of Muzaffarabad and Rawlakot Airports and ii) Establishment of basic Aerodrome Facilities in Mansehra.

Housing & Works Division

Total allocation of Rs. 1,497.4 million has been proposed for continuation of ongoing works besides initiation of new provincial / federal road projects in all the four provinces by this division.

Kashmir Affairs & Gilgit Baltistan Division

Total allocation of Rs. 500.0 million has been proposed for continuation of ongoing works besides initiation of new road projects by this division.

Transport & Communications

(Rs. million)

Sr. No.	Executing Agency	PSDP Allocation For 2013-14	Estimated Expenditure during 2013-14	Expenditure in %age of PSDP Allocation	Proposed PSDP 2014-15
1	2	3	5	6	7
1	**National Highway Authority (NHA)**	63,038	50,913	81	111,463
2	**Pakistan Railways**	30,965	26,013	84	39,366
3	**M/o Ports & Shipping**	500	321	64	2,576
4	**M/o Communications**				
4(a)	National Transport Research Centre (NTRC)	4	2.8	70	NIL
4(b)	Const. Technology Training Institute (CTTI)	77	77	100	138
4(c)	National HW & Motorway Police (NH&MP)	28	24	85	40
5	**Ministry of Commerce (TTFU-2 Project)**	50	0.0	0.0	Project closed
6	**M/o Defence (Maritime Security Agency (MSA)**	65	27	41	141
7	**Aviation Division**				
7(a)	Pakistan Meteorological Deptt. (PMD)	98	45	46	31
7(b)	Civil Aviation Authority (CAA)	800	49	6	1,300
8	M/o Defence Production (KS&EW)	2,300	499	22	937
9	Finance Division (Provincial Roads)	4,887	3,115	64	4,533
10	Housing & Works Division (Provincial Roads)	1,655	1,086	66	1,497
11	AJK & GB Division	3,004	800	27	500
	Total T&C	**107,471**	**82,972**	77	**162,522**
	Breakup of Budgetary & Budgetary Corporation Program:				
A	**Budgetary Program**	**44,433**	**32,059**	**72**	**51,059**
B	**Budgetary Corporation Program**	**63,038**	**50,913**	**81**	**111,463**
	Total T&C	107,471	82,972	77	162,522
Total Federal PSDP					**525,000**
T&C Share					**31%**

Source: Planning Commission

Information and Communication Technologies

Information and Communication Technologies (ICTs) have undergone massive global changes during the last decade moving from a set of back-end support technologies to pervasive 'socio-economic growth' technologies. The Vision 2025 lays a strategic focus on ICTs to promote innovation and creativity and to act as enabler for continuous accelerated economic growth for a longer duration. The sector also holds a promising prospective in creation of jobs, entrepreneurship, introducing new business avenues, especially engaging the youth by turning their potential into a productive human capital.

Box 21.1: Focus of National ICT Strategy

Provide the right digital and knowledge infrastructure for economy, security, governance and society through:

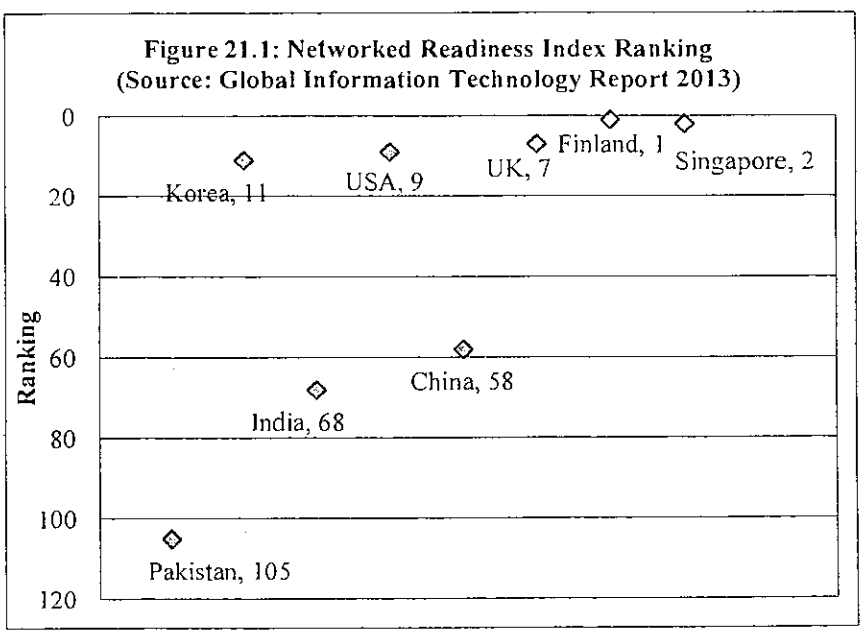
- Strategic investments in modern and high speed national broadband infrastructure;
- Creation of high impact automation initiatives in the public sector to enhance economic competitiveness;
- Improving governance and delivery of efficient citizen services across wide strata of population.

21.1 Information Technology (IT)

The increasing trend of inter-connectedness around the world has entered into its next stage which envisages creation of knowledge for higher value economic activities through collaboration. Many innovative initiatives have been launched round the globe to address a number of socio-economic issues, such as, poverty alleviation, quality education for under privileged in remote locations, healthcare, access to knowledge, etc. These innovative approaches are helping communities in an unparalleled way, thus fostering innovation and entrepreneurship.

In Pakistan, the continuous difficult economic situation during the last few years coupled with alarming security concerns has badly affected the IT Sector. As such, Pakistan has lagged much behind in bagging the benefits of 'inclusiveness' of ICT. In the overall Network Readiness Index, ranking of

Figure 21.1: Networked Readiness Index Ranking
(Source: Global Information Technology Report 2013)



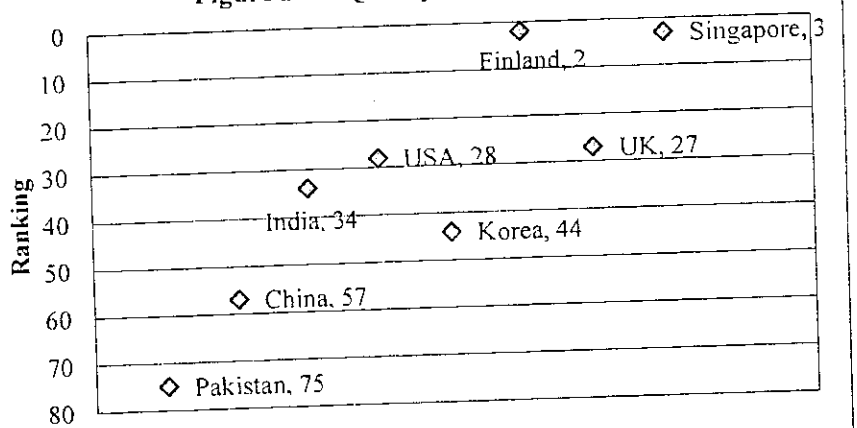
Pakistan has dropped to 105 in the last year from 102 in 2012. Comparison of Network Readiness Index ranking of selected countries shows Pakistan's standing in the world (Figure 21.1).

21.2 Sectoral Issues and Strategy

21.2.1 Education and Human Resource Development

Literacy and quality of education at all levels are the foundations of leapfrogging the country into the knowledge era. Development and innovation in ICT requires continuous supply of high value human capital. Pakistan lags in this regard to put up sustained competitiveness in a highly complex and competitive world. ICT being a very attractive sector for young entrepreneurs requires that they be groomed for producing high value innovative products and services.

