GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

ANNUAL PLAN 2004-05

ECONOMIC FRAMEWORK
AND
PUBLIC SECTOR DEVELOPMENT PROGRAMME



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FOREWORD

The National Economic Council at its meeting held on 1st June, 2004 approved the Annual Plan 2004-05 and authorized the Planning Commission to release it at the time of presentation of the Federal Budget. It includes chapters on Macro-economic Framework, Balance of Payments, Fiscal and Monetary Policy, PSDP and Sectoral Programmes. The Plan highlights Government's priorities and programmes. It also contains financial and physical review of Annual Plan 2003-04 and projections for the year 2004-05.

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Planning Commission,
Islamabad June, 2004

OVERVIEW

The economy of Pakistan has shown impressive improvement in the year 2003-04. This improvement is comprehensive as it cuts across all the major sectors of the economy; it is visible as most of the economic parameters have shown improvement by substantive margins; it is sustainable as it has consolidated the gains of economic recovery achieved in the recent years. The robust growth of the real GDP has helped the economy to come out of a low growth path and move along the course of self-reliant growth. There have been synchronized and positive developments observed in the external sector, the fiscal sector and the monetary sector over the last few years. This year there have also been significant improvements in the real sector of the economy.

REVIEW OF THE ANNUAL PLAN 2003-04

2. **GDP growth.** The Annual Plan for 2003-04 emphasized the need to preserve the growth momentum generated from the previous year's buoyant performance. GDP was targeted to grow by 5.3 per cent compared to the growth rate of 5.1 per cent in the previous year. A consistent stance on the policies pursued since October 1999 and sound economic management created a climate of optimism, particularly in the private sector. The GDP is estimated to grow at a robust rate of 6.4 percent, substantially surpassing the target for the current financial year.

3. **Agriculture.** The Plan target for the agriculture sector's GDP growth was 4.2 percent. However, because of shortfalls in wheat and cotton output, as a consequence of untimely rains and pest attacks, the agriculture sector has grown at a rate of 2.6 percent.

4. **Industry.** The Plan had set a conservative target of 8.8 per cent in the large scale manufacturing sector but the growth in the industrial sector has been remarkable. While the manufacturing sector as a whole is being estimated to grow by 13.4 percent, large-scale manufacturing has posted a hefty growth of 17.1 per cent. Apart from other products, household appliances and automobiles have shown very high growth. The value addition in electricity, gas and water supply, construction and services sectors are estimated to have grown by 22.5, 7.9 and 5.2 percent respectively.

5. **Investment.** This upbeat growth performance was supported by a quantum leap in overall investment. It increased from Rs. 806.9 billion in 2002-03 to Rs. 987 billion in 2003-04, or by 22.3 percent. The total investment as a percentage of GDP grew to 18.1 percent in 2003-04 against the target of 16.8 per cent. Of this, fixed capital formation increased to 16.4 percent of GDP, compared to the actual of 14.8 percent in 2002-03. Whereas private sector investment had been declining since 1992-93, during the current year the private sector came forward and demonstrated a strong investment sentiment. Fuelled by a credit utilization of 3 times the target of Rs. 85 billion, fixed investment in the private sector grew to 11.7 percent of GDP in 2003-04 against the target of 8.7 percent. Foreign direct investment during 2003-04 is estimated to increase by 10.0 per cent.

6. **Balance of Payments.** On the balance of payments side, imports of machinery and raw materials showed a significant increase thus complementing the growth in the

large scale manufacturing output and investment. Imports were projected to increase by 7.5 percent. However, because of a sharp growth in the manufacturing sector as well as in investment levels, imports have grown by 13.9 per cent. Exports rose by 11.6 per cent against the annual plan target of 6 per cent. Non-food and non-oil imports were 72 percent of total imports in the current year compared to 65 percent in the previous year. Remittances at $ 3.7 billion during 2003-04 are higher than the target of $ 3.6 billion. The current account surplus is expected to be $ 1.61 billion in the year 2003-04 against the target of $ 5 million. The year is likely to close with foreign exchange reserves of $ 12.2 billion, which is well above the target of $ 11.5 billion.

7. **Budget Targets.** The position of public finances is positive as most of the budgeted targets are expected to be met. The budget for 2003-04 aimed to reduce the fiscal deficit from 4.5 per cent of GDP in 2002-03 to 4.0 per cent of GDP in the current year. A complete picture of revenues and expenditures in the current fiscal year will be made available in the forthcoming budget. The fiscal deficit is expected to be on target.

8. **Inflation.** For the year 2003-04 the rate of inflation, measured by the Consumer Price Index was targeted at 4 per cent. During the first ten months of 2003-04, the rate of inflation was 3.93 per cent as compared to 3.27 per cent during the corresponding period of last year. It is expected that rate of inflation for the year will remain close to the target.

ANNUAL PLAN 2004-05

9. **GDP Growth.** Maintaining the higher growth trajectory in line with the achievements for the year 2003-04, the GDP growth for the year 2004-05 is projected at 6.6 per cent. This level of growth will be backed up by a 4.0 per cent increase in agriculture value added and 10.8 per cent growth in industry. The large-scale manufacturing sector is targeted to grow by 12.0 per cent. The services sector is being projected to grow by 6.2 per cent largely due to the increase expected in the sub-sectors of transport and communications and wholesale and retail trade. Higher growth levels call for increase in capital formation. Therefore fixed investment is projected to grow from 16.4 percent of GDP in 2003-04 to 17.1 percent of GDP in 2004-05, of which the private sector's share will be 11.9 per cent of GDP. Public sector investment will play an increasingly supportive role for operations in the private sector in the coming years.

10. **Agriculture.** Agriculture growth of 4.0 percent will largely depend on better water availability and adoption of water conservation techniques and balanced use of nitrogenous and phosphatic fertilizers. Since the water constraint is expected to ease gradually, the agriculture sector is targeted to grow by 4.0 per cent. The output of major crops is targeted to grow by 3.5 per cent compared to the achievement of 2.8 per cent in 2003-04. Wheat production is targeted at 20.8 million tonnes against the achieved level of 19.8 million tonnes during 2003-04. Rice and maize production are targeted at 5.1 million tonnes and 2.2 million tonnes against achievements of 4.8 million tonnes and 1.8 million to nnes respectively in 2003-04. The target of cotton production is fixed at 10.72 million bales compared to 10.05 million bales realized for the current year. However sugarcane target is fixed at 50.9 million tonnes compared

to 53.4 million tonnes for the current year because farmers would be reluctant to grow sugarcane as they could not sell their crop to mills at procurement prices in the outgoing year. The livestock sub-sector is expected to grow by 4.4 per cent with the growth coming from improved production of meat and milk processing.

11. **Industry**. The industry sector is envisioned to grow by 9.8 percent in 2004-05. Growth in large scale manufacturing is envisaged to remain in double-digit in 2004-05 but is not expected to reach the level of 2003-04 as existing capacity has been optimally utilised and new capacity takes time to build and contribute to the output stream. Its growth is kept at 12.0 percent and the overall manufacturing sector is targeted to grow by 10.2 percent. Automobiles, petroleum products, chemicals, cement, cotton yarn, cotton cloth, textile made-ups, engineering goods, air conditioners, motor tyres, fertilizers and electronic items, such as refrigerators, TV sets and electric transformers, would be the main growing industries. The small and medium enterprises sector will play an important role in increasing investment and creating job opportunities. Reduction in the mark-up rates and tariffs and other investment facilitation measures would further encourage investment in this sector.

12. **Balance of Payments.** During the fiscal year 2004-05, the trade balance will follow last year's pattern, as increased imports would be required to satisfy the growth requirements of the manufacturing sector. Exports are projected to grow by 8 per cent while imports are projected to increase by 12 per cent, thereby driving the trade balance to a deficit of $ 1.33 billion.

13. Prospects for the invisibles balance will continue to be governed by the behaviour of workers' remittances. For 2004-05, remittances have been projected to attain the same level of $ 3.7 billion of 2003-04. With a deficit of $ 1.33 billion on the trade account and a surplus of $ 1.7 billion on the invisibles account, the current account surplus is estimated at $ 0.33 billion (0.3% of GDP) in 2004-05.

14. **Budget Targets.** Fiscal policy will largely remain in line with the deficit reduction strategy in 2004-05. Increase in tax revenue and economies in current expenditures are expected to provide additional space for development funding. This will, in turn, increase spending on infrastructure development, water resources improvement and social sector uplift.

15. **Credit Plan and Inflation.** Monetary policy will continue to promote an investment orientation. Money supply will be increased to accommodate overall economic growth. However these levels will be prudently managed to obviate higher inflationary trends. Keeping in view the economic growth and production targets of major commodities, the rate of inflation during 2004-05 is estimated at around 5.0 percent.

Performance of Annual Plan 2003-04 & Annual Plan 2004-05

	2002-03	2003-04		2004-05
	Revised	Targets	Prov	Targets
Growth Rate (%)				
Real GDP(fc)	5.1	5.3	6.4	6.6
Agriculture	4.1	4.2	2.6	4.0
Major Crops	6.9	5.5	2.8	3.5
Industry	5.8	7.1	13.1	9.8
Large-Scale Manufacturing	7.2	8.8	17.1	12.0
Services	5.3	5.0	5.2	6.2
Saving & Investment (As % of GDP)				
Total Investment	16.7	16.8	18.1	18.8
Fixed Investment	14.8	14.7	16.4	17.1
- Public	3.6	6.0	4.6	5.2
- Private	11.2	8.7	11.7	11.9
National Savings	20.6	17.4	19.8	19.1
External Sector				
Trade Balance($ Million)	-444	-1231	-755	-1332
Exports	10,899	10,865	12,158	13,130
Imports	11,333	12,096	12,913	14,462
Remittances	4,237	3,600	3,700	3,700
Current Accounts Balance	3165	5	1613	331
(As % of GDP)	3.8	0.6	1.7	0.3
Forex Reserves ($ Million)	10,727	11,540	12,208	12,768
Fiscal and Monetary				
Fiscal Deficit(% of GDP)	4.5	4.0	4.0	4.0
Money Supply Growth(%)	18.02	11.06	11.06	11.2
Inflation	3.1	4.0	4.1	5.0

CHAPTER-1

MACROECONOMIC FRAMEWORK

REVIEW OF ANNUAL PLAN 2003-04

The economy of Pakistan has shown impressive improvement in the year 2003-04. This improvement is comprehensive as it cuts across all the major sectors of the economy; it is visible, as most of economic parameters have shown improvement by substantive margins; it is sustainable, as it has consolidated the gains of economic recovery achieved in the recent years. The robust growth of real GDP has helped the economy to come out of a low growth patch and to move along the path of self-reliant growth.

1.2. There have been synchronized and positive developments observed in the external sector, the fiscal sector and the monetary sector over the last few years. This year there have also been significant improvements in the real sector of the economy. Some of the sectors, which performed extremely well include large-scale manufacturing, construction, electricity, gas and water supply etc. On the external side, exports exhibited a double-digit growth thus boosting the foreign exchange reserves which stood as high as US $ 12.89 billion on June 8, 2004. The higher forex reserves have ensured Pakistan's economic sovereignty and helped in the repayment of costly debt amounting to US $ 1.2 billion. Pakistan also made a strategic re-entry into the international capital markets with the launching of Euro bond initiative.

1.3 As a result of buoyancy in the real sector as well as in the external and financial sectors of the economy, most of economic indicators have exhibited remarkable improvements reflected in a significant rise in per capita income, decline in fiscal deficit, restrained inflation, surplus in the current account, stable exchange rate, decline in the term structure of interest rates, higher rating in the international capital markets, effective debt management, increased fiscal space and managed growth in money supply to cater to the growing credit demand of the private sector.

GDP Growth

1.4. The policy framework for the year 2003-04 was devised with the key objective of consolidating the gains of recent growth and to deepen the process of institutionalizing second-generation reforms. It aimed at attaining a high growth rate through larger investment in the public and private sectors and reducing poverty and unemployment in the country. The macroeconomic targets for Annual Plan 2003-04 were specified against the background of revival of growth in agriculture (4.2 percent) and the higher growth of 8.7 percent in the large-scale manufacturing (LSM) as estimated for 2002-03. The real GDP was targeted to grow by 5.3 percent during 2003-04, comprising 4.2 percent growth in agriculture, 7.8 percent in manufacturing (8.8 percent in LSM) and 5.0 percent in the services sector. Both the total investment and the national savings were targeted roughly at the same level of Rs 741.4 billion (16.8 percent of GDP).

1.5. A consistent set of policies pursued since October 1999 and sound economic management created a climate of optimism, particularly in the private sector. On the basis of provisional data, the real GDP is estimated to exhibit a robust growth rate of 6.4 percent for the year 2003-04 surpassing the target of 5.3 percent with a significant margin. This growth rate looks all the more impressive considering the fact that the agriculture sector registered a growth rate of 2.6 percent only, which is below the target of 4.2 percent for the year as well as the growth of 4.1 percent of this sector achieved in 2002-03. The growth performance of all the sub-sectors of agriculture including major crops, minor crops, livestock, fisheries and forestry remained below the targets. However, the higher growth of GDP against the target for 2003-04 can be attributed to the phenomenal growth of the industrial sector and within the industrial sector, the main driver of growth is the manufacturing sector where a significant growth of 13.4 percent has been recorded (LSM 17.1 percent, small and household 7.5 percent and slaughtering 2.8 percent). Besides manufacturing, higher growth of 22.5 percent is estimated in the sector of electricity, gas and water supply, surpassing the target of 5.3 percent. Similarly, the value added in construction sector is estimated to grow by 7.9 percent as compared to the target of 5.4 percent. According to the provisional estimates, the services sector has shown somewhat better performance by growing at a rate of 5.2 percent, which is slightly above the target of 5.0 percent. The growth rates of real GDP and the different sectors along with absolute levels are given at Annex-1.1.

Sectoral Growth Performance

1.6. **Agriculture:** The low growth of agriculture sector (2.6 percent) is mainly due to lower growth in major crops (2.8 percent), minor crops (1.7 percent), livestock (2.6 percent), fisheries (2.0 percent) and forestry (2.9 percent) which have been below the growth rates of 2002-03 as well as the targets of 2003-04.

1.7. **Major Crops:** The major crops registered a growth rate of 2.8 percent and remained below the target of 5.5 percent. The main reason for low growth of major crops like wheat, gram, maize and tobacco is the untimely rains. The lower growth of wheat production in the Punjab is due to abnormal temperature followed by excessive rainfalls at the harvesting time. Rising prices of seeds, pesticides, weedicides and fertilizer also adversely impacted the wheat output. The production of rice is provisionally estimated at 4.8 million tonnes (with a growth of 8.2 percent) against the last year's level of 4.5 million tonnes, while output of sugarcane is estimated at 53.4 million tonnes (growth of 2.6 percent) against 52.1 million tonnes last year. The output of maize is estimated at 1.8 million tonnes against the last year's production of 1.7 million tonnes. The cotton production is estimated at 10.05 million bales lower by 1.6 percent over the output of last year, which is also below the target of 10.6 million bales for 2003-04. This decline is due to untimely rains in some parts of cotton growing areas and pest attacks throughout the cotton-growing region. The details of output of various agriculture crops and livestock are given at Annex-1.2.

1.8. The output of wheat, which is the major *Rabi* crop, is estimated at 19.8 million tonnes and has remained below the target of 20.5 million tonnes. The output of barley grew by 1.0 percent only and remained below the target. The output of grams, rapeseed and mustard and tobacco has shown negative growth rates of 18.8 percent, 2.9 percent and 5.1 percent respectively. The outputs of wheat and cotton crops,

which have significant shares in the sub-sector of major crops, are below the target impacting adversely the growth of agriculture sector as a whole.

1.9. The government has taken various measures to improve agriculture by construction of new dams and reservoirs, ensuring increased distribution of improved varieties of seeds, rationalizing prices of fertilizers, ensuring availability of quality pesticides, concessional rates of electricity for tube-wells, adoption of water saving techniques and changes in cropping patterns. However, the impact of these measures will be realized in the long run.

1.10. **Minor Crops:** The minor crops contributing 12.4 percent of the agricultural value added, recorded a lower growth of 1.7 percent against the targeted growth rate of 3.5 percent. However this growth rate is above the last year's growth rate of 0.4 percent. One of the main reasons for the lower growth during 2003-04 is the low value of the dates crop which withered away due to high temperature.

1.11. **Livestock:** The livestock, the largest component of the agriculture sector contributing 49.1 percent to agricultural value added, is estimated to register a growth rate of 2.6 percent, which is below the targeted growth of 3.0 percent as well as last year's achieved growth of 2.8 percent. The main factors for the lower growth in this sub-sector are the continuing drought, costlier inputs and the impact of bird flu.

1.12. **Fisheries and Forestry:** Fisheries and forestry are estimated to register the growth rates of 2.0 percent and 2.9 percent respectively, which are lower than the targeted growth rates of 4.5 percent 5.3 percent respectively as well as growth rates of 2002-03. The main reason for the low growth of fishery was the pollution caused by the oil spill.

1.13. **Industry:** The industry sector, as a whole, recorded a higher growth of 13.1 percent as against the targeted growth of 7.1 percent. The main factors contributing towards this higher growth are manufacturing (13.4 percent), electricity, gas and water supply (22.5 percent) and construction (7.9 percent).

1.14. **Mining and Quarrying:** The mining and quarrying sector did not show any growth against the target of 3.6 percent. The natural gas, coal, limestone and rock salt grew by 22.2 percent, 5.9 percent, 13.3 percent and 11.9 percent respectively. However, crude oil registered a negative growth rate of 4.3 percent. The reason of zero growth in this sector is that value added of exploration expenditure has decreased in the year 2003-04 as compared to the last year.

1.15. **Manufacturing:** The manufacturing sector was targeted to grow at the rate of 7.8 percent during 2003-04, based on an assessment of 7.2 percent growth in large-scale manufacturing (LSM) during 2002-03. According to the provisional estimates, the manufacturing sector recorded a growth rate of 13.4 percent (large-scale sector by 17.1 percent, small and household sector by 7.5 percent and slaughtering by 2.8 percent). Against a conservative target of 8.8 percent, the performance of the LSM sector has been remarkable. It registered a growth rate of 17.1 percent over the last year. Out of the 91 manufacturing items forming the basis of overall LSM growth, 37 experienced a double-digit growth. A large number of industrial items, which registered exceptional growth, are air conditioners (189.4 percent), phosphatic

fertilizer (117.7 percent), refrigerators (48.8 percent), electric transformers (77.8 percent), cars (52.0 percent), cotton cloth (15.6 percent), tractors (29.4 percent), electric meters (57.7 percent), motor tyres (18.9 percent), cooking oil (16.1 percent) and paints and varnishes (53.7 percent). The details of industrial and mineral production are given at Annex-1.3.

1.16. **Construction:** The value added in construction sector grew by 7.9 percent, which is higher as compared to the growth rate of 3.1 percent achieved in the last year. It has also surpassed the target of 5.4 percent for the year 2003-04. The main factor behind the higher growth were the incentive package announced in the budget, launching of the mega infrastructure projects by the government and greater investment activity in the real estate in the private sector.

1.17. **Electricity, Gas and Water Supply:** The electricity, gas and water supply sector exhibited an extraordinary high growth of 22.5 percent against the targeted growth of 5.3 percent. Energy generation during 2003-04 is expected to be 77,665 GWH compared to 74,789 GWH in 2002-03, thus growing at a rate of 3.8 percent. The gas output which grew by 22.2 percent, was the main factor behind the high growth achieved in the sub-sector of electricity, gas and water supply..

1.18. **Services Sector:** The services sector as a whole recorded a growth rate of 5.2 percent in 2003-04 against the target of 5.0 percent and 5.3 percent growth achieved during 2002-03. Among its sub-sectors, the transport and communications grew by 3.9 percent against the target of 5.3 percent. The wholesale and retail trade sub-sector grew by 8.0 percent against the target of 4.1 percent. The finance and insurance recorded a negative growth of 3.7 percent. Public administration and defence registered a higher growth of 5.9 percent as against the targeted growth of 5.0 percent. Other sub-sectors of the services sector, which are ownership of dwellings and community and social services grew by 3.5 percent and 4.8 percent and remained below the targets of 5.0 percent and 5.6 percent respectively.

Savings and Investment

1.19. **Investment:** The upbeat growth performance was supported by a quantum leap in the overall investment. For the years 2003-04, total investment was targeted at Rs 741.4 billion (16.8 percent of GDP) at the current market prices as compared to an investment of Rs 806.9 billion in 2002-03. Of this, total fixed investment was targeted at Rs 649.0 billion against the last year level of Rs 713.9 billion. The fixed investment comprised of Rs 265.1 billion in the public sector and Rs 383.9 billion in the private sector. Keeping in view the government policy of encouraging the private sector to increase investment in productive sectors as well as the infrastructure projects, 71.6 percent of fixed investment was contributed by the private sector. As a ratio of GDP, private and public sector investments are estimated to reach 11.7 percent and 4.6 percent respectively during 2003-04. Total investment rose sharply from Rs 806.9 billion in 2002-03 to Rs 987.0 billion in 2003-04, i.e. by 22.3 percent. The macroeconomic framework is given at Annex-1.4.

1.20. **Private Sector Investment:** The private sector investment is estimated to increase by 17.9 percent to Rs 639.2 billion in 2003-04 and is mainly contributed by an increase of 40.3 percent in large-scale manufacturing (LSM) over the last year,

small-scale manufacturing 19.5 percent, construction 40.3 percent, ownership of dwellings 33.1 percent, finance and insurance 16.4 percent, wholesale and retail trade 15.8 percent, transport, storage and communication 5.7 percent etc. In the private investment, LSM has a major share of 30.3 percent and is followed by ownership of dwellings 19.0 percent, agriculture 12.1 percent etc.

1.21. **Public and General Government Sector Investment:** The public and general government sector investment increased by 47.5 percent mainly due to an increase in investment in the manufacturing sector by 595.0 percent over the last year, followed by transport, storage and communication 102.3 percent, agriculture 29.7 percent, electricity, gas and water distribution 33.9 percent etc. The high growth in investment in manufacturing sector is mainly due to import and purchase of electrical machinery at a large scale. In public and general government sector, public sector share is 51.2 percent, whereas that of general government is 48.8 percent. In this sector, the share of transport, storage and communication is 24.8 percent, mining and quarrying 10.2 percent and electricity, gas and water supply 8.6 percent respectively.

1.22. **National Savings:** The national saving rate for 2003-04 has been estimated to show an increase of 8.9 percent from Rs 992.1 billion to Rs 1,080.6 billion. But as a ratio to GDP it decreased from 20.6 percent to 19.8 percent, which is due to low level of current account surplus in the balance of payments as compared to last year.

1.23. **Foreign Private Investment:** The foreign private investment during July-April 2003-04 amounted to $ 629.3 million including foreign direct investment (FDI) of $ 760.4 million and portfolio investment of $ (-) 131.1 million, compared to $ 694.5 million of foreign private investment, comprising of FDI of $ 695.9 million and portfolio investment of $ (-) 1.4 million in the corresponding period of the last year. The foreign private investment thus registered an overall shortfall of 9.4 percent. However, the FDI increased by 9.3 percent. Sector-wise FDI is given in Table-1.1.

Table-1.1
Foreign Direct Investment (FDI)

(Million US $)

Economic Groups	July-April 2002-03	July-April 2003-04
Financial Business	203.8	238.3
Mining, Quarrying – Oil & Gas	147.0	169.6
Transport, Storage & Communications	97.5	111.7
Petrochemicals and Petroleum refining	2.8	60.7
Trade	35.5	27.2
Textiles	24.0	26.8
Construction	13.2	24.1
Chemicals, Pharmaceuticals and Fertilizers	86.9	23.7
Others	85.2	78.2
Total	**695.9**	**760.3**
Change (%)	-	**9.3**

1.24. Due to government's all out efforts to attract FDI, the foreign private investment is picking up. The regional security scenario is encouraging. Concerted efforts are being made to improve domestic law and order situation. The investment-friendly regulatory framework and viable infrastructure, which are some of the factors that spur the inflow of foreign investment, are being put in place. The country's sovereign rating made by the various international agencies has improved largely. In order to attain a higher level of foreign investment, efforts will have to continue to make the overall environment more investment and business friendly.

Annual Plan 2004-05

GDP Growth

1.25. For the Annual Plan 2004-05, the growth rate of GDP is targeted at 6.6 percent, higher than the estimated growth of 6.4 percent for the year 2003-04. This growth rate would be achieved through larger investment both in the public and private sectors, including foreign private investment. The agriculture sector is targeted to grow by 4.0 percent, a target premised on the expectations of improved water availability, adoption of water-saving techniques and changes in the cropping patterns to cope with any drought situation. There is also evidence to show that farmers used water more productively during the drought years. Real GDP and sector-wise growth rates during 2003-04 and targets for 2004-05 are summarized in Table-1.2.

Table-1.2
Real GDP Growth Rates

(Percentages)

Sectors	2002-03 (Actual)	2003-04 (Provisional)	2004-05 (Targets)
Agriculture	4.1	2.6	4.0
Major Crops	6.9	2.8	3.5
Manufacturing	6.9	13.4	10.2
Large-Scale	7.2	17.1	12.0
Services	5.3	5.2	6.2
GDP (fc)	**5.1**	**6.4**	**6.6**

1.26. **Agriculture:** Agriculture sector is envisaged to grow by 4.0 percent against the growth rate of 2.6 percent achieved in 2003-04. The target of higher growth in agriculture is based on expectations of better performance of agriculture including major and minor crops, livestock, fisheries and forestry.

1.27 **Major Crops:** The output of major crops is targeted to grow by 3.5 percent compared to achievement of 2.8 percent in 2003-04. The target of cotton production has been set at 10.7 million bales compared to the output of 10.05 million bales in 2003-04. The sugarcane production is targeted at 50.9 million tonnes as against the level of 53.4 million tonnes achieved in the year 2003-04 and 52.1 million tonnes in

2002-03. The wheat production is targeted at 20.8 million tonnes against the level of 19.8 million tonnes achieved during 2003-04. Rice and maize production are targeted at 5.1 million tonnes and 2.2 million tonnes against achievement of 4.8 million tonnes and 1.8 million tonnes respectively in the year 2003-04. The higher growth targets in the agriculture sector have been envisaged on the expectations of favourable weather conditions, adequate water availability, improved seeds and supply of fertilizer at affordable price.