Figure 21.2: Quality of Education System



(Source: Global Information Technology Report, 2013)

It is only through highly skilled and internationally competitive human resource that we will be able to avail the best opportunities in the future. Therefore, we have to focus on quality IT education that can produce high-valuc human capital to meet both the domestic demand of IT industry as well as cater to the international requirements and tap excellent source of foreign remittances in the future. A comparison of various countries for *"Quality of the Educational System"* (Figure 21.1) clearly depicts that Pakistan has to strive hard to become globally competitive. The strategic direction to develop high value human capital in IT sector is delineated in Box 21.2.

Box 21.2: Strategy for High Value Human Capital

- Uplift the quality of education through clustering and linkages of high-ranking educational institutions with other institutions.
- Establish a chain of ICT Vocational Training Centers through Public Private Partnership with emphasis on international certifications (e.g. PMP, PRINCE2, CCSP, MCSD, DBA, etc.) and development of key competencies.
- Provide universal access to levels of schools and colleges with internet access.
- Upgrade teaching skills of teachers to use IT as a tool for imparting education.
- Scholarships for IT education with special emphasis on research and innovation.

21.2.2 Development of Information Technology Industry

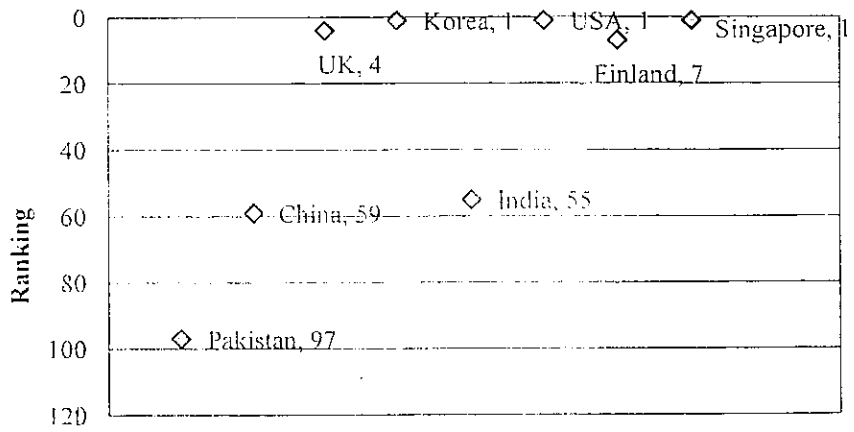
In Pakistan, overall reported IT exports have been consistently low in terms of value compared to the potential in the country. It is estimated that IT related exports are more than US$ 2 billion now, whereas, IT exports of Korea were at US $ 158.8 billion, Ireland's IT exports is expected to reach US $ 67 billion and India's IT export is projected to be more than US$ 68 billion. Job creation in ICT costs much less compared to traditional sectors. To spur further expansion and development of IT Industry and increase software exports, the strategic direction devised for Vision 2025 and 11th Five Year Plan is given in Box 21.3.

Box 21.3: Strategy for Development of IT Industry

- Investment in international fibre (ingress/egress) bandwidth, along with related legislation, for the emergence of strong e-commerce in the country.
- Setting up of a national connectivity backbone to serve wider regions, across the country.
- Expansion of domestic fibre capacity would need to be undertaken to provide growing high speed access for local use. This would be complemented by expansion of wireless broadband networks in various spectra, such as 700 MHz.
- Creation of data centres across the network for growth of digital content to drive the use of data across a variety of sectors, for increased economic activity, better delivery of social services and growth of local research.
- To attract IT companies, encourage setting up Software Technology Parks in cities (other than the Big Three), and treating them as Tax Free Zones where economically justified, so that they can act as a hub for value-added activities such as multimedia content, animation, computer games, knowledge creation, etc.

21.2.3 E-Government

Figure 21.3: Government Online Service Index



(Source: Global Information Technology Report 2013)

Within the public sector, specially, government services need to be made accessible online to facilitate the citizens and enhance efficiency and transparency in governance. In spite of expansion of information and participatory tools on government websites, access to basic services such as health, education, agriculture are still at infancy stage for general public. Also, the e-government initiative has lost steam, which has to be re-oriented to bring more government services online. A strategic, long-term ownership at the highest level can

only make it a success. As compared to other countries, the use of ICT by government to increase the efficiency in delivery of its services is still very low (Figure 21.3).

A major issue in sustainability of e-government projects is induction and retention of IT professionals on regular basis for operational tasks. Adopting public service as a career is a low priority amongst IT professionals due non-conducive environment for career growth in the public sector and lucrative packages offered by the private sector for the same skills and experience level. To attract IT professionals in the public sector, development of an IT Cadre at competitive salaries is essential. For sustainability of e-government initiatives, strategic direction is briefly delineated in Box 21.4.

Box 21.4: Strategy for E-Government Sustainability

- Appointment of professional ICT leader as GCIO, reporting to Board chaired by Prime Minister.
- Establishing Federal IT Cadre as a public service career that focuses on Public Sector IT assets.
- Sharing of government software applications amongst government entities, including Provinces and Districts.
- Collaborating with private sector to design, develop and boost usage of government online services.

21.3 Review of 2013-14

21.3.1 Financial

In the PSDP 2013-14, Rs 2.3 billion was allocated for information technology for 37 projects worth Rs 16.3 billion. As per the revised estimates, the utilization for 2013-14 will be about 90% of allocated funds.

21.3.2 Physical

In the Information Technology, many PSDP funded projects have either been closed or are near completion by the end of this fiscal year. The three main focus areas in Information Technology are Human Resource Development, Information Technology Industry Development and E-Government. Major achievements for 2013-14 are delineated below:

- **Human Resource Development**

  Important projects executed during 2013-14 for human resource development include:

  - National ICT Scholarship Program for students of non-metropolitan areas to have access to quality IT/Computer Science education in the country.
  - Pilot Project for End-Users and System Administrators – Training on Open Source Software to raise the skills in the use of open source softwares.

- **Information Technology Industry Development**

  The domestic IT industry is now preparing itself for the next stage of growth, inspite of the overall uncertain situation that continued to prevail during the year 2013-14, making the international investors reluctant to invest and undertake business in Pakistan. Following projects were executed during the year 2013-14 for development of I.T industry:

  - Automation of Domestic Industry on Open Source Systems is providing local companies to develop expertise in open source arena as well as automation at low cost for domestic industry.

- **E-Government**

  Important e-government projects executed during 2013-14 included the following:

  - Machine Readable Passport/ Machine Readable Visa Project - Phase-II.
  - Automation of Central Directorate of National Savings (CDNS) project
  - E-Services for Chief/ Deputy Commissioner's Office, Islamabad.
  - Automated Fingerprint Identification System (Phase-II)

21.4 Program for 2014-15

21.4.1 Financial

In the PSDP 2014-15, an amount of Rs 3.2 billion has been earmarked for IT sector for 30 projects costing Rs 25.1 billion.

21.4.2 Physical

The funds earmarked in 2014-15 are meant for ongoing projects and some new initiatives. The emphasis will be on human resource development, IT industry development, strengthening e-Government and infrastructure development. Major thrust in IT for the 2014-15 will be as follows:

- **Human Resource Development**

  Following main projects are included in PSDP 2014-15:

  - National ICT Scholarship Program. The target for the year is to provide scholarship to 400 students for 4-years Bachelor's degree programme in various national universities.