1.28. The production of high value added crops, fruits, vegetables and flowers will be increased and their exports will be promoted by improving their quality. The private sector will be encouraged to establish processing, grading, packaging and cold storage facilities through provision of liberal credit and other facilities to promote exports. The water use efficiency will be improved through lining of watercourses and reducing losses of the irrigation system particularly in water scarce areas. Emphasis will be given to crops requiring less water. Thus area under *Irri*-rice will be reduced and substituted with *Basmati* rice. The area under sugarcane will be reduced and substituted with sugar beet and high value crops.

1.29. **Minor Crops:** The minor crops are targeted to grow by 3.5 percent, the rate which is significantly above the growth rate of 1.7 percent achieved during 2003-04.

1.30. **Livestock:** The livestock sub-sector is targeted to grow by 4.4 percent. In this sector, milk and meat production are targeted to grow by 3.0 percent and 3.1 percent respectively.

1.31. **Fisheries and Forestry:** The fisheries and forestry sub-sectors are targeted to grow by 3.2 and 4.0 percent respectively during the year 2004-05 against the estimated growth rates of 2.0 percent and 2.9 percent respectively during 2003-04. There is a great potential for promotion of fish culture in some of the areas of Sindh with brackish water which otherwise is not suitable for crops, but is quite suitable for fish farming.

1.32. **Mining and Quarrying:** Against the zero growth in 2003-04, the growth target for mining and quarrying sector is fixed at 5.5 percent for 2004-05, based on 16.2 percent increase in the extraction of natural gas, 9.2 percent increase in crude oil production and 5.5 percent increase in coal output. Greater foreign investment is expected in the fields of oil, gas and coal. The Larger gas availability is expected due to additional gas reservoirs coming up from newly discovered fields. Limestone and rock salt each are expected to increase by 10.0 percent. The present trend of increased use of coal in cement production is expected to continue. The high growth in other minerals experienced in 2003-04 is likely to normalize in 2004-05.

1.33. **Manufacturing:** The manufacturing sector is targeted to grow by 10.2 percent, a growth rate envisioned to consolidate the higher growth rates achieved during the past two years (2002-04). The growth rate of the manufacturing sector is premised on the growth of the large-scale manufacturing sector's growth of 12.0 percent, small and household manufacturing sector of 7.5 percent and slaughtering growth of 3.0 percent. The automobiles (comprising jeeps, cars, tractors and motorcycles), petroleum products, chemicals, cement, cotton yarn and cotton cloth, textiles made-ups, engineering goods, air conditioners, motor tyres, fertilizers and

electronic items like refrigerators, TV sets and electric transformers would be the main growing industries. In order to achieve the higher growth target, policy measures will be designed for ensuring availability of adequate credit to the private sector, export orientation with competitive edge in the world market and establishing new industrial zones and exploring new foreign markets.

1.34. **Small and Medium Enterprises (SMEs):** The SMEs sector has an important role to play in increasing investment and creating job opportunities. The reduction in the mark-up rates and tariffs would further encourage investment in this sector. The SMEs Bank is being restructured to play a proactive role in promoting the development of SMEs. The commercial banks are also opening SMEs windows to supplement the flow of funds into this sector.

1.35. **Construction:** A major growth impetus is also expected for the construction industry, which is forecast to grow by 9.5 percent.

1.36. **Electricity, Gas and Water Supply:** The prospects for the sector of electricity, gas and water supply during the year 2004-05 are likely to improve as greater hydro power generation becomes available and it recovers from the adverse impact of drought and a higher oil bill. The sector, as a whole, is projected to grow at the rate of 10.0 percent during the year 2004-05.

1.37. **Services:** The services sector as a whole is targeted to grow by 6.2 percent. The main contributors of value added in this sector will be sub-sectors such as transport and communication, wholesale and retail trade, and finance and insurance, which are targeted to grow by 4.5 percent, 8.4 percent and 3.5 percent respectively.

Savings and Investment

1.38. **Investment:** The total investment will cross the trillion rupee mark. It is targeted at Rs 1138.7 billion during 2004-05 and would be higher than the investment of Rs 987.0 billion estimated for 2003-04. As a ratio of GDP, total investment is targeted to reach a level of 18.8 percent against the level of 18.1 percent achieved in 2003-04. The increased flow of investment is based on the assumption of a favourable investment climate for foreign as well as domestic investors free from all types of irritants.

1.39. It is expected that 69.8 percent of fixed investment will be covered by the private sector and remaining 30.2 percent by the public sector. The present improvement in economic indicators and continuity in policies have resulted in a rising trend in private sector investment. The government is taking various measures to enhance investment activities in the country. The reforms, which were implemented with consistency and without reversal of policies, have consequently begun to show positive results. The government is providing incentives to the private sector for investment in SMEs, housing and agriculture sectors, all of which have the potential to create new job opportunities. As a ratio of GDP, public and private sector investments are targeted at 5.2 percent and 11.9 percent respectively. The targeted allocation in the PSDP for 2004-05 at Rs 202.0 billion (3.3 percent of GDP) is 25.6 percent higher than the PSDP allocation of Rs 160.0 billion (2.9 percent of GDP) in 2003-04. The details of the macroeconomic framework are given at Annex-1.4.

1.40. The government is taking numerous measures to enhance confidence of both indigenous and foreign investors. These measures include rationalization of tariffs with a view to improving the competitiveness of Pakistan's industry, constant review of tax laws and tax machinery for building confidence of the business community, improvement in the process of refunds and removal of procedural bottlenecks for complying with tax laws, a reformed banking sector catering to the needs of the private sector and removal of irritants that have the potential to impose undue costs on business. However, the utility prices and port charges continue to keep the cost of production at a level higher than the average costs in some of the important countries which compete with Pakistan. The textile sector has contributed significantly to the growth of economic activity as a result of a flow of domestic investment and foreign direct investment (FDI). In the next year, investment in this sector is expected to accelerate further. Total FDI is expected to be in the range of $ 3-4 billion.

1.41. **National Savings:** National savings are expected to increase by 7.1 percent from Rs 1,080 billion in 2003-04 to Rs 1,157.7 billion in 2004-05. The level of national savings is higher than the level of total investment at Rs 1,138.7 billion and this reflects a surplus in the current account of balance of payments.

GROSS DOMESTIC PRODUCT
(At Constant Factor Cost of 1999-2000)

(Rs Million)

Sectors	2002-03 Revised	2003-04 Prov.	2004-05 Targets	% Change 2003-04 Targets	% Change 2003-04 Prov.	% Change 2004-05 Targets
I Commodity Producing Sectors	**1,839,644**	**1,981,002**	**2,118,870**	**5.7**	**7.7**	**7.0**
A Agriculture	**941,275**	**965,372**	**1,003,570**	**4.2**	**2.6**	**4.0**
1 Major Crops	321,548	330,402	341,966	5.5	2.8	3.5
2 Minor Crops	117,723	119,734	123,973	3.5	1.7	3.5
3 Livestock	461,509	473,699	494,542	3.0	2.6	4.4
4 Fisheries	13,346	13,611	14,047	4.5	2.0	3.2
5 Forestry	27,149	27,926	29,043	5.3	2.9	4.0
B Industry	**898,369**	**1,015,630**	**1,115,300**	**7.1**	**13.1**	**9.8**
1 Mining and Quarrying	59,266	59,272	62,532	3.6	0.0	5.5
2 Manufacturing (i+ii+iii)	637,964	723,335	796,939	7.8	13.4	10.2
(i) Large-Scale	416,843	488,287	546,881	8.8	17.1	12.0
(ii) Small and Household	164,487	176,841	190,104	5.3	7.5	7.5
(iii) Slaughtering	56,634	58,207	59,953		2.8	3.0
3 Construction	91,976	99,283	108,715	5.4	7.9	9.5
4 Electricity and Gas and Water Supply	109.163	133,740	147,114	5.3	22.5	10.0
II Services	**2,055,608**	**2,163,317**	**2,296,902**	**5.0**	**5.2**	**6.2**
1 Transport, Storage and Communication	444,256	461,394	482,341	5.3	3.9	4.5
2 Wholesale and Retail Trade	706,813	763,585	828,032	4.1	8.0	8.4
3 Finance and Insurance	127,604	122,924	127,226	5.0	-3.7	3.5
4 Ownership of Dwelling	122,755	127,051	131,879	5.0	3.5	3.8
5 Public Administration and Defense	264,997	280,527	298,761	5.0	5.9	6.5
6 Community and Social Services	389,183	407,836	428,663	5.6	4.8	5.1
GDP(fc)	**3,895,252**	**4,144,319**	**4,415,772**	**5.3**	**6.4**	**6.6**

OUTPUT OF AGRICULTURE

ITEMS	UNIT	2002-03	2003-04		2004-05	% Change	
			Targets	Prov.	Targets	2003-04/ 2002-03	2004-05/ 2003-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. KHARIF CROPS							
Rice	(000 MT)	4,478.4	4,550.0	4,847.6	5,114.0	8.2	5.5
Basmati	(000 MT)	2,304.3	2,300.0	2,534.6	2,540.0	10.0	0.2
Others	(000 MT)	2,174.1	2,250.0	2,313.0	2,574.0	6.4	11.3
Bajra	(000 MT)	189.2	200.0	273.7	225.0	44.7	-17.8
Maize	(000 MT)	1,737.1	1,800.0	1,770.9	2,209.0	1.9	24.7
Jawar	(000 MT)	202.5	250.0	238.1	262.0	17.6	10.0
Sugarcane	(000 MT)	52,055.8	52,500.0	53,419.0	50,875.0	2.6	-4.8
Cotton	(Mln Bales)	10.211	10.6	10.048	10.720	-1.6	6.7
II. RABI CROPS							
Wheat	(000 MT)	19,183.3	20,500.0	19,767.5	20,800.0	3.0	5.2
Barley	(000 MT)	99.6	125.0	100.6	125.0	1.0	24.3
Gram	(000 MT)	675.2	600.0	548.0	648.0	-18.8	18.2
Rap. & Mustard	(000 MT)	214.9	348.0	208.7	239.0	-2.9	14.5
Tobacco	(000 MT)	88.2	95.0	83.7	96.2	-5.1	14.9
III. LIVESTOCK							
Milk	(000 MT)	27,811.0	29,000.0	28,624.0	29,472.0	2.9	3.0
Meat	(000 MT)	2,133.0	2,300.0	2,196.0	2,263.0	3.0	3.1
Wool	(000 MT)	39.7	40.0	40.0	40.3	0.7	0.8
Hides	(Mln No)	8.2	8.4	8.4	8.6	2.4	2.4
Skins	(000 Nos)	40,308.0	40,420.0	41,420.0	42,577.0	2.8	2.8

Sources:

Crops

1 2002-03 *Economic Wing (MINFAL) & NAC(FBS)*
2 2003-04 *NAC(FBS)*
3 2004-05 *Rice,S.Cane,Cotton, Maize & Rap & Mustard(MINFAL) Wheat.Gram,Tobacco & Others (Food & Agr.Sec. P&D)*