- **Information Technology Industry Development**

  PSDP 2014-15 emphases on improving the IT infrastructure to attract more international IT companies to undertake business in Pakistan alongside the domestic IT companies. In this regard, some of the important projects included in PSDP 2014-15 are:

  - Technology Parks Development Project (TDP) at Islamabad
  - International Coordination Unit(ICU)

- **E-Government**

  E-government projects will continue to be the center-piece of public sector information technology initiatives. The major e-government projects in 2014-15 include:

  - Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-II targets to deploy the system at key foreign missions in the next year.
  - National Response Center for Cyber Crimes (NR3C) – Phase-II will further benefits and inform public about the cyber crimes and forensic facilities.
  - Replication of e-Office (Basic Common Applications) at ALL Divisions of Federal Government is being successfully implemented.

21.5 Telecommunication

Telecommunication sector in Pakistan has seen a phenomenal growth during the last decade and has reached tele-density of 77% as of January, 2014 (*Pakistan Telecommunication Authority*). A slow down seen in the previous two years is now over, and the telecommunication sector is all set to pick up speed once again. The process of auctioning of 3G/ 4G licenses has been completed and the actual progress in the near future would enable the telecom sector to enter into the next phase of its growth. For services and infrastructure providers, this will bring even bigger challenges and opportunities. Furthermore, the broadband subscribers have increased by 59% during the last 18 months with EvDO technology jumping by 3 times in the same time period. This is encouraging the broadband service providers to bring value-added services and affordable packages for customers.

21.6 Review of 2013 - 14

Pakistan Telecommunication Authority (PTA) is a regulatory body mainly responsible to regulate telecom business in the country, licensing telecom operators, monitoring quality of services, and protecting the interest of consumers. PTA's proactive approach has contributed towards accelerated growth in the telecom sector. The two telecommunication organizations working under the government, namely National Telecommunication Corporation (NTC) and Special Communication Organization (SCO) are providing services to the government at Islamabad, AJK and GB.

The important projects executed by SCO during 2013-14 are as follows:

- Special Communications Organization (SCO)
  - Interconnect Billing and Customer Support for AJK.
  - Laying of OFC to connect Remote Areas of Gilgit-Baltistan and AJK.

Performance of Private Companies

Presently, there are 5 private cellular companies operating in the country. The number of connections as reported by PTA is shown at Tables 21.1 and 21.2.

Table 21.1: Number of Fixed+WLL Telecom Connections

(As of Jun. 2013 and Mar. 2014)

(Rs Million)

Item	2013	2014	Growth (%)
PTCL Fixed Lines	2.85	2.90	0.6
Other Fixed Lines	0.14	0.14	-1.0
PTCL WLL	1.23	1.20	-2.89
Other WLL	1.89	1.40	-26.1
Total Fixed+WLL	**6.15**	**5.64**	**-8.32**

Source: *Pakistan Telecom Authority*

Table 21.2: Number of Mobile Telecom Connections
(As of Jun. 2013 and Mar. 2014)

(Rs Million)

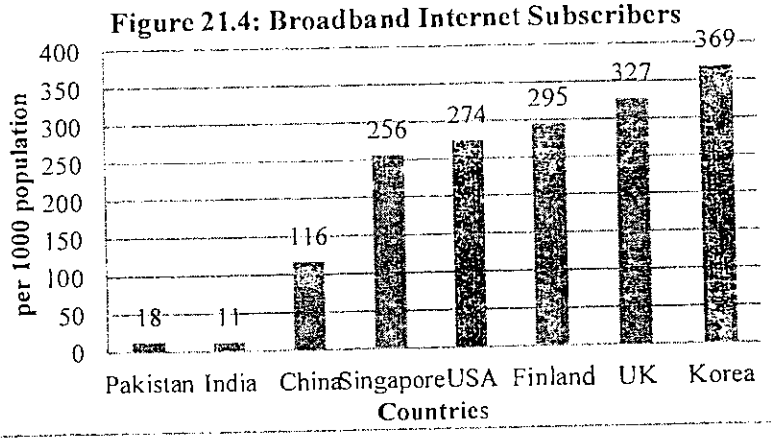
Company Name	2013	2014	Growth (%)
Mobilink	37.12	37.72	1.62
U – Fone	24.55	25.03	1.98
Telenor	32.18	33.75	4.86
Warid	12.71	12.82	0.91
Zong	21.18	24.37	15.06
Total Mobile	**127.74**	**132.33**	**3.60**
Total (Fixed + Mobile)	**133.89**	**137.97**	**3.05**

Source: Pakistan Telecom Authority

Broadband Services

The broadband connections increased from 2.72 million in June, 2013 to 3.34 million in January, 2014. This increase is mainly attributed to continuous high demand of products like EvDO and DSL in

Figure 21.4: Broadband Internet Subscribers



the broadband arena by telecom companies namely PTCL, Wateen, Wi-tribe, Nayatel and Qubee wireless broadband services at affordable prices. Inspite of this high growth in recent years, Pakistan's broadband density is still quite low (Figure 21.4) and a lot of potential exists in its accelerated growth.

Roadmap for Future

'Vision 2025' envisages telecom sector to become a major contributor in the economic growth of the country. The roadmap forecasts that mobile telephone subscribers will cross 160 million mark and broadband subscribers 19.5 million by 2020, while fixed line subscribers will remain in the range of 5 million. Broadband will be the main medium of personalized communication from which users will be able to effectively and affordably access any service from any device or network. In the next ten years, 4G technology will usher into usage of new applications such as IPTV and Web-TV. The telecom roadmap for 2020 is likely to witness 100% NGN infrastructure where wide range of services will be available on converged infrastructure platform. In future, PTA will be concentrating on re-farming of spectrum to cater the increased demand of broadband and wireless technologies. It envisions telecom to become the communication highway for sharing of knowledge as well as reaching out to a large segment of population in education and health services delivery.

21.7 Program for 2014 - 15

In PSDP 2014-15, Rs 530 million have been earmarked for SCO, Ministry of Information Technology to execute 9 approved projects worth Rs 6.2 billion. Following are some of the important projects that will be executed in 2014-15:

SCO

- Replacement of GSM Network of AJ&K
- Provision of GSM Facilities in Neelum District of AJ&K

The media–culture relationship is historic and organic worldwide. Mass media has always been recognized as a cultural carrier while culture has remained a primary source of content and inspiration for the Mass Media. After devolution of the subject of culture to provinces post 18th constitutional amendment, the federal government being guardian of national cultural pursuits, has put Mass Media and National Heritage under one larger umbrella in the renamed Ministry of Information, Broadcasting and National Heritage.

The Annual Plan 2014-15 is appearing at a critical juncture where the country is embarking upon a mega futuristic charter of development – the Vision 2025. The Sector under an innovative agenda of long term development will have to face the challenges of technological advancements in a highly competitive environment. The years ahead will come-up with a host of new contesting forces such as content marketing, greater outreach and ever burgeoning viewers demands.

The Digital video broadcasting, digital audio broadcasting, Internet Protocol Television (IPTV), mobile audio and TV, digital multimedia broadcasting etc. will be the new broadcasting culture. The Sector has to move ahead and adopt the new technologies for keeping Pakistani mass media at pace with rest of the world. International Telecommunication Union has fixed 2015 as the cutoff date for complete switch over from analogue to digital broadcasting. Pakistan is bracing itself up for meeting the deadline. The Government is currently setting its goals towards conversion of analogue terrestrial broadcasting system to digital terrestrial system for PTV. A feasibility study will be carried out first, in order to determine the best standard of Digital Terrestrial Television Broadcasting (DTTB), which could ensure better quality of picture, sound and access to maximum number of channels.