Livestock 2002-05 *Livestock Division (MINFAL)*

INDUSTRIAL AND MINERAL PRODUCTION

	ITEMS	UNITS	2002-03 (Actual) *	2003-04 (Targets)	2003-04 (Estimates) **	2004-05 (Targets) #	% Change 2003-04/ 2002-03	% Change 2004-05/ 2003-04
A.	**INDUSTRIAL PRODUCTION (Large-Scale Manufacturing)**							
1	Cotton Yarn	Mln Kg	1,915	2,063	1,952	2,089	1.9	7.0
2	Cotton Cloth	Mln Sq Mtr	582	609	673	727	15.6	8.0
3	Vegetable Ghee	000 MT	772	824	800	850	3.6	6.3
4	Sugar	000 MT	3,686	3,800	4,000	3,808	8.5	-4.8
5	Paper & Paper Board	000 MT	376	356	406	435	8.0	7.1
6	Nitrogeneous Fertilizer	000 NT	2,199	2,214	2,272	2,431	3.3	7.0
7	Phophatic Fertilizer	000 NT	113	210	246	280	117.7	13.8
8	Soda Ash	000 MT	281	253	290	305	3.2	5.2
9	Caustic Soda	000 MT	164	167	188	198	14.6	5.3
10	Paints & Varnish (L)	000 Ltr	46,535	51,078	63,534	82,595	36.5	30.0
11	Paints & Varnish (S)	MT	3,899	12,752	5,994	6,893	53.7	15.0
12	Petroleum Products	Mln Litr	10,826	12,414	11,004	12,105	1.6	10.0
13	Cement	000 MT	10,845	11,987	12,334	14,185	13.7	15.0
14	Billets	000 MT	408	442	440	450	7.8	2.3
15	HR/CR/Sheets	000 MT	738	788	730	730	-1.1	0.0
16	Trucks	Nos	1,950	2,591	2,003	2,778	2.7	38.7
17	Buses	Nos	1,340	1,662	1,381	1,710	3.1	23.8
18	LCVs/Jeeps	Nos	12,548	14,552	13,936	21,335	11.1	53.1
19	Cars	Nos	62,893	72,103	95,586	114,703	52.0	20.0
20	Tractors	Nos	26,501	28,000	34,300	43,766	29.4	27.6
21	Air Conditioners	Nos	12,043	5,272	34,856	40,782	189.4	17.0
22	Refrigerators	000 Nos	373	413	555	600	48.8	8.1
23	TV Sets	000 Nos	765	770	820	900	7.2	9.8
24	Bicycles	000 Nos	630	698	645	670	2.4	3.9
25	Electric Transformers	000 Nos	18	28	32	37	77.8	15.6
26	Electric Supply Meters	000 Nos	967	961	1,525	1,980	57.7	29.8
27	Coke	000 MT	775	798	821	825	5.9	0.5
28	Cigarettes	Mln Nos	49,365	51,775	54,237	55,864	9.9	3.0
29	Jute Goods	MT	95	95	105	125	10.5	19.0
30	Motor Tyres	000 Nos	1,082	1,393	1,286	1,536	18.9	19.4
31	Motor Tubes	000 Nos	616	800	558	620	-9.4	11.1
32	Pig Iron/Hot Metals	000 MT	1,140	1,152	1,160	1,190	1.8	2.6
33	Shuttles	000 MT	79	80	93	107	17.7	15.1
34	Electric Motors	Nos	22,744	28,458	23,880	26,270	5.0	10.0
35	Power Looms	Nos	451	600	570	684	26.4	20.0
36	Tea Blended	Tonnes	57,570	58,260	59,556	62,304	3.4	4.6
37	Liquid Syrups	000 Ltr	30,558	32,486	37,094	45,440	21.4	22.5
38	Ointments	000 Kg	850	900	918	1,009	8.0	9.9
39	Cooking Oil	000 MT	143	156	166	180	16.1	8.4
B.	**MINERAL PRODUCTION**							
1	Crude Oil	BPD	65,128	73,216	62,320	68,074	-4.3	9.2
2	Natural Gas	MMCFD	2,654	3,472	3,243	3,767	22.2	16.2
3	Coal	000 MT	3,400	3,601	3,601	3,800	5.9	5.5
4	Limestone	000 MT	7,090	10,835	8,030	8,835	13.3	10.0
5	Rock Salt	000 MT	670	1,508	750	825	11.9	10.0

* 2002-03 Final Data of National Acccounts Committee (Federal Bureau of Statistics)

** 2003-04 Estimated by Planning & Development Division and Ministry of Industries & Production

\# 2004-05 Targets (Planning & Development Division and Ministry of Industries & Production)

MACROECONOMIC FRAMEWORK
(Current Billion Rs)

Items	2002-03	2003-04		2004-05	% Changes	
	Revised	Targets	Prov.	Targets	2003-04/ 2002-03	2004-05/ 2003-04
GDP (fc)	4479.9	4058.6	5088.3	5655.7	13.6	11.2
Indirect Taxes (Net)	341.4	360.1	369.7	396.1	8.3	7.1
GDP (mp)	4821.3	4418.7	5458.0	6051.8	13.2	10.9
Net Factor Income from Abroad	152.0	82.4	118.2	95.7	-22.2	-19.0
GNP (mp)	4973.3	4501.1	5576.2	6147.5	12.1	10.2
External Resources Inflow (Net)	-185.2	-0.3	-93.6	-19.0	-49.5	-79.7
Total Resources/Uses	4788.1	4500.8	5482.6	6128.5	14.5	11.8
Total Consumption	3981.2	3759.4	4495.6	4989.8	12.9	11.0
Total Investment	806.9	741.4	987.0	1138.7	22.3	15.4
Fixed Investment	713.9	649.0	892.5	1036.3	25.0	16.1
Public	171.8	265.1	253.3	313.3	47.4	23.7
(PSDP)	(130.0)	(160.0)	(160.0)	(202.0)	23.1	26.3
Private	542.1	383.9	639.2	723.0	17.9	13.1
Changes in Stocks	93.0	92.4	94.4	102.4	1.5	8.5
National Savings	992.1	741.7	1080.6	1157.7	8.9	7.1
<u>As % of GDP (mp)</u>						
Total Investment	16.7	16.8	18.1	18.8		
Fixed Investment	14.8	14.7	16.4	17.1		
Public	3.6	6.0	4.6	5.2		
PSDP	(2.7)	(3.6)	(2.9)*	(3.3)		
Private	11.2	8.7	11.7	11.9		
Changes in Stocks	1.9	2.1	1.7	1.7		
External Resources Inflow (Net)	-3.8	0.0	-1.7	-0.3		
National Savings	20.6	16.8	19.8	19.1		
Inflation Rate (CPI %)	3.1	3.9	4.1	5.0		

* The lower ratio is due to a very large expansion in the base of GDP.

CHAPTER – 2

BALANCE OF PAYMENTS

REVIEW OF 2003-04

The Annual Plan 2003-04 visualized deterioration in the trade balance due to higher growth of imports compared to growth in exports. The exports (fob) were projected to grow by 6 percent from $ 10250 million during 2002-03 to $ 10865 million in 2003-04 while imports (fob) were projected to increase by 7.5 percent from $ 11252 million during 2002-03 to $ 12096 million in 2003-04. The projections of growth of exports and imports were based on sustained increase in agricultural production, revival of the manufacturing sector, lower prices of oil and its products, diversification of exports, improvement in the overall competitiveness of the external sector and an expanding industrial base. The trade account was projected to be in deficit at $ 1231 million against a deficit of $ 1002 million in 2002-03. The balance on the invisibles account for the fiscal year 2003-04 was expected to be in surplus by $ 1236 million as against surplus (provisional) of $ 3687 million during 2002-03. With significant increase in th e trade deficit, the current account surplus was projected to decrease to $ 5 million in 2003-04 against surplus (provisional) of $ 2685 million during 2002-03.

2.2 During the first ten months (July-April) of the current fiscal year, exports have shown an increase of 13.05 percent from $ 8846.26 million during 2002-03 to $ 10,001.01 million during 2003-04. Imports during the same period have also increased by 18.96 percent from $ 10097.82 million during 2002-03 to $ 12012.43 million. Trade deficit for this period increased by 60.7 percent to $ 2011.52 million from $ 1251.56 million of the same period of last year.

2.3 **Exports:** The exports during the first ten months (July-April) for the current fiscal year 2003-04 grew by 13.05 percent from $ 8846.26 million to $ 10,001.01 million due to better access to European Union markets, improved competitiveness of the domestic textile industry and greater availability of export finance at lower interest rates, expansion of non-traditional exports, improvement in quality and better quota utilization. The exports of textile manufactures have shown an increase of 14.31 percent and stood at $ 6535.4 million as compared with $ 5717.25 million in the same period last year. The share of textile export during this period was about 65.35 percent in the total exports. Within the textile sector the high value added export items i.e. knitwear, bed wear, towels, made-up articles and readymade garments which are about 57.33 percent of the total textile export have shown an increase of 10.96 percent. The export of engineering goods increased to $ 73.55 million during (July- April) 2003-04 compared with $ 55.12 million during the corresponding period of the last year and have shown an increase of 33.43 percent. The export performance for the first ten months of the outgoing year 2003-04 indicate that the export target of $ 12.1 billion fixed in the trade policy 2003-04 is achievable.

2.4 Exports of items (July-April) 2003-04 for which data on both volume and prices are available and which are about 79 percent of total exports, showed a growth

of 11.28 percent .Decomposition of this growth into volume and prices effect revealed an increase of 2.06 percent in volume and 9.22 percent in prices.

2.5 **Imports**: Imports during first ten months of the current fiscal year 2003-04 have shown an increase of 18.96 percent from $ 10097.82 million during 2002-03 to $ 12012.43 million in 2003-04 and have reflected the upturn in the domestic economy. The imports of food group have increased by 4.47 percent and expenditure on the import of edible oils increased by $ 61.73 million to $ 549.15 million from $ 487.42 million (12.66 percent). This increase highlights the need for import substitution in edible oil. The imports of Petroleum group decreased by 7.74 percent, while the imports of machinery group have shown an increase of 22.51 percent from $ 2302.42 million to $ 2820.67 million indicating increasing investment in the country. Out of machinery group the import of textile machinery have shown an increase of 7.05 percent, electrical machinery & apparatus increased by 11.90 percent, road motor vehicle increased by 30.35 percent and aircraft, ships and boats by 109.67 percent.

2.6 Imports of items for which data on both volume and prices are available and which are almost 44 percent of total imports, showed a growth of 3.28 percent. Decomposition of this growth into volume and prices effect revealed a decrease of 7.86 percent in volume and an increase of 11.15 percent in prices. The trade deficit during this period has widened because the country has spent nearly $ 518.25 million more on machinery group besides $ 133.81 million more on metal group. During the first ten months of the current fiscal year from July 2003 to April 2004 , Pakistan received remittances worth $ 3.21 billion against $ 3.54 billion received during the same period of the previous year, showing a decrease of 9.2 percent. However, the Annual Plan target of $ 3.7 billion will be surpassed.

2.7 The estimates for the year 2003-04 as a whole indicate increase of 11.7 percent in exports (fob) from $ 10889 million in 2002-03 to $ 12158 million during 2003-04 (Annex-2.1). Imports (fob) are estimated to grow by 13..9 percent from $ 11333 million in 2002 - 03 to $ 12913 million during the current year (Annex-2.2). The increase in trade deficit is estimated to $ 755 million (provisional) during 2003-04 against a deficit of $ 444 million (Actuals) during 2002-03. However, as per trade data compiled by the Federal Bureau of Statistics for the first ten months (July-April) 2003-04, trade deficit has reached a level of $ 2011.52 million as compared to $ 1251.56 million during the same period of last year . The current account balance surplus is expected to decrease from $ 3165 million (actuals) of previous year to $ 1613 million (provisional) during 2003-04. This decrease in the current account surplus is because of increase in trade deficit and a decrease in invisible balance surplus from $ 3609 million of last year to $ 2368 million during the current fiscal year which is due to increase in payments of freight and insurance as a result of increase in imports and also increase in travel & other transportation payments .

2.8 **Current Account Balance:** With the trade deficit at $ 755 million and invisibles surplus of $ 2368 million, the current account surplus for 2003-04 is estimated to decline to $ 1613 million (1.7 percent) of GDP in 2003-04 against the surplus of $ 3165 million (3.8 percent) of GDP in the preceding year. Details are at Annex-2.3.

2.9 **Capital Account:** The gross aid disbursements are estimated to increase nominally from $ 1343 million in 2002-03 to $ 1354 million in 2003-04. The increase in project aid from $ 704 million to $ 798 million in 2003-04 has been offset by the decrease in programme/commodity aid from $ 621 million to $ 544 million in 2003-04. Allowing for other capital flows, the surplus in the overall balance is estimated at $ 2096 million in 2003-04 compared to $ 5669 million in 2002-03. Taking into account the transactions of the banking system and a build-up of $ 1402 million in foreign exchange reserves, the gross reserves are expected to reach to a level of $ 12208 million equivalent to more than 11 months of imports.

ANNUAL PLAN 2004-05

2.10 **Trade Account:** It is expected that 2004-05 may experience a deterioration in the trade balance due to high growth of imports than growth of exports . Exports (fob) are projected to grow by 8.0 percent from $ 12158 million in 2003-04 (provisional) to $ 13130 million during 2004-05. while imports (fob) are forecast to increase by 12.0 percent from $ 12913 million during 2003-04 to $ 14462 million in 2004-05. Projections of exports and imports are based on sustained increase in agricultural production and manufacturing sector, lower prices of POL products, diversification of exports and industrial base for import substitution and improvement in the overall competitiveness of the external sector. The trade account is projected to be in deficit to $ 332 million in 2004-05 against a deficit of $ 755 million in 2003-04. Details are given at Annex – 2.3.

2.11 **Invisibles Account:** Prospects for the invisibles balance will continue to be governed by the behaviour of the workers' remittances. For 2004-05, remittances have been projected at the level of previous year at $ 3700 million. Allowing for other invisibles receipts and payments, the surplus on invisbles account is anticipated to decline to $ 1663 million from $ 2368 million during 2003-04.

2.12 **Current Account Balance**: With a deficit of $ 1332 million on the trade account and a surplus of $ 1663 million on the invisibles account, the current account surplus is estimated to decline to $ 331 million (0.3 percent) of GDP in 2004-05 from a surplus $ 1613 million (1.7 percent) % of GDP) in 2003-04.

2.13 **Capital Account**: Gross disbursements of official development assistance are expected to increase to $ 1784 million in 2004-05 compared to $ 1354 million in 2003-04 largely on account of increase in disbursements of programme loans / commodity aid , project aid and grant pledge. Saudi oil facility will not be available during 2004-05. After allowing for other capital movements, a surplus of $ 733 million is likely to occur in the overall balance in 2004 – 05 as compared to a surplus of $ 2096 million during 2003-04. However, taking into consideration transactions of the banking system and a build up $ 860 million in foreign exchange reserves, the gross reserve will reach at the level of $ 12768 million in 2004-05 compared to $ 12208 million in 2003-04 an increase of 4.6 percent.