The Annual Plan under the set targets of Vision 2025 has to make a shift from conventional broadcasting scenario to a wider, open and all encompassing Mass Media environment. Ideally, year 2014-15 should be the wrap-up year for all ongoing projects in public sector so as to create maximum space for the upcoming Five Year Plan and Vision 2025. In years ahead the departments of Pakistan Academy of Letters, Department of Archaeology and Museums, Pakistan National Council of Arts, and National Institute of Folk and Traditional Heritage (LokVirsa) will work under the jurisdiction of Ministry of Information, Broadcasting and National Heritage.

22.1 Policy Guidelines for Annual Plan 2014-15

The major and broader policy guidelines provided under Vision 2025 are:

- Digitalization of PTV network.

- Rationalizing the size of public sector broadcasters.
- Strengthening and enhancing the partnership between the public and private sector in radio and TV programme production and transmission.
- Revamping and updating censor policies in according with the new realities and technical innovations. Censor Code needs to be drastically amended in view of satellite and internet Medium.

Box 22.1(a): Vision 2025

- Digitalization of broadcasting network.
- Public Private Partnerships in production and transmission.
- Government as facilitator for promotion of media
- Mobile TV/Audio

- Remodeling and strengthening the film as an industry.
- Film Script collaboration with PTV and PBC.
- Review of rules, regulations and procedures for private sector media operators within the country.
- Relaxation in tariffs, regulations and providing a suitable environment for promotion of media.
- Re-structuring of public sector media on professional lines. Public sector enjoying more freedom and government to ensure that state media should be state owned but not state controlled.
- Strengthening the technological base of public sector electronic media through replacement of the existing electronic equipment by the state-of-the-art equipment.

Box 22.2(b): Vision 2025

- 100% TV Coverage.
- Community Television and Radio
- Internet Protocol Television (IPTV) and Direct to Home (DTH) Television.
- Mobile TV/Audio

22.2 Review of 2013-14 and Programme for 2014-15

During the year 2013-14 an amount of Rs.504.765 million was allocated to thirty five ongoing projects of Pakistan Television Corporation (PTVC), Pakistan Broadcasting Corporation (PBC) and Pakistan National Council of Arts (PNCA) and five new projects of Associated Press of Pakistan Corporation (APPC), PNCA and Directorate of Electronic Media and Productions (DEMP). The expected utilization by June, 2014 is about Rs 450.50 million. The allocation for next financial year 2014-15 for the sector is Rs 404.110 million. The organization-wise status is as follows:

Table 22.1: Review of 2013-14 and Programme for 2014-15

(Rs. Million)

Agencies	Allocation 2013-14	Estimated Expenditure 2013-14	Allocation 2014-15
Pakistan Television Corporation	288.300	240.000	225.576
Pakistan Broadcasting Corporation	181.965	176.000	44.623
Associated Press of Pakistan Corporation	12.500	12.500	0.0
Pakistan National Council of Arts	12.000	12.000	27.514
Pakistan Academy of Letters	0.0	0.0	16.972
Department of Archeology and Museum (DOAM)	0.0	0.0	79.425*
Directorate of Electronic Media and Productions	10.000	10.000	10.000
Main Ministry	0.00	0.00	20.00
Total	**504.765**	**450.500**	**424.110**

*The allocation for DOAM is in the form of Foreign Aid thus the net rupees allocation comes to Rs. 324.685 million

22.2.1 Pakistan Television Corporation (PTVC)

The revised estimates of PTVC are Rs.240.0 million which have been spent on ongoing projects of Rebroadcast Stations for providing TV signals to the left out areas of Gilgit-Baltistan, AJK, Baluchistan, Sindh and other provinces. The works on projects of Rebroadcast Stations Umerkot (Sindh), Besham (Maira) Khyber Pakhtunkhwa and National News Bureau Larkana have been completed and they are ready for inauguration. The work on high powered transmitters at Mian Channu and Badin are is in progress. These transmitters will provide better quality of TV signals to the targeted population of the area and across the border in the financial year 2013-14 and will continue in financial year 2014-15. The Civil works on projects of Rebroadcast Stations Pooran (Khyber Pakhtunkhwa), Aliabad/Karimabad (Gilgit-Baltistan), Jalgot Bunji (Gilgit-Balistan), Astore (Gilgit-Baltistan) have almost been completed. The projects will be completed in all respects in the financial year 2014-15. Works on other ongoing projects of RBCs in Balochistan and AJK will remain in progress in the year 2014-15.Keeping in view the targets, an amount of Rs 225.576 million has been earmarked to PTVC for ongoing activities and a few initiatives.

Table 22.2: Electronic Media Profile (2014)

PTV Stations	7
TV Transmitters	110
Radio Stations	27
Commercial FM Radio Stations	138 (123 operational)
Non-Commercial FM Radio Stations	4 (30 operational)
No of TV Homes	13 million
Cable Operators (licensed)	2700
Cable Subscribers (Official Figures)	10 million
Satellite Channels (Local)	91 (84 Operational)
Landing Rights Permission	26
Multipoint Multi-channel Distribution System (MMDS)	6 (All Operational)

Recently the Concept Clearance Proposal for digitalization of terrestrial network of PTV has been approved for carrying out a feasibility study on determining the most suitable standard of DTTB for Pakistan.

Under a broader program of cultural projection, Pakistani classical productions particularly TV dramas will be dubbed in foreign languages and provided to international channels for screening. These programmes will be available on CD for wider marketing worldwide. Funds have been allocated for the purpose in the financial year 2014-15.

22.2.2 Pakistan Broadcasting Corporation (PBC)

An amount of Rs.176.000 million has been consumed by PBC on five major projects. The project for Balancing and Modernization of Equipment in the studios of PBC has been completed. Similarly the installation work of 100 KW MW transmitter at Hyderabad has also been completed which is part of the project "Replacement of three transmitters 100 KW MW at Hyderabad, Multan and Muzaffarabad". The Up-gradation of transmitter at Larkana from 10 to 100 KW MW will be completed in the next financial year 2014-15. Two 100 KW SW transmitters and high frequency aerial system is being installed at Landhi, Karachi for providing Radio Pakistan signals to Middle East, South Asia and East Asia and the project will be completed by June, 2015. The project for replacement of 250 Kilowatt Medium wave Transmitter by 500KW Medium Wave Transmitter at Attock, Faqirabad with Japanese grant of Rs.1650 million including a local component of Rs 85.761 million is being successfully implemented. Renovation of the transmitter building is in progress while equipment is being procured in Japan. An amount of Rs 44.623 million has been allocated for completion of all ongoing projects of PBC by June, 2015.