2.14 On the whole the trade deficit is expected to be higher and current account surplus is projected to be lower to support the growing investment requirements for higher growth.

Annex - 2.1

EXPORTS

($ Million)

Commodities	2002-03 Actuals	2003-04 Provisional	2004-05 Projection
I. Primary Commodities	**604**	**647**	**734**
Cotton	49	47	85
Volume (000 Bales)	324	224	400
Price (Cents/Lb)	40	56	57
Total Rice	**555**	**600**	**649**
Basmati Rice	361	400	423
Volume (000 MT)	717	775	790
Price ($/MT)	503	516	535
Other Rice	195	200	226
Volume (000 MT)	1103	1000	1100
Price ($/MT)	176	200	205
II. Cotton based Manufactures	**6650**	**7410**	**7976**
Yarn	928	1110	1185
Volume (Mln Kgs)	519	530	555
Price ($/Kg)	1.8	2.1	2.1
Cloth	1346	1560	1650
Volume (Mln Sq. Meter)	2036	2220	2280
Price ($/Sq Meter)	0.66	0.70	0.72
Readymade Garments	1093	970	1105
Tents and Canvas	73	75	86
Hosiery	1147	1415	1500
Made ups (incl.towels & Bedwear)	2064	2280	2450
III. Other Traditionals	**1165**	**1225**	**1335**
Fish and Fish Preparations	135	160	185
Leather	235	235	255
Carpets	221	225	245
Synthetic Textiles	574	605	650
IV. All Others	**2741**	**2940**	**3185**
Total Exports (Gross)	**11160**	**12222**	**13230**
Total Exports (fob)	**10889**	**12158**	**13130**

Source;- Finance Division

Annex- 2.2

IMPORTS

($ Million)

Commodities	2002-03 Actuals	2003-04 Provisional	2004-05 Projection
Edible Oils	**587**	**643**	**707**
Palm Oil	539	595	654
Volume (000 MT)	1211	1290	1385
Price ($/MT)	445	461	472
Soyabean Oil	48	48	53
Volume (000 MT)	83	88	92
Price ($/MT)	578	548	576
POL	**3098**	**2754**	**3321**
Crude Oil	1400	1625	2080
Volume (Million barrel)	52.10	56.60	73.00
Price ($/barrel)	26.9	28.7	28.5
POL Products	1698	1129	1241
Volume (Million MT)	8.40	5.07	6.02
Price ($/MT)	202	223	206
Fertilizers	**240**	**214**	**235**
Volume (000 MT)	1295	1050	1100
Price ($/MT)	185	204	214
All Others	8359	10491	11500
Total (c&f)	**12284**	**14102**	**15763**
Total (fob)	**11333**	**12913**	**14462**

Source;- Finance Division

Annex- 2.3

BALANCE OF PAYMENTS

($ Million)

Items	2002-03 Actuals	2003-04 Provisional	2004-05 Projection
TRADE BALANCE	**-444**	**-755**	**-1332**
Exports (fob)	10889	12158	13130
Imports (fob)	11333	12913	14462
INVISIBLES BALANCE	**3609**	**2368**	**1663**
Services (net)	-2128	-3179	-3806
Invisibles Receipts	2967	2947	2386
Invisibles Payments	5095	6126	6192
Freight & Insurance	951	1189	1301
Public & Guaranteed Debt	897	747	740
Others	3247	4190	4151
Private Transfers	5737	5547	5469
Remittances	4237	3700	3700
F.C.A.(Resident Pakistanis)	-12	377	350
Others	1512	1470	1419
(Of which purchases)	0	0	0
CURRENT ACCOUNT BALANCE	**3165**	**1613**	**331**
% of GDP	**3.8**	**1.7**	**0.3**
Long term capital (net)	1461	335	420
Gross Disbursements	1343	1354	1784
Project Aid	704	798	842
Programme /Commodity Aid	621	544	940
Food Aid	10	10	0
Refugees Assistance	8	2	2
Saudi Oil facility	637	302	0
Grant pledge	209	203	330
Other official capital	1042	-11	-1
Amortization	2421	2024	2033
Other (Incl. Private long term capital (net)	651	511	340
Errors & Omissions	523	-93	35
BAL. REQ. OFFICIAL FINANCING	**5149**	**1855**	**786**
Official assistance & debt relief	**520**	**241**	**-53**
Debt relief including pricipal and interest	909	0	0
Medium/short term capital (net)	-80	-120	84
Other short term assets/liability	-79	-48	0
FEBC, DBC, FCBC,Eu.Bond(net)	-416	210	-236
Bridge/residules/privatization	186	199	99
OVERALL BALANCE/ NET FOREIGN ASSETS	**5669**	**2096**	**733**
IMF (net)	51	-333	212
Purchases	469	245	506
Repurchases	-418	-578	-294
Repayment of deposits	0	0	0
Banks foreign currency deposits	-261	-42	-10
Outstanding export bills	-198	-319	-75
CHANGES IN RESERVES (Net)	**5261**	**1402**	**860**
Reserve position incl.FE-25 dep.	**10727**	**12208**	**12768**
Reserve position excl.FE-25 dep.	**9521**	**11657**	**12145**

Source:- Finance Division

CHAPTER – 3

FISCAL AND MONETARY POLICY

REVIEW OF 2003-04

A. FISCAL POLICY

The fiscal policy broadly aims at generating adequate resources to meet developmental needs of the country, regulating the budgetary expenditure, containing non-development expenditure and encouraging domestic as well as foreign investment to enhance the long term viability of the economy. These aims are achieved by adopting an appropriate mix of policy measures. The Government has already initiated a number of measures in this direction such as simplification of tax structure, improvement in tax compliance through facilitative tax administration, broadening of tax base and reduction in tax burden by adjusting tax rates to achieve fiscal discipline and transparency. For eliciting greater response and compliance of the tax payers, model tax units were established at Karachi and Lahore by the Government during 2003-04. On the expenditure side, tight budgetary policy was being pursued so that the current expenditure particularly the non-productive component, is curtailed and enhanced allocations are made for developmental activities/projects. Due to the rescheduling of Pakistan's external bilateral debt by the "Paris Club", the pressure of debt servicing has, however, been eased and by making prepayment of costly loans, the sustainability of debt would be achieved. To achieve fiscal discipline and transparency, the government has introduced a new bill titled "Fiscal Responsibility and Debt Limitation Bill" in the National Assembly. National Finance Commission (NFC) has been constituted to finalize a new award to the provinces and its report is in the final stage.

Consolidated Budget 2003-04

3.2 The budget for 2003-04 aimed to reduce the fiscal deficit from 4.5 percent of GDP in 2002-03 to 4.0 per cent of GDP and to enhance the development expenditure from 3.2 percent in 2002-03 to 3.6 per cent of GDP in 2003-04. Government revenues were targeted to increase from Rs. 720.8 billion (17.9 per cent of GDP) in 2002-03 to Rs.755.9 billion (17.1 percent of GDP) in 2003-04. The tax revenues (including surcharges) were expected to increase from Rs. 555.8 billion or 13.8 per cent of GDP in 2002-03 to Rs. 599.7 billion or 13.6 per cent of GDP in 2003-04. Non-tax revenues were to decrease from 4.1 per cent of GDP in 2002-03 to 3.5 per cent of GDP in 2003.04. Total expenditure were estimated to increase from Rs. 901.4 billion (22.4 per cent of GDP) in 2002-03 to Rs 934.9 billion (21.1 per cent of GDP) in 2003-04. The current expenditure was envisaged to decrease from Rs 791.7 billion (revised estimates) for 2002-03 to Rs. 763.8 billion in 2003-04 and as proportion of GDP, it would decrease from 19.7 per cent in 2002-03 to 17.3 per cent of GDP in 2003-04.

Budget Performance During July-March, 2003-04

3.3 Against the budgeted level of Rs.755.9 billion for the year 2003-04, revenues (both tax & non-tax) to the extent of Rs.555.4 billion (73.5% of target) were collected during July – March, 2003-04. Government expenditures during July – March, 2003-04 remained at Rs.626.6 billion (67.0% of target) against the whole year target of Rs.934.9 billion. The overall fiscal deficit during the period July – March, 2003-04, therefore, remained at Rs.71.2 billion as against the budgeted level of Rs.179.0 billion for the year 2003-04. The details of the budget for the year 2003-04 and its performance during July – March, 2003-04 are shown at Annex-3.1.

Federal Tax Collections during July-April, 2003-04

3.4 The target of Federal Tax Collections during fiscal year 2003-04 had been set at Rs 510.0 billion which is 10.7 percent higher as compared to actual collections of Rs.460.6 billion made during 2002-03. This projection was based on the assumption that during the year the nominal GDP will grow by 9.5 percent, the non-agriculture income by 10.1 percent,. large scale manufacturing sector by 9.5 percent and imports by 12.1 percent. The share of direct taxes and indirect taxes in the total CBR collections during 2003-04, is anticipated to be around 32 percent and 68 percent respectively.

3.5 During July-April 2003-04, CBR collected Rs.397.2 billion as against Rs 352.1 billion in the corresponding period last year. It constitutes 77.9 percent of whole year target for 2003-04 and 102.2 percent of the target set for the period July-April, 2003-04. The collection under direct taxes amounted to Rs 118.7 billion during July-April, 2003-04 (73.7 percent of the target for the year 2003-04) as against Rs. 109.5 billion collected during July-April, 2002-03, showing an increase of 8.4 percent over the collections of corresponding period last year. Under the indirect taxes, an amount of Rs. 278.5 billion was collected during July-April, 2003-04 (79.8 percent of whole year target) as against Rs. 242.6 billion collected during July-April, 2002-03 showing an increase of 14.8 percent over the collections of corresponding period last year. The main increase was witnessed in collections under the customs duty (32.5 percent) and sales tax (12.3 percent) over the corresponding period of last year i.e. July-April, 2002-03 which was due to increased economic activity as well as higher imports.

3.6 As a result of initiatives and facilitative measures taken by the Government and in view of ten month's performance, it is expected that tax revenue target of Rs.510.0 billion for 2003-04 will be achieved. This will permit the fiscal deficit to remain at the targeted level of 4 percent of GDP. The details of CBR revenues for 2002-03 (actual), 2003-04 (target) and the collections during July, 2003 to April, 2004 are given in Table-3.1.

Table 3.1

Federal Tax Collection

(July-April 2003-04)

(Rs in Billion)

Heads	Actual 2002-03	Target 2003-04	Target for July-April 2003-04	Collection July-April			July-April (Ach.) as % of whole year target	July-April.(Ach.) as % of July-April-target
				2002-03	2003-04	% Change		
Direct Taxes	**151.7**	**161.1**	**121.1**	**109.5**	**118.7**	**8.4**	**73.7**	**98.0**
Indirect Taxes	**308.9**	**348.9**	**267.7**	**242.6**	**278.5**	**14.8**	**79.8**	**104.0**
1. Sales Tax	194.8	223.1	169.3	154.1	173.0	12.3	77.5	102.0
2.Central Excise	69.1	47.7	35.8	35.5	35.3	-0.6	74.0	98.6
3. Customs	45.0	78.1	62.6	53.0	70.2	32.5	89.9	112.1
Total (Net)	**460.6**	**510.0**	**388.8**	**352.1**	**397.2**	**12.8**	**77.9**	**102.2**

Source: Revenue Division/CBR

B. MONETARY POLICY AND CREDIT PLAN

Monetary Policy

3.7 Monetary Policy is concerned with regulating the flows of money and credit to achieve economic growth and price stability in the economy. In Pakistan, M2 is the broad monetary aggregate used to measure the quantum of money in the system. Growth of M2 is targeted on the basis of an estimated money demand function that incorporates the dual elements of the targeted growth rate of real GDP and the inflation rate.

Review of Credit Plan 2003-04

3.8 With a view to accounting for the GDP growth and inflation rate targets of 5.3 percent and 4 percent respectively, the Credit Plan for 2003-04 envisaged monetary expansion of 11.0 percent (Rs.230. 00 billion); with foreign assets (net) targeted to grow by Rs. 130.00 billion and the domestic credit expansion at Rs. 100 billion. The Credit Plan envisaged the credit to non-government sector to expand by Rs. 91.00 billion and the credit to the private sector (excluding PSE's) was targeted to increase by Rs.85 billion. The public sector credit needs remained higher during the fiscal year (2003-04) for two reasons; (i) pre-payment of costly foreign loans and (ii) substantially lower national savings schemes inflows due to falling rates of interest.

Implementation of Credit Plan 2003-04

3.9 During the period from July, 2003 to May 22, 2004, monetary expansion amounted to Rs. 329.77 billion (15.86%) as against the target of Rs.230 billion (11.06%) for the entire fiscal year 2003-04. During this period (July 2003 to May 22, 2004), major factor for expansion has been an increase in net domestic credit expansion which rose to Rs. 266.02 billion against whole year target of Rs.100 billion and net foreign assets by Rs. 63.75 billion against full year target of Rs.130.00 billion.

3.10 The credit demand by the government as well as non-government sector remained high. The Government sector demand was Rs. 58.55 billion as against the full year target of Rs. 10.60 billion. This was due to prepayment of US $ 1.17 billion to Asian Development Bank, lower than projected external receipts for the budget and decline in the inflows under National Savings Scheme. As against the target of Rs. 91.00 billion for the whole year 2003-04; credit of Rs. 242.60 billion has been extended to the non-government sector up to May 22, 2004 compared to an expansion of Rs. 148.53 billion during the year 2002-03 and Rs.105.73 billion during corresponding period of last year (i.e. July to May 24, 2003). The credit to private sector expanded to Rs. 271.48 billion as against the whole year target of Rs. 85.0 billion and the actual expansion of Rs.167.72 billion during 2002-03 and of Rs.120.19 billion during the corresponding period of last year. The higher credit expansion is an indicator of increased activity in the private sector which is due to well defined macro-economic policies of the government and confidence of the private sector to increase investment in the country. This credit expansion has financed increased capacity utilization in manufacturing, higher imports of machinery and raw material, large disbursements to Agriculture and Consumer financing. The growth in net foreign assets (NFA) during July – May 22, 2004 had been at somewhat lower side as compared to the full year target and expansion in the corresponding period of last year mainly due to the reduced inflow from abroad as compared to last year and pre-payment of costly external debt by the Government. The NFA expanded by Rs. 63.75 billion upto May 22, 2004 as against the whole year target of Rs.130.0 billion and expansion of Rs.282.83 billion in the corresponding period of last year. The expansion in NFA during the year 2002-03 was at Rs. 308.95 billion, predominantly due to State Bank's reserve built-up. The Credit Plan for 2003-04 and its implementation during July 2003 to May 22, 2004 is given in the table 3.2.

Table 3.2
Credit Plan and its Implementation

(Rs. in Billion)

Sectors	2002-2003		2003-2004	
	Achievement	Implementation upto 24-05-03	Credit Plan Target	Implementation Upto 22-05-04
I. Government Sector Borrowing (Net)	-78.35	-73.52	10.60	58.55
a) Net Budgetary borrowing	-55.95	-51.20	15.00	70.48
b) Commodity Operations	-26.60	- 26.35	-6.008	-13.74
c) Effect of Zakat Fund/ Privatization Proceeds etc.	4.20	4.03	1.60	1.81
II. Non-Government Sector	148.53	105.73	91.00	242.60
a) Credit to Private Sector	167.72	120.19	85.00	271.48
b) Credit to PSEs including Autonomous Bodies	-11.59	-7.37	6.00	-22.56
c) Other Financial institutions (SBP credit to NBFIs)	-7.60	-7.09	-	-6.32
III. Other Items (Net)	-61.73	-56.73	-1.60	-35.13
IV. Net Domestic Credit Expansion (I+II+III)	8.45 (0.60%)	-24.52 (-1.60 %)	100.00 (6.50%)	266.82 (17.28%)
V. Net Foreign Assets	308.95	282.83	130.80	63.75
VI. Monetary Expansion (IV+V) Growth Rate	317.40 (18.02%)	258.31 (14.67%)	230.00 (11.06%)	329.77 (15.86 %)

Source: State Bank of Pakistan

C. INFLATION

3.11 Change in prices is measured by three indices namely: the Consumer Price Index (CPI), the Wholesale Price Index (WPI) and the Sensitive Price Indicator (SPI), which are estimated with 2000-01 as base year. According to international practice, the rate of inflation is measured CPI, which in Pakistan covers the retail prices of 375 items in 71 markets of 35 major cities and shows roughly the cost of living in the urban areas. The WPI (1550 quotations) covers the wholesale prices of 424 items (with 106 major items) prevailing in the 18 cities and 18 markets of the origin of commodities. The SPI covers 53 essential items prices of which are collected from 17 urban centres.

Review of Inflation during 2003-04

3.12 For the year 2003-04 the rate of inflation (CPI) was targeted at 4.0 percent. Efforts were made to ensure improved availability of essential items like wheat, wheat flour, rice, sugar, gur, tea, vegetable ghee, pulses and vegetables etc. Various policy initiatives in productive sectors improved the supply side thereby ensuring adequate and regular flow of commodities to the common man. In addition, the strengthening of the rupee vis-à-vis dollar had a dampening effect on the general price level. However, during the first ten months' period of 2003-04 (i.e. from July, 2003 to April, 2004), rate of inflation remained at 3.93 percent as compared to 3.27 percent during the corresponding period of last year showing a higher rate of inflation but still below the targeted level for the year i.e. 4.0%. The SPI and WPI during the same period showed an increase of 5.80 percent and 7.05 percent respectively as compared to an increase of 3.75 percent and 5.68 percent respectively during the corresponding period of last year. The main increase in CPI was witnessed in the food and beverages (4.89%), education (4.16%), house rent (3.80%), transport & communication (2.58%), household, furniture and equipment etc (3.20%), fuel and lighting (3.21%), cleaning, laundry and personal appearance (3.49%) and apparel, textile & footwear (3.10%). Inflation rate this year may marginally exceed the target of 4 percent primarily due to higher oil and atta prices in the country. Changes in SPI, CPI and WPI during July-April, 2003-04 and their comparison with the corresponding period of the last year are as shown in Table 3.3.

Table 3.3
Price Indices (2000-01=100)
(July –April)

Index	2003-04 (%)	2002-03 (%)
SPI	5.80	3.75
CPI	3.93	3.27
WPI	7.05	5.68

D. CAPITAL MARKET

3.13 The capital market operations play an important role in the process of capital formation. At present, three stock exchanges are functioning in the country, one each at Karachi, Lahore and Islamabad. The Karachi Stock Exchange (KSE) is the premier institution, which represents over-all behaviour of the stock markets in Pakistan.

Review for the year 2003-04

3.14 Higher remittances from abroad, lower returns on the National Savings Schemes and the extension up to 2005 of the exemption of tax on capital gains of public companies listed on the stock exchange have encouraged greater public participation in stock market investment. The stock market continued to perform well during July 2003 to May, 2004. The KSE-100 Share Index, which was at 3402.48 points at the end of financial year 2002-03, reached at 5461.84 points on June 2, 2004. The normalization of relations with India also gave positive stimulus to the investors. On April 19, 2004 the KSE 100 Shares Index attained the record level of 5620.7 mark. The KSE 100 Shares Index gained momentum amidst considerable liquidity and sustained investor interest in energy stocks. The leading contribution of the energy stock in the rally, under the lead of scrips such as Pakistan Oil Fields, PSO (with hopes of early privatization), OGDC, and Hubco helped the index to establish a new record.

3.15 The listed capital increased from Rs.300.94 billion at the end of 2002-03 to Rs.370.14 billion in May, 2004. The market capitalization also increased from Rs. 755.77 billion at the end of fiscal year 2002-03 to Rs.1475.7 billion on June 2, 2004. On April 19, 2004, the market capitalization attained the record level of Rs. 1511.98 billion.

Privatization Through Stock Market

3.16 In order to provide benefits of privatization to the general public, the Cabinet Committee on Privatization (CCOP) approved divestment of 2.5 – 10 percent of the government shares of National Bank of Pakistan (NBP), Sui Southern Gas Company (SSGC), Oil & Gas Development Company Ltd (OGDCL) and Pakistan International Airlines (PIA) during the fiscal year 2003-04. Of these, the shares of OGDCL and SSGC have been floated by the end of April, 2004. The government also decided to off load 10 percent shares of the Pakistan Steel through the Karachi Stock Exchange. Moreover, there is a plan to sell all the shares of the Government of Pakistan in Pakistan Petroleum Limited, Oil & Gas Development Corporation, Pakistan International Airlines and Attock Refinery which would yield about Rs.. 4.0 billion. These transactions through stock exchanges would enhance the market capitalization and deepen the market base.

Steps Taken by SECP

3.17 The Securities and Exchange Commission of Pakistan (SECP) carried out wide-ranging reforms relating to governance, risk management, transparency and streamlining of rules and regulations during the period under review. The reforms would strengthen the organization to play an effective role in the development of capital markets in the country.

Eurobonds

3.18 During the year 2003-04, Pakistan re-entered the international bond market after a period of about seven years, with a float of Eurobonds worth $ 500 million. Eurobonds were floated on 12th February, 2004, at London market. Pakistan had

firstly launched Eurobonds of $ 150 million in 1994 followed by $ 300 million Eurobonds in 1997. The purpose of the bond was to attract foreign investment. Pakistan had returned to international bond market for the first time since sanctions were imposed on it in May, 1998. The floating of said bond was at an appropriate time as the economic standing as well as international credit rating of Pakistan was quite sound i.e. B (Standard & Poor's) and B 2 (Moody's) while the cost of borrowing in the world market had slumped low. Pakistan also retired $ 1.17 billion ADB loan on 29th January, 2004 without causing a significant decline in its $ 12 billion plus forex reserves. This indicates that the launch of the Eurobonds was intended to mark only the strategic re-entry of Pakistan in the international bond market. However, launching of the Eurobonds would help the country to improve its balance of payments position at a time when the current account surplus was contracting due to fall in overseas worker's remittances and direct foreign investment.

ANNUAL PLAN 2004-05

Fiscal Policy

3.19 During the year 2004-05, the fiscal policy will remain consistent with the prudent stance adopted by the Government. The main objective would be to enhance revenues through broadening the tax base and promoting tax culture, rationalizing and streamlining tax rate structure, improving tax compliance and adopting facilitative and educative measures for the tax payer. The main objective of fiscal policy would be to contain the fiscal deficit at the existing level of 4.0 percent of GDP by restraining current expenditure through budgetary control and to enhance outlay for development expenditure (PSDP) with a view to achieving growth rate of about 6.6 percent during the year 2004-05, and thus help to reduce reliance on external and domestic borrowings.

Monetary Policy and Credit Plan

3.20 Monetary stocks up to end June, 2004 are estimated at Rs. 2308.7 billion. Monetary expansion during the year 2003-04 was targeted at Rs.230.0 billion (11.06%). Monetary policy will be designed to have an orientation towards stable growth, with the private sector envisaged as the engine of growth. During the fiscal year 2004-05, monetary expansion is expected to stay around 11.2 percent, which would accommodate the real growth of the economy and the expected inflation for the year . Details of the credit plan will be worked out by the National Credit Consultative Council after the Budget.

Inflation

3.21 Moderate inflation is a key component of a stable macro-economic environment and, therefore, assumes great importance for better supply situation of essential commodities. The rate of inflation (CPI) is likely to be contained at the targeted level of 4.0 percent during 2003-04. Keeping in view the economic growth and production targets of major commodities/ sectors, rate of inflation (CPI) during 2004-05 is estimated to remain at around 5.0 percent.

Capital Market

3.22 The prospects for the capital market during the year 2004-05 are fairly bright, as economic fundamentals are quite strong. The KSE 100 shares index set a new record on April 19, 2004 by reaching the level of 5620.7 mark. Similarly, market capitalization touched a new level of Rs.1511.98 billion on April 19, 2004. As a result of Government plans to sell shares of public sector enterprises through the stock exchange, the activity in capital market will get additional boost during 2004-05.

3.23 In conclusion, the challenge during 2004-05 will be to put in place a fiscal-monetary mix which is conducive to the accelerating growth without letting inflation to reach the point where it hurts purchasing power and macro economic stability.

CONSOLIDATED BUDGET 2003-04
AND PERFORMANCE DURING JULY - MARCH 2003-04

(Rs Billion)

	2002-03	2003-04	Performance	
	Revised Estimates	Budget	July-March 2003-04	As % of Budget
Government Revenues	**720.8**	**755.9**	**555.4**	**73.5**
Tax	555.8	599.7	424.7	70.8
Non-tax revenues	165.0	156.2	130.7	83.7
Government Expenditure	**901.4**	**934.9**	**626.6**	**67.0**
Current	791.7	763.8	536.1	70.2
Of wich: Interest	237.4	233.7	140.4	60.1
Defence	160.1	160.2	129.3	80.7
Development	129.2	160.0	85.0	53.1
Net Lending to PSEs, etc.	-22.7	11.1	9.7	87.4
Unidentified Expenditure	3.2		-4.2	
Fiscal Deficit	**180.6**	**179.0**	**71.2**	**39.8**
Primary deficit	-56.8	-54.7	-69.2	126.5
Interest payments	237.4	233.7	140.4	60.1
Financing:	**180.6**	**179.0**	**71.2**	**39.8**
External (net)	113.0	89.4	-25.2	-28.2
Domestic	63.9	79.6	87.9	110.4
Bank borrowing	-55.6	19.8	53.6	270.7
Non-bank borrowing	119.5	59.8	34.3	57.4
Privatization Proceeds	3.7	10.0	8.5	85.0
Memorandum Items				
As % of GDP				
Government Revenues	**17.94**	**17.10**	**12.57**	
Tax	13.83	13.57	9.61	
Non-tax revenues	4.11	3.53	2.96	
Government Expenditure	**22.43**	**21.15**	**14.18**	
Current	19.70	17.28	12.13	
Development	3.22	3.62	1.92	
Net Lending to PSEs, etc.	-0.56	0.25	0.22	
Unidentified Expenditure	0.08		-0.10	
Fiscal Deficit	**4.49**	**4.05**	**1.61**	
Primary deficit	-1.41	-1.24	-1.57	
Interest payments	5.91	5.29	3.18	
Financing:	**4.49**	**4.05**	**1.61**	
External (net)	2.81	2.02	-0.57	
Domestic	1.59	1.80	1.99	
Bank borrowing	-1.38	0.45	1.21	
Non-bank borrowing	2.97	1.35	0.78	
Privatization Proceeds	0.09	0.23	0.19	

Source: Ministry of Finance.