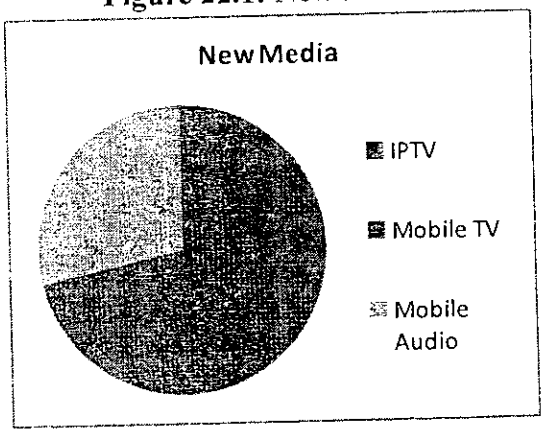
22.2.3 Associated Press of Pakistan Corporation (APPC)

Three separate projects for launching of Pustho, Balochi and Saraiki News services at APPC have been completed at a total cost of Rs.12.500 million in the financial year 2013-14. These services will provide news stories, features, articles etc to the vernacular press.

22.2.4 Directorate of Electronic Media and Publications

An amount of Rs.10.000million has been utilized against the project "Media Monitoring and Tracking Centre" on purchase of equipment. The project is for tracking TV commercials released by various public sector organizations for monitoring and verifying the number of times the government advertisement are telecast. At present Government Advertisements worth Rs.4 to 5 billion are released annually to electronic media but there is no system/mechanism to ensure and verify

Figure 22.1: New Media



whether the advertisements have been aired as per approved media plan or not. If the media tracking is outsourced to private firm, it will cost around Rs.150 million per annum for monitoring of 80 channels. An amount of Rs 10.000 million has been allocated to the project in next financial year 2014-15.

22.2.5 Pakistan National Council of Arts (PNCA)

During the year 2013-14 an amount of Rs.12 million has been utilized on preparation of database of artworks, restoration of damage paintings and up-gradation of security at National Art Gallery, Islamabad. A sum of Rs.27.514 million has been allocated for 2014-015 to the aforementioned three activities for making headway.

22.2.6 Department of Archeology and Museum (DOAM)

The project for Preservation and Restoration of Sheikhupura Fort is being funded by the US Ambassador's Fund for cultural preservation program. The total cost of the project, Rs.85.00 million however, will be provided as technical supplementary grant through PSDP. The expenditure upto June, 2014 is Rs.5.575 million (US grant) while the remaining grant of Rs.79.425 million will be provided in the year 2014-15 for completion of the project.

22.2.7 Pakistan Academy of Letters (PAL)

Similarly, an amount of Rs 16.972 million has been allocated for completion of the auditorium at Pakistan Academy of Letters, Islamabad in PSDP 2014-15. Civil Works of the auditorium are 50% complete.

22.2.8 Main Ministry

An amount of Rs. 20.00 million has been earmarked in the year 2014-15 for capacity building of economic / development journalists.

22.2.9 Development Communication

The government introduced a national Development Communication initiative during the year 2013-14. The principal objective of the programme was to allow people to speak out on development issues and becomes partners in the national uplift programmes. The main components of development communication are interactive dialogue between the development planners, stakeholders and the people as ultimate beneficiaries. Under the programme workshops, public service messages on education, health and all other sectors of development and wider participation of communities in national endeavors will be encouraged and promoted.

Part –VII

Better Governance

Governance refers to the exercise of political, economic, and administrative authority to manage a nation's affairs. It comprises complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences. In basic terms, it denotes the interplay of state institutions, markets and civil society and a set of processes that deliver entitlements, services, and rights to citizens.

The notion 'better governance' guarantees the existence of pluralistic frameworks which ensure that responsibility is jointly shared by players in the public sector, the corporate private sector, and civil society by addressing the issues of accountability, transparency, participation, openness, rule of law, and predictability. Improved governance contributes to economic growth and poverty reduction. As growth generates income, good governance ensures that the citizens, especially the poor, share the benefits of the economic progress in an inclusive and equitable manner. The key responsibility of the state is to create a conducive political, legal and regulatory environment for building individual capabilities and encourage private initiatives. While the market is expected to create opportunities for people, the role of civil society is to facilitate. Development activities under the governance sector revolve around knowledge management, organizational restructuring, institutional reforms, judicial reforms, law & order, professional development, and service delivery. Furthermore, effective political and administrative structures and a robust civil society are essential to promote democratic governance as these institutions facilitate peoples' participation in economic, social, political activities and are critical for sustainable development and alleviation of poverty.

23.1 Strategy

The agenda of the present government provides a realistic and sound framework for meeting the challenges faced by the government. The key areas of this framework include socio-economic development, generating employment opportunities based on equity, fairness and justice while following the foundation of democratic principles and above all, rule of law and good governance. The reform agenda also lays emphasis on strengthening institutions, fostering markets and initiating reforms in the areas of judicial system, civil service, systems and procedures, tax administration, procurement, financial management, enforcing property rights, and Public Sector Enterprises. This will be done by building consensus on major national issues and bringing a real change in institutions, political culture and socio-economic conditions in the country. More specifically, the strategic elements to be pursed during the Annual Plan 2014-15are as under:

Box 23.1: Strategies to be Adopted during 2014-15

- Ensure balanced development and regional equality among the provinces
- Capacity enhancement of provincial governments to implement policies/ plans through improved service delivery
- Establishment of Performance Management Delivery system for effective monitoring of performance of public sector institutions
- Strengthen local government system to enhance the delivery of critical municipal services by introducing Citizen Client Charter
- Strengthen participatory approaches and local governance structures by involving civil society and other stakeholders in the design and implementation of policies, programmes and projects, with capacity building of relevant agencies.
- Address systemic problems that undermine the efficiency of legal, judicial and law enforcement institutions. Judicial reforms under the National Judicial Policy to bolster the delivery of justice
- Address corporate governance issues and improve the public-private interface in a manner which protects public interest as well as minimizes private transaction costs
- Strengthen the law & regulatory framework for effective implementation of economic policies.
- Improve public sector management by: (a) streamlining revenue administration; (b) strengthening public financial administration; (c) implementing E-Governance initiatives; (d) public sector capacity building and civil service reforms covering professionalization of civil services and qualitative improvements through continuous training and skill up-gradation,; (e) procedural reforms to simplify government processes and revising archaic rules; (f) enhancing the quality and coverage of data and statistics; and (g) strengthening policy research functions within the government
- Strengthen the Law Enforcement Agencies through capacity building to improve law and order in the country thereby improving investors' confidence
- National Security Policy will be introduced/ implemented
- Reduce corruption by introducing transparent, open and accountable financial/administrative mechanisms in all fields
- Improve implementation effectiveness, at the sectoral, policy coordination and programme levels for key development outcomes with a particular focus on monitoring and evaluation of outputs and outcomes of the Public Sector Development Programme (PSDP)
- Strengthening / enhancing the role/ capacity of parliament and parliamentary standing committees and democratic governance.