CHAPTER - 4

PUBLIC SECTOR DEVELOPMENT PROGRAMME 2004-05

REVIEW OF THE PSDP 2003-04

Sector allocations: The Public Sector Development Programme (PSDP) 2003-2004 was approved by the National Economic Council (NEC) in its meeting held on 29th May, 2003 at Rs.160.0 billion including foreign aid of Rs.43.9 billion. Of Rs.160.0 billion, Rs.113.0 billion was for federal development programmes. Out of the total allocation for federal development programme of Rs.113.0 billion, special emphasis was laid on infrastructure sectors (Water, Transport & Communications, Power, Physical Planning & Housing and Fuels & Minerals) with an allocation of Rs. 68.3 billion (60.4 %) followed by social sectors (Health & Nutrition, Education & Training, Higher Education, Area Development, Population Welfare, Environment, Women Development & Social Welfare, Manpower & Employment and Special Programmes) with an allocation of Rs.26.2 billion (23.2 %), all other sectors (Science & Technology, Information Technology, Agriculture, Research Statistics & Planning, Industry, Mass Media, CSTY and Special Areas (AJK, NAs & FATA) were provided Rs. 18.5 billion (16.4 %). In addition, it was assessed that the provinces would spend Rs. 47 billion through their ADPs.

4.2. A Tameer-e-Pakistan Programme was initiated during the second half of 2002-03 with an initial allocation of Rs. 2.0 billion. In PSDP 2003-04, Rs.3.6 billion were allocated to this programme to meet the development needs of the constituencies of MNAs. Later on the programme was extended to cater for the development schemes of Senators and the allocation was enhanced to Rs. 3.9 billion. The schemes spread over the provinces including FATA will assist in supplementing efforts for the recovery of the economy and to improve quality of life and incomes. The schemes for roads, electricity, gas and telecommunication would qualify for funding from this programme.

4.3 **Mid Year Review:** During January 2003, the Planning & Development Division undertook a mid year review of PSDP 2003-04. Each project was discussed with the Ministry/sponsoring agency to review the financial and physical progress and identify slow and fast moving projects. As a result, savings of Rs. 10.8 billion were identified. In compliance with the decision of NEC dated 29th May, 2003, whereby Planning and Development Division was authorized to adjust the allocations, the identified savings were re-allocated/adjusted, generally within the same sectors, to the fast moving projects for their timely completion.

4.4. The actual expenditure during July 2003-April 2004 was Rs.60.2 (53.3%) including foreign aid of Rs.13.5 billion. The expenditure of 53.3 % is less than the expenditure of 58.0 % incurred during July 2002-March 2003 last year owing mainly to the shortfall in foreign aid disbursements, which were Rs. 13.0 billion against the provision of Rs. 27.0 billion. The provinces spent Rs. 24.0 billion (51 %) from their part of the PSDP of Rs. 47.0 billion during July 2003- April 2004.

4.5. In view of the slow pace of utilization, reallocations were made after the NEC had reviewed the mid term progress in March, 2004. It is now expected that the faster moving sectors, to which funds were diverted after the mid term review, will be able to utilize the allocations by the end of the current financial year. Furthermore, the major expenditures of the big infrastructure projects are also expected to occur during the last quarter of the year as liabilities for purchases and physical work have built up.

4.6. A major factor in slow utilization during the earlier part of the financial year is the release of funds pattern which is divided equally over the four quarters while different projects may have a different pattern of funds requirements. Because of this mismatch between funds availability and funds requirement during the course of the year, an improved methodology is under preparation to ensure that projects in need of higher funding at a certain period of time receive it while projects requiring lesser amounts are not overprovided. It is expected that this will help smoothen out release of funds over the course of the year by maintaining it closer to actual requirements and thus help in better implementation of projects.

THE PSDP 2004-05

4.7. PSDP 2004-05 has been formulated within the framework of the basic policy agenda of the present govt. i.e. reducing poverty, ensuring good governance, generating employment on a nation-wide basis and raising the quality of social services especially health and education including higher education. In the face of throwforward and resource availability, and to avoid thin distribution of resources and complete the projects in time, the first priority in the allocation of resources has been given to those projects scheduled for completion by June 2005 followed by likely completion of projects by June 2006 as per revise PC-I phasing. New projects for national integration and productivity enhancement, basic social services, poverty alleviation and essential human resource development programmes, information technology application programmes have been included to the extent sectoral space was available in the priority sectors that are responsive to emerging needs of the economy. Likewise, commitment with donors have been catered for keeping in view the utilization capacity of the agencies concerned. Furthermore, in line with the current policy on maintaining plan discipline no block allocation except Special Areas and Special Programmes) has been made for any sector.

4.8. The total size of the Budgetary Development Programme in FY 2004-05 as approved by the National Economic Council (NEC) in its meeting held on 1st June, 2004 is Rs.202.0 billion (Rs.148.0 billion as the Federal Development Programme and Rs.54.0 billion as the Provincial Development Programme) including Rs. 56.4 billion as foreign aid (Federal Rs. 35.6 billion and Provincial Rs.20.8 billion). It shows an increase of 26.3 % over the last year Budgetary Development Programme of Rs.160.0 billion. Despite severe resource constraint, efforts have been made to fully protect the ongoing projects of national importance. A number of new initiatives of critical importance have also been included in PSDP 2004-05.

4.9. The overall size of PSDP of Rs.202.0 billion for financial year 2004-05 represents 3.3 percent of projected GDP (mp) for 2004-05 which is higher than the last year's PSDP/GDP ratio of 2.9 %. The Ministry-wise summary of PSDP 2004-05 is at Annex-4.1. The overall position is given in Table 4.1.

Table 4.1

Allocations of PSDP 2003-04 and PSDP 2004-05

(Rs. in billion)

	Description	PSDP Allocation 2003-04 (Revised)	PSDP Allocation 2004-05	% change over Revised PSDP
A.	Federal Ministries Programmes	60.3	96.7	60.4
B.	Special Areas Programmes	10.1	11.2	10.9
C.	Special Programmes	9.1	8.8	-3.3
D.	Corporations	33.0	31.3	-5.2
	Total (Federal Dev. Programmes)	113.0	148.0	31.0
E.	Provincial Dev. Programmes	47.0	54.0	14.9
	Total (PSDP)	160.0	202.0	26.3
	(F.Aid)	43.9	56.4	
	(Local)	116.1	145.6	

4.10. The broad sectoral distribution is as under: -

i)	**Infrastructure sectors**	**87.0 billion**	**58.8%**
ii)	**Social sectors**	**33.6 billion**	**22.7%**
iii)	**Other sectors**	**27.4 billion**	**18.5%**

4.11. In the light of the strategy to set up a sound infrastructure base for future growth and development, as well as to promote a knowledge-based economy with high priority to human resource development, the development programme of 2004-05 has the following significant features:

i) To remain on track for the completion of major water projects, the allocation for water has been increased by 60% and now stands at 17% of the PSDP, as compared to 14% in 2003-04. This will help accelerate agricultural growth in the medium term and promote construction-related jobs in the process of implementation.

ii) Major investment to the extent of Rs 4 billion is programmed in the improvement of water courses which will lead to productive use of scarce water resources.

iii) Gwadar port and its road linkages up country have been given priority which will contribute to a better investment climate and trade facilitation.

iv) In the light of future power requirements, the Chashma nuclear plant has been added as a new project in the development programme with suitable funding.

v) The allocation for education and training has been increased by 55% with Higher Education being given an increase of 82%. This will provide the knowledge base and qualified manpower required for a competitive world.

vi) The allocation for the health sector has been increased by 37% reflecting continuing emphasis on maximizing the productivity of human capital.

vii) The IT and Science and Technology sectors have received increased allocation of 37% and 68% respectively to give a spur to research and development and to employ the educated unemployed.

viii) To improve governance, allocations to the reform programmes such as the Access to Justice Programme, the Police Reform Project and the Devolution Support Programme have been made increased allocations. This will facilitate private investment and encourage effective service delivery.

ix) The allocations for special areas (AJK, NA & FATA) have been enhanced with a view to accelerating development in less developed areas

4.12. **Corporations**: Of Rs.148.0 billion allocated to the Federal Development Programme in FY 2004-05, a sum of Rs. 31.3 billion has been allocated to corporations i.e. WAPDA (Rs.14.2 billion) and the National Highway Authority (Rs.17.1 billion). In addition, WAPDA will finance Rs.14.6 billion for its projects/programmes through non-budgetary resources/self-financing in power Sector.

4.13. In sum, the PSDP 2004-05 provides the desired acceleration over 2003-04, emphasizes physical and sound infrastructure to support higher growth, and yet retains a focus on poverty alleviation.

Annex- 4.1

BUDGETARY PSDP 2004-05
(Ministry/Division-wise Summary)

(Million Rupees)

Sl. No.	Ministry/Division/Agency	Allocation for 2004-05		
		Foreign Aid	Rupee	Total
1	2	3	4	5
A	**Federal**	**35622.786**	**112377.214**	**148000.000**
	Infrastructure	**31231.689**	**49377.717**	**80609.406**
1	Water & Power Division (Water Sector)	1580.000	19187.000	20767.000
2	WAPDA (Power)	13714.000	500.000	14214.000
3	Pakistan Atomic Energy Commission	2093.000	2727.240	4820.240
4	Petroleum & Natural Resources Division	0.000	533.559	533.559
5	Communications Division	5676.405	17688.595	23365.000
6	Railways Division	6793.000	2487.600	9280.600
7	Finance Division	1375.284	6253.723	7629.007
	Social	**1254.473**	**30028.756**	**31283.229**
8	Special Programmes	0.000	8840.000	8840.000
9	Education Division	221.921	3137.119	3359.040
10	Higher Education Commission	0.000	9104.436	9104.436
11	Health Division	892.682	5151.874	6044.556
12	Population Welfare Division	135.000	2451.000	2586.000
13	Women Development & Social Welfare Division	0.000	1258.512	1258.512
14	Labour, Manpower & Overseas Pakistanis Division	4.870	85.815	90.685
	Others	**3136.624**	**32970.741**	**36107.365**
15	KA & NA and SAFRON Division	906.880	10338.392	11245.272
16	Information Technology & Telecommunications Divisior	0.000	2732.626	2732.626
17	Science and Technological Research Division	145.000	1765.346	1910.346
18	Minorities, Culture, Sports Tourism & Youth Affairs Divi	0.000	630.857	630.857
19	Works Division	0.000	925.695	925.695
20	Defence Division	0.000	962.710	962.710
21	Food, Agriculture and Livestock Division	433.377	6856.394	7289.771
22	Local Government & Rural Development Division	270.000	2.250	272.250
23	Environment Division	73.709	281.545	355.254
24	Industries and Production Division	321.340	71.092	392.432
25	Interior Division	493.895	4435.739	4929.634
26	Law, Justice and Human Rights Division	163.710	2236.290	2400.000
27	Establishment Division	0.000	5.000	5.000
28	Cabinet Division	161.193	287.000	448.193
29	Information & Media Development Division	0.000	500.000	500.000

Annex- 4.1

BUDGETARY PSDP 2004-05
(Ministry/Division-wise Summary)

(Million Rupees)

Sl. No.	Ministry/Division/Agency	Allocation for 2004-05		
		Foreign Aid	Rupee	Total
1	2	3	4	5
30	Narcotics Control Division	122.520	44.465	166.985
31	Planning and Development Division	5.000	682.503	687.503
32	Statistics Division	0.000	62.837	62.837
33	Commerce Division	40.000	0.000	40.000
34	M/o Foreign Affairs	0.000	150.000	150.000
B	**Provinces**	**20800.000**	**33200.000**	**54000.000**
	Total (PSDP)	**56422.786**	**145577.214**	**202000.000**

CHAPTER – 5

MAIN FEATURES OF SECTORAL PROGRAMMES

AGRICULTURE

REVIEW OF 2003-04

Financial

The Ministry of Food, Agriculture and Livestock was originally allocated an amount of Rs.1,500.1 million in the PSDP 2003-04 which was increased to Rs. 2,080.047 million after the mid-year review in order to accommodate an important project i.e. "National Programme for Improvement of Water Courses in Pakistan". The utilization is expected to be Rs 1,640.0 million, showing an achievement of 78.8 per cent.

Physical

5.2 The agriculture sector registered a growth rate of 2.6 per cent against a target of 4.2 per cent. The low growth rate was due to non-achievement of production targets of wheat, cotton, minor crops and livestock products. The production of wheat is estimated to be 19.8 million tonnes against a target of 20.5 million tonnes. The target could not be achieved mainly due to high temperature stress at the grain formation stage which shriveled the grain and reduced its weight. The cotton production was 10.05 million bales against a target of 10.6 million bales. The cotton target could not be achieved due to untimely rains, pest attack and shortage of pesticides. The production of rice, sugarcane and potato surpassed their targets. The rice production was 4.85 million tonnes against a target of 4.55 million tonnes. The sugarcane production was 53.42 million tonnes against a target of 52.50 million tonnes. The production of potato was 1,864 thousand tonnes against a target of 1,782 thousand tonnes. The onion production was 1,607 thousand tonnes against a target of 1,678 thousand tonnes. The production of gram was 548 thousand tonnes against a target of 600 thousand tonnes.