23.2 Review 2013-14

The government has undertaken a number of initiatives to improve economic governance. An amount of Rs. 5.54 billion including foreign aid of Rs. 2.23 billion has

been allocated for the Governance sector during 2013-14 and Rs 3.4 billion have been spent, thereby showing a utilization of 61 percent. Some of the major initiatives are discussed as under:

23.2.1 Public Sector Management Efficiency

a) **Access to Justice Programme (AJP):** The programme has been launched with a program loan of US $350 million from the Asian Development Bank (ADB). The program seeks to enhance citizens, access to justice by ensuring the provision of security and equal protection of the law to citizens, in particularly the poor; securing and sustaining entitlement for reducing the vulnerability of poor; strengthening the legitimacy of state institutions and; creating conditions conducive to pro-poor growth especially by fostering investor confidence. The programme contributes to this aim by supporting five inter-related governance objective:

   i) provide a legal basis for judicial, police, and administrative reforms;

   ii) improving the efficiency, timelines, and effectiveness in judicial and police services;

   iii) supporting greater equity and accessibility in justice services for vulnerable poor;

   iv) improving predictability and consistency between fiscal and human resource allocation and mandates of reformed judicial and police institutions at the federal, provincial, and local government levels

   Under Access to Justice Programme major efforts have been made to reduce in backlog and quick disposal of pending cases, and non-judicial legal services were introduced. 54 consultants were hired, 106 workshops/ trainings programmes arranged, 243 booklets published, 560 development schemes completed, 95 development schemes are ongoing and seven new development schemes have been launched under the programme. Commercial courts have been established for quick disposal of litigation as a pro-investment measure and Urdu Translation Unit in Law Departments have been established.

b) **Tax Reforms:** Number of initiatives have been launched by the government to improve public sector management efficiency. A comprehensive reforms program/strategy has been devised/ initiated to enhance resource mobilization efforts in the country and increase tax to GDP ratio from the lowest level of 8.5% to 15% in the next few years. Main features of the reform plan are as under:

   - **Broadening of Tax Base**

   For broadening of tax base, several initiatives have been taken initially to bring 300,000 new taxpayers in tax network. In this regard, 71,000 notices have already been issued, and this number will be enhanced to 100,000 by June 30, 2014. In addition, outreach program including provisional assessment,

collection procedures, penal actions and prosecution proceedings has been chalked out.

- **Rationalization of Concessionary Regime and Withdrawal of Exemptions/ SROs**

In order to provide level playing field and equitable tax system in the country, a plan has been devised for rationalization of concessionary regime and withdrawal of exemptions. A high-powered committee has been constituted to suggest phase-wise withdrawal of exemptions.

- **Administrative Improvement Initiatives**

Initiatives for administrative improvement in all the taxes have been finalized and implementation strategy has been developed and launched. Certain policy reforms have been taken and GST coverage has been expanded. Exemptions have been restricted to food items, health, education and agriculture produce. To resolve issues relating to sales tax FBR has successfully prepared and implemented Computerized Risk Based Evaluation of Sales Tax (CREST). Another major step has been the development of a fully automated sales tax refund processing system for manufacturers/exporters where refund claims are processed within 48 hours. Sales tax refund cheque issuance has been centralized at FBR HQ to guarantee that cheques are issued to taxpayers within seven days of clearance of claims and to reduce refund pendency.

- **Taxpayers Facilitation**

Introduction of an e-filing process accessible to taxpayers for income tax, sales tax and excise tax at e-FBR portal has been ensured. Automation of systems has helped in minimizing the contact between taxpayer and tax officer and as a consequence the complaints of harassment has been reduced. Compliance has been made easier through simplicity of procedures and introduction of an e-filing process accessible by taxpayers for income tax, sales tax and excise at e-FBR portal. Automation of systems has helped in minimizing the contact between taxpayer and tax officer and as a resulting reduction in harassment.

- **Strengthening Tax Audit**

A risk based audit has been reintroduced to accompany the self-assessment scheme and to overcome weak tax compliance. Substantial progress has been achieved for infrastructure up-gradation and development with the introduction of the Integrated Tax Management System (ITMS) which is available to all the field formations.

- **Customs Modernization and Control**

Customs modernization reforms are being introduced, aiming at simplifying, standardizing and automating customs clearance procedures supported with strong post-clearance audit controls. Online connectivity of Customs posts has

been developed. Risk management principles have been adopted and a Vehicle and Container Tracking System for monitoring transit trade is being procured. The Afghan Pakistan Transit Trade Agreement (APTTA) 2010 has replaced the 1965 agreement, with better controls and enhanced facilitation.

An integrated, risk-based automated customs clearance system (WEBOC) has been developed which minimizes interaction between taxpayers and tax collectors, thereby minimizing malpractices.

c) Improvements in Audit and Accounts: A reform programme is being implemented to separate audit and account functions and establish effective accounting and reporting systems in line with the international best practices. The reform programme strengthens financial management practices, provides basis for enhancing public sector accountability through financial monitoring and control, and produces timely and reliable information for decision making and policy formulation. The Office of the Auditor General of Pakistan has launched Phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at cost of Rs 9.6 billion to sustain the ongoing activities under PIFRA. Under the project, 239Financial Accounting & Budgeting System (FABS) out of 240 District Account Office (DAO) sites, five FABS against the targets of 4 departmentalized Account Offices, and 53 System Application Programme (SAP) competency centers out of 53 have been established. Payroll of 2.2 million employees computerized on SAP system. All 200 divisions/departments of federal and provincial governments have been linked to the system for preparation of budget and generation of financial reports. PIFRA has made provisions for additional targets in case of Gilgit-Baltistan and AJ&K. New Data Centers have been established and Servers Replaced for AGPR Islamabad and four AG offices.

d) Reform and Innovation in Government for High Performance:

A project titled "Reform and Innovation in Government for High Performance" has been launched in Ministry of Planning, Development and Reform to improve governance indicators through promoting innovations, strengthening institutions, fostering markets and initiating reforms in the areas of judicial & police system, civil service, state owned enterprises, democratic governance, local government, e-government systems and procedures, tax administration, procurement, financial management, enforcing property rights, and Public Sector. The project will promote performance and innovation culture in the country especially in the public sector. An Institutional Reform Group has been established to facilitate, promote and implement the innovations and reforms in the public sector. In addition, a Performance Management Delivery Unit is being established in the Prime Minister's Office to monitor the performance of the public sector institution. A workshop on "Big Fast Results and Key Performance Indicators" has been organized for Cabinet members, federal Secretaries as well as a special meeting with the PIA management. YB. Senator Dato' Sri Idris Jala, Minister in the Prime Minister's Department, Government of Malaysia delivered lecture on KPIs and share his experiences with participants to turn public sector organizations into an effective service delivery entities. Training workshop on KPIs and Balanced Score Card for senior government officers from key ministries/ divisions as well as all officer of the Planning Commission was organized to

understand and apply the concept of KPIs and Balanced Score Card for building a high performance culture in public sector. Chief Executive (Dr. Muhammad Mustafa Mahmood) of MILA conducted the workshop.

23.2.2 Public Information and Statistical Management

A project titled "Pakistan Social and Living Standard Measurement (PSLM)" has been designed to provide social and economic indicators in the alternate year at provincial and district level. PSLM is providing information on indicators i.e. demographic characteristics, education, health, employment, household assets and amenities, population welfare, water supply & sanitation and income & consumption. The reports of PSLM containing National/ Provincial and District Level Surveys for the first, second, third, fourth, fifth, sixth, and seventh rounds have been released. Report of the eighth (2012-13) round PSLM is at final stage. Data collection/processing for the round ninth (National/ Provincial level 2012-13) of PSLM project is under process and report will be made available as per schedule. The project titled "Strengthening National Statistics (SNS) in Pakistan" has improved the capacity of Pakistan Bureau of Statistics (PBS) in collection, processing, relevance and dissemination of statistical data to support evidence based decision making. PBS has been established as an autonomous body for collection of reliable and timely data. The PBS structure, improved systems and procedures have been operationalized.

23.2.3 Devolution and Police Reforms

For improvement of law and order in the country, National Security Policy (NSP) has been prepared by the Interior Division in consultation with all stakeholders and has been presented in the National Assembly. The NSP will be implemented after its approval and will address and improve the law & order in the country. Moreover, Provincial Governments have been empowered and supported to maintain and enhance law & order in their respective provinces. Additionally, the federal government had launched three important projects; the "Raising of Balochistan Constabulary" costing Rs 5.146 billion is meant to add 6000 new personnel in the force; the second project relates to Conversion of 'B' Areas into 'A' Areas" costing Rs 5.5 billion under which 10, 000 personal were inducted/ recruited in police however, the Government of Balochistan has reverted all the districts into B Areas; the third project relates to Procurement/ Installation of Non-Intrusive Vehicles X-ray Inspection System (NVIS)(Phase-I) costing Rs 1.00billion which provides security protection to individuals and business.

23.2.4 Disaster Management

The National Disaster Management Authority has launched an initiative to develop appropriate methodology and guidelines for assessing and subsequently enhancing multi-hazard early warning systems and disaster preparedness and response capacity of urban local authorities.

23.2.5 Young Development Fellowship Programme

To ensure the active participation of the young people in national development, the Planning Commission has launched Young Development Fellows Programme. The programme will groom talented young women and men with distinguished academic background and potential for leadership, who will lead Pakistan through the 21st Century. Under the programme, 220 emerging leaders during the period of five years (upto 40 each year) from around Pakistan will be brought together to learn from the experience of the Planning Commission and other economic ministries/divisions involved in policy formulation. Under the said initiative, 32 YDFs have been selected for fellowship through open competition for a period of one-year. These YDFs have been posted in Planning Commission and other Economic Ministries.

23.2.6 Monitoring of Federally Funded Projects

Government policy envisages development in the country through effective and efficient implementation of development projects and programmes funded through PSDP. Vigilant monitoring & supervision of projects are pre requisites to ensure sustainability in achieving the targets of economic growth. This objective can be achieved when development projects are planned and executed with vigilant management and supervision. The objective of development planning is to have projects implemented for the benefit and social uplift of the society.

a. Performance 2013-14

Planning Commission through its Projects Wing has adopted the results based monitoring of development projects. Projects Wing has monitored 2608 projects during last five years. However, 475 development projects were selected for monitoring during 2013-14 (38% of PSDP). Out of these 87 (18% of target) projects have been monitored till March, 2014; the detailed progress of the monitored projects and their financial status during 2013-14 is as under:

Table 23.1: Progress of Monitoring during 2013-14

Sector/ D.G	Number of Projects			Allocations (Rs. Billion)	Releases (Rs. Billion)	Expendi-ture (Rs. Billion)	Releases as % of allocation	Exp. as % of releases
	In PSDP 2013-14 (Total)	To be Monitor-ed (Target)	Projects Monitor-ed (Achieve ments)					
Infra	469	120	18	43.864	22.812	23.767	52	104
Social	368	195	47	9.663	2.860	2.615	30	91
Others	402	160	22	7.507	4.205	3.838	56	91
Total	**1,239**	**475**	**87**	**61.034**	**29.877**	**30.22**	**49**	**101**

The above analysis reveals that Rs.61.034 billion were allocated in the PSDP 2013-14 for 87 projects monitored, out of which Rs.29.877 billion (49% of allocation) have been

released, and Rs. 30.22 billion (101% of releases) have been utilized during the period of July-March,2013-14.

Based on the RBM parameters, some of the major observations were taken up with the executing agencies to improve pace of implementation of the development projects. Following are the major observations:-

- Lack of PMUs, and internal monitoring of the projects.
- Delayed/Insufficient release of funds
- Change in scope of work without approval
- Delay in submission of Cash/work plans
- Flaws in technical appraisal of the projects
- Changed funding mechanism
- Weak performance of Planning and Monitoring Cells in ministries.
- Releases to the Projects over and above the approved capital Cost
- Contractor issues with the executing agencies

b. Evaluation of Development Projects

Projects Wing also undertakes evaluation of development projects and programs. It includes the systematic and objective assessment of ongoing and completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. Five projects were evaluated against the target of 15 projects during 2013-14. The low achievement of targets is attributed to shortage of required manpower in the evaluation section. The recommendations made in the evaluation reports are of benefit to the stakeholders, as it provides guidelines for improvement in policy and in planning for the future.

c. Result Based Monitoring

The emphasis of Public Sector Organizations on results, outcomes and impacts means that the demand for monitoring and evaluation of the Public Sector must be located within the broader framework of the Government Systems and Policies. Results based monitoring and evaluation (M&E) is a powerful public management tool. This helps to track the status and progress made in policies, programs, or projects and also to provide timely information to the relevant stakeholders and allows for greater accountability, sets the basis for establishing key goals and objectives and provides a justifiable basis for budget requests.

Keeping in view the emphasis on implementation of new Framework for Economic growth, the Monitoring & Evaluation System should adopt a Participatory approach in its objectives. Participation is increasingly being integral to the M&E process since it offers new ways of assessing and learning from change, moreover it is more inclusive and responsive to the needs and aspiration of those most directly affected. It is

important to ensure that stakeholders are involved in all stages of planning, monitoring and evaluation.

Monitoring exercise records indicate that the implementation of projects has suffered mainly due to low releases as compared to PC-I phasing and lack of capacity in management of projects. Thin allocation of resources to a large portfolio results in delays and cost over runs in the majority of projects, improper preparation/designing of the PC-I leads to delays, cost over runs, change in scope of work and ultimately revision of the PC-Is.

d. Management Information System (MIS)

- More than 200 Project Directors/Project officers trained on use of PMES. Three offline ministries have been brought online with PMES in FY 2013-14.
- Different software solutions developed and implemented to serve the information requirement of senior management such as Single pager projects monitoring module, Cost/time overrun tracking software etc.
- A complete hardware and software support and maintenance was provided to all the sections of Projects Wing in terms of network domain and shared network resources, repairing of malfunctioning hardware items and taking periodic data backups from PMES live server

c. Proposal 2014-15

- **Monitoring:** During the year approximately 400 projects will be monitored to ensure effective and timely implementation of projects, to have resultant and socio-economic impact on the beneficiaries. Emphasis will be laid on results based monitoring, to assess outcome of the projects in line with the parameters defined by the Planning Commission in its Policies.
- **Evaluation**: Ex-post evaluation of about 25 projects will be under taken to assess the outcome and impact of the projects with reference to their planned objective, which will also provide feedback for future planning.
- **Management Information System (MIS):** The remaining offline ministries will be provided access to PMES for effective flow of data and for sharing of information of project amongst all stakeholders especially for policy makers. Training on PMES will be provided to 200-300 users. Different software development activities such as dashboard for development projects will be developed. Evaluation module of PMES will be made operational to provide an electronic databank of completed PSDP projects.

23.2.7 Governance Reforms in Provinces

a. Punjab

The Government of Punjab is executing the Punjab Resource Management Program (PRMP) which is a policy and governance reform program. The program aims to ensure continuity of reform process in an efficient and effective manner, through

replication of next generation reform initiatives of the Government of Punjab. PRMP is also providing support to Government of Punjab in implementation of Punjab Public Management Reform Program, which is being funded by the World Bank and Sub–National Governance Program of Department for International Development (DFID). The Sub- National Governance programme is being implemented in six districts of Punjab i.e. Hafizabad, Sahiwal, Mandi Bahauddin, Vehari, Sheikhupura, and Bahawalpur that aims to improve management of service delivery, strengthen evidence based decision-making, increase responsiveness to citizens, and, enhance government transparency, local accountability and openness to citizens

The PRMP has also provided a platform to PPRA for an ongoing research experiment "Evidenced Based Procurement Reform" in selected departments of Government of Punjab. PRMP has collaborated with research team of the leading international academic institutions and a capacity-building program of officers in the Punjab Government.

The following are the main objectives of the PRMP:

- Strengthen service delivery and financial management systems in the province for improved access and quality of services delivered to citizens
- In particular, to increase satisfaction level of citizens with education, health, policing, irrigation, revenue, livestock, agriculture and business promotion services and to increase trust of citizens in the state transparency and responsiveness
- Improve effectiveness, predictability and accountability in financial management
- Create a competitive environment for merit-based appointments
- Open and responsive government that fosters innovations and knowledge management
- result based management
- E-governance
- Decentralization
- Resource mobilization and value for money, public private partnerships and leadership qualities
- Improvement in strategic programming of investments for poverty reduction
- Ensure stable democracy by helping to ensure government services better meet the needs of the poor in Punjab

To curb corruption, bribery and slow pace of service delivery, the Government of Punjab has launched Proactive Governance Model in selected government departments to seek citizen feedback on public services. The programme has not only helped to improve the governance system but also creates deterrence for corruption in the system by empowering a common man to connect the government directly.

During 2013-14, Government of Punjab implemented number of projects to improve capacity/ efficiency of government departments which includes Punjab Cities Governance Improvement Project, Supporting Punjab Resource Management Reforms, Punjab Capacity Building Programme, Establishment of Urban Sector Policy & Management Unit and Capacity Building of Civil Servants for Policy Making.

b. Sindh

Government of Sindh initiated Sindh Reform Programme with the support of US $ 100 million Budgetary Support from the World Bank under Structural Adjustment Credit (SSAC) (renamed as Development Policy Credit). The Sindh Reform Program, supported by SSAC had primarily three major components which includes fiscal restructuring and financial management reforms; improving delivery systems for basic social services including health, education, water & sanitation through civil service reforms and decentralization; and regulatory reforms, privatization and infrastructure improvements.

The major achievements under the Sindh Reform Program includes various tax reforms, repayment of Rs. 2.1 billion expensive CDLs, reforms in health, education, water & sanitation, roads, enhancement of M&R and non-salary budgets, service delivery improvement, endeavors through PHRD Grants (i.e. Financial resource mobilization & institutional development (revenue & excise and capacity building of selected civil servants of core Government departments)

The reforms initiated under the above lending were far reaching as these enabled the Government to move towards substantial reforms under debt restructuring; tax reforms; expenditure management reforms as well as sector and regulatory reforms. The fiscal restructuring reforms initiated under SSAC including debt repayment; payment of liabilities and multiple tax reforms have helped in improving the overall financial position of the Government in more than one ways. These reforms helped in creating the fiscal space, which in turn was used for providing higher allocations in poverty reducing sectors including the ADP.

In addition to the above, Government of Sindh implemented number of projects during 2013-14to improve capacity/ efficiency of government departments which includes second generation reforms program. Sindh Education Sector Reform Project (Phase-II), Strengthening and Improvement of P&D, HR Development Through Capacity Building of Finance Department and Revenue Board.

c. Khyber Pakhtunkhwa

The Government of Khyber Pakhtunkhwa launches the District Delivery Challenge Fund (DDCF) in collaboration with the Sub-National Governance (SNG) programme supported by the UK Government's Department for International Development (DFID). The main aim of DDCF is to identify, develop, finance and pilot innovative ideas for improving the delivery of public services. The first public service delivery innovation targeted primary education in Karak, Lakki-Marwat, D.I. Khan, Harlpur, Nowshera and Bunor.

In addition, the government of Khyber Pakhtunkhwa has taken important initiatives to improve governance and development outcomes in the province. The initiative includes Comprehensive Development Strategy (CDS), introduction of output/ performance Based Budgeting (OBB), gender response budgeting, development of Health Sector Strategy (HSS), Education Sector Plan and Social Protection Strategy, as well as the establishment of the office of the Provincial Ombudsman. The aim of these initiatives is to reform government of Khyber Pakhtunkhwa to conduct its business in an effective and efficient manner. The provincial government is also implementing a comprehensive Monitoring and Evaluation (M&E) Framework. This framework seeks to consolidate and streamline M&E processes in the public sector and, as part of this effort, aims where possible to incorporate citizens' voice in the assessment of the impact of development programmes and projects.

During 2013-14, Government of Khyber Pakhtunkhwa implemented a number of projects to improve governance and capacity/ efficiency of government departments. This included the District Governance Community Development Programme aims to build responsiveness and effectiveness of the State and restore citizen's trust; stimulate employment and livelihood opportunities; and ensure the delivery of basic services. The project is being implemented in 6 districts of Malakand Division (Malakand, Chitral, Shangla, Swat, Upper Dir and Lower Dir).

d. Balochistan

The Government of Balochistan has launched a project titled "Governance Support Project" with the financial assistance of Multi Donors Trust Fund. GSP Balochistan will strengthen the capacity of the line departments to support efficient delivery of development programs and the capacity of the Implementation Support Unit in the province for implementation of governance reforms, and create structures for monitoring and evaluation and donor coordination. This initiative has improved the Public Services delivery mechanism based on key components of institutional policy reform, capacity building and community participation through the replication of successful models like Participatory Information System and Balochistan Land Record Management Information System, already demonstrated convincingly in five districts of the province and initiate some new governance interventions identified and agreed by concerned stakeholder through the individual consultations as well as consultative workshop.

The Government of Balochistan with the support of United Nations Development Programme (UNDP) has established a Policy Support and Reform Unit in Balochistan. The unit will provide technical assistance, generate requisite analyses and facilitate policy research to develop the post 18th Amendment policy and institutional framework for an effective transition management in the province. The unit will also be responsible for studying the legislative, institutional and fiscal spaces provided to Balochistan by the 18th Constitutional Amendment and the 7th NFC Award. It will provide technical assistance to the respective tiers of the government on developing inter-sectoral policy frameworks.

In addition to the above, Government of Balochistan implemented a number of projects during 2013-14 to improve capacity/ efficiency of government departments which

includes Strengthening PRS Monitoring Project, Capacity Building for Officers of P&D Department etc.

23.3 Outlook for 2014-15

Governance is perhaps the single most important factor in ensuring objectives of effective service delivery. Steps are needed to address issues relating to improving people's participation and involvement of civil society, especially voluntary organizations and enhancing effectiveness of devolution. To create effective pressure group, to check deterioration in governance and exploitation of the public resources, empowerment of marginal and excluded classes would be needed. Corporate governance will be improved by increasing public-private interface and developing legal and regulatory frameworks. Public sector management would be made more efficient through a variety of measures which include civil service reforms; procedural reforms; procedural regulations and controls; and tax and judicial reforms. Smart governance would be given a big push to increase transparency, fair play and make systems faster and user friendly. A National University of Public Policy and Management is being envisaged. Effective monitoring and evaluation would be encouraged and supported by introducing Key Performance Indicators and establishing performance delivery units. The reforms programs/initiatives in the area of governance mentioned above, that have already been under implementation at Federal, and Provincial levels will be continued during 2014-15.

An amount of Rs 4.72 billion including foreign aid of Rs 1.27 billion has been proposed for the governance sector in 2014-15. The allocation indicates a decrease of 15% over last year's allocations.