5.3 The major crops registered a growth rate of 2.8 per cent against target of 5.5 per cent. The growth rate of minor crops was 1.7 percent against target of 3.5 percent. The growth rates of livestock and fisheries sub-sectors were 2.6 per cent and 2.0 percent against the targets of 3.0 percent and 4.5 percent, respectively. The targets and achievements are given at Annex-5.1.

PROGRAMME FOR 2004-05

Financial

5.4 An amount of Rs 7,289.77 million has been allocated for development projects of the Ministry of Food, Agriculture and Livestock in PSDP 2004-05. In addition to

this, Rs 41.6 million has been allocated to agricultural projects of ICT, Interior Division.

Physical

5.5 The implementation of policies, strategies and programmes given in the Ten Year Perspective Plan will be continued with some modifications where needed. The overall agricultural strategy will be to achieve self-reliance in agricultural commodities, ensure food security, improve crops, livestock and fisheries productivity and promote sustainable development. A high priority will be given to conserve irrigation water and promote its efficient use through lining of water courses, precision land leveling and introduction of high efficiency irrigation systems, integrated pest management and improvement of plant and animal quarantine facilities.

5.6 The overall growth rate of agriculture sector has been projected at 4.0 per cent for 2004-05. The contribution of major crops, minor crops, livestock and fisheries sub-sectors will be 3.5 per cent, 3.5 per cent, 4.4 per cent and 3.2 per cent, respectively. This growth rate will largely depend on improvement in water availability, balanced application of fertilizer, use of improved seed and availability of agriculture credit to farmers.

5.7 The fertilizer off-take during 2003-04 was 3,224 thousand nutrient tonnes (N=2,520, P=682 and K=22 thousand). A fertilizer offtake target of 3,311 thousand nutrient tonnes (N=2,570, P=716, K=25 thousand) has been fixed for 2004-05.

5.8 Around 180 thousand tonnes of improved seed of different crops was distributed against target of 283 thousand tonnes during 2003-04. A target of 285 thousand tonnes has been fixed for 2004-05.

Major Programmes

5.9 Adequate provision of funds have been made to ongoing projects and 14 new projects in PSDP 2004-05. The major programmes are discussed in the subsequent paragraphs.

Improvement of Water Courses

5.10 A "National Programme for Improvement of Water Courses" will line 87,000 water courses in order to reduce conveyance losses and conserve water. It will help in increasing agricultural productivity by effective utilization of irrigation water.

Agricultural Research

5.11 The project on "Integration of Agricultural Research and Extension Activities", for transfer of technology to the farmers through field demonstrations, training, seminars, field days and radio broadcast, etc. will be continued. The "Tea Research and Development Programme" at Mansehra, Abbottabad and Swat to raise nursery plants for tea plantation on 140 acres will be continued. Research activities under the project, "Managing Burewala Strain of Virus" initiated last year will be

continued for evolution of cotton varieties resistant to Burewala strain of cotton virus and studies on virus-vector relationships. The projects on "Introduction of Sugarbeet", "Introduction of Medicinal Herbs and Spices as Crops," and "Nuclear Techniques Assisted Management of Salt Affected Land/Brackish Water", will be continued. A new project entitled, "Restructuring and Strengthening of National Agricultural Research System, Balochistan – Phase-I" will be implemented. It will improve the existing research facilities and establish new research stations in Balochistan.

Agricultural Extension

5.12 The Crop Maximization Project will be continued. It is being implemented in 109 villages in 15 districts of all the provinces and AJ&K in order to improve productivity of crops. The "Peri-Urban Agriculture Programme: Phase-I" project will be continued to promote cultivation of fruits and vegetables in green belts around peri-urban areas of Balochistan. The implementation of the project on the "Use of Electronic/Print Media for Technology Transfer" to the farmers will be continued.

5.13 An ADB assisted programme entitled "Agriculture Sector Development Programme" will be implemented. It aims to improve productivity and profitability of agricultural sector and carry out reforms. The project will (i) promote efficient markets for major commodities including wheat, cotton, rice and sugarcane in order to promote market based incentives for farmers especially small holders, (ii) liberalize markets for fertilizer and seed, (iii) strengthen support services in small farmer extension and training, research and regulation to improve quality control.

5.14 Two ADB assisted feasibility studies already under implementation will be continued. The technical assistance on Agriculture Sector Programme Loan (ASPL-II.TA) aims to suggest various policy reforms for improving agricultural productivity and profitability and monitoring implementation of policy reforms. The second study on "Agri-business Development (TA)" will help the government in designing a private sector led "Agri-business Development and Diversification Project".

Oilseed Development

5.15 The projects entitled, "Rapid Conversion of Wild Olive into Oil Bearing Species" for conversion of existing wild olive to fruit bearing trees will be continued. Distribution of oilpalm seedlings among the growers in Sindh and Balochistan under the "Oilpalm Development Pilot Project" will be continued in order to expand the area under oilpalm plantations in the country. A new project, "Sunflower Cultivation in Balochistan" will be launched to increase the production of oilseeds.

Plant Protection

5.16 The main emphasis in plant protection is on biological control of insects/pests and to minimize the use of pesticides. The project on "Adaptation of Integrated Pest Management Approach for Cotton Crop in Sindh" will be continued. A new "National Integrated Pest Management Project" which will cover all the crops, will be launched in all the provinces.

Soils and Fertilizers

5.17 A project 'National Agricultural Land Use Plan (Phase-I)' which aims at preparation of district-wise national plan for scientific utilization of agricultural land resources, will be continued. The project "Integrated Land Resource Survey of 15 per cent un-mapped parts of the country" will be completed by June 2005.

Livestock

5.18 Large scale activities on project entitled 'Strengthening of Veterinary Services for Livestock Diseases Control; Eradication of Rinderpest' will be continued. The project will help in eradication of rinderpest, foot and mouth disease and enhance efficiency/effectiveness of veterinary health services in the country. Other on-going projects "Detection of Drug Residues in Animal Products at Karachi", "Development of Animal Quarantine Facilities" at Karachi, Sialkot and Quetta will be continued. A new project for "upgradation of Animal Heath Laboratory at NARC" to serve as a national research lab. for poultry disease will be initiated in 2004-05.

Fisheries

5.19 The project "Strengthening of Quality Control Laboratory at Marine Fisheries Department, Karachi" will be continued. Other projects like "Major Repair Work of Jetties Structure and Procurement of Port/Fish Handling Equipment for Korangi Fisheries Harbour", "Acquisition of Fisheries Research and Training Vessel for Marine Fisheries Department" and "Additional Improvement in Marine Fisheries Department Laboratories in View of WTO Requirements" will be launched during the year.

WATER RESOURCES DEVELOPMENT

REVIEW OF 2003-04

Financial

5.20 An expenditure of Rs. 12,983 million that is 82.5% of the financial allocation of Rs. 15,728 million (Revised allocation) for 2003-2004 is expected to be incurred by the end of June 2004.

Physical

5.21 The overall water availability was 16.58 Mhm (134.48 MAF) in 2002-03 & is expected to be 16.63 Mhm (134.88 MAF) in the year 2003--04. Out of total water available during 2003-04 (16.63 Mhm) about 10.46 Mhm (84.86 MAF) was made available from surface water supplies & 6.17 Mhm (50.02 MAF) from underground water.

5.22 **Irrigation sub-sector** The overall physical progress of fast track (high priority) projects namely Gomal Zam, Mirani, Raising of Mangla, Sabakzai and Satpara Dams, Greater Thal, Kachhi and Rainee canals, Extension of Pat Feeder canal for water storage of 5.34 MAF to compensate storage loss of 5.94 MAF due to

sedimentation by the year 2010, remained satisfactory. The new canals have been designed to utilize 3.031 MAF of flood water other than perennial flow of 2.69 MAF. Sufficient allocations were made to these projects for their timely completion. Initial works like land acquisition, detailed engineering design & tender documents, earthwork for dam construction, reconnaissance survey, preliminary works on dam powerhouse, camp & colonies were completed and major contracts awarded. The progress of irrigation system rehabilitation in Punjab and Sindh and lining of irrigation channels in all the four provinces remained slow due to late processing and releases of funds.

5.23 Planning and Development Division regularly monitored the physical progress of these projects besides other projects costing more than Rs. 40 million for their timely completion. The Cabinet appointed a Steering Committee to streamline financing, processing and coordination of Water Sector & Hydropower projects. Number of meetings of the Committee were held in Planning & Development Division and M/O Water & Power to ensure fast track implementation of above mentioned high priority water sector projects.

5.24 **Drainage sub-sector** One project in Sindh " Left Bank Outfall Drain (LBOD) was completed. A special committee recommended modifications in the design of RBOD-I and RBOD-II to take care of saline drainage effluent from Balochistan (RBOD-III). The implementation of National Drainage Programme (NDP) has been slow as against physical target of 80% only 30% could be achieved, because of less financial allocations, slow institutional reforms, approval process of sub-projects, implementation arrangements and allocation for irrigation vis-à-vis drainage sub-projects. Therefore major restructuring of the programme was carried out in order to prioritize the investment component for completion within the scheduled implementation period. National Surface Drainage Strategy and Master Drainage Plan remained under implementation to pave the way for Drainage Accord among the Provinces.

5.25 **On-farm Water Management (OFWM)** The OFWM-IV was unbundled in an effort to decentralize the development work for renovation & partial lining of watercourses. Government of N.W.F.P. and Sindh are implementing the unbundled programme, which was started rather late, therefore the target of renovation of 2,000 watercourses will not be achieved. However, water-course improvement would be accelerated because it is the cheapest available option to save water or minimize water loss and alleviate poverty. The remaining 87,000 water-courses have been proposed to be improved during the five years resulting in saving of about 8 MAF (based on studies by WAPDA & Water Management Training Institute, Lahore) of water losses and promoting increased employment opportunities to the tune of 3,86,000 jobs in the rural sector by utilizing local resources. Sufficient allocations have been made to meet the desired target of improvement of watercourses. The above mentioned programme was in addition to OFWM-IV project which was being undertaken in the provinces on decentralized basis for which the financial allocations had been reflected in the Provincial ADPs.

5.26 **Flood Control Programme** The ADB assisted Flood Sector Project was reformulated and could not be implemented as scheduled due to verification of sub-projects and issues relating to consultancy contracts. Under Normal Flood Programme

55 Km of embankment and 17 spurs were constructed against the target of 100 Km embankment and 31 spurs. Sub-sector-wise physical achievements are given in Table 5.1.

Table 5.1

Physical Targets and Achievements during 2003-2004

S.No.	Item	Unit	Targets 2003-2004	Achievements 2003-2004(Exp.)	% age Ach.
Irrigation					
1.	Water Availability	Mhm	16.64	16.64	100
	(Cumulative)	MAF	134.88	134.88	
Drainage & Reclamation					
2.	Disastrous area protected	Mha	0.24	0.10	42
3.	Surface Drains (Earthwork)	MCM	43.70	40.00	91
4. Flood Control					
	a. Embankment	Km	100	55	55
	b. Spurs	No	31	17	54
5. OFWM Programme (Revised Targets)					
	a. Watercourse Improvement	No	2000	240	12
	b. Precision Land Leveling	Ha	6000	1200	20

PROGRAMME FOR 2004-2005

Financial

5.27 A total sum of Rs. 20,829.74 million including foreign aid of Rs. 1630 million has been allocated to the Water Sector projects/programmes in the PSDP 2004-2005.

Physical

5.28 It is expected that overall water availability will remain around 135.28 MAF (16.69 Mhm) in 2004-05. Out of total 135.28 MAF, about 85.26 MAF (10.51 Mhm) would be available from surface water supplies through canal withdrawals, watercourse improvement, canal remodeling, irrigation system rehabilitation and small irrigation schemes. The remaining 50.02 MAF (6.17 Mhm) would be extracted from underground fresh water aquifer mainly by private tubewells. The water availability will continue to be sustained through water conservation means like remodeling/revamping/lining of canals and watercourses. The improvement in water availability is expected after completion of on-going mega projects, which are being implemented on fast track basis. In the Drainage Sub-sector 0.24 Mha of disastrous area is planned to be reclaimed from water logging & salinity through rehabilitation/replacement of 60 saline ground water tube-wells, 5000 private tubewells and excavation of 17.90 MCM of earth for surface drains.

5.29 Under OFWM Programme about 7500 watercourses (376 W/C under NDP & other small projects, more than 7500 w/c in OFWM-IV & National OFWM Program) will be improved, 14,998 ha of land will be precisely levelled and 43 water storage tanks would be constructed. It has been planned to construct 119 Km of embankments and 33 spurs under flood control programme. Detailed physical targets for 2004-2005 are shown in Annex-5.2. Main programmes/projects to be implemented during 2004-2005 are given below:

i) IRRIGATION

5.30 Under this sub-sector nine on-going dam/canal projects (Gomal Zam, Raising of Mangla, Mirani, Sabakzai, Satpara Dams, Greater Thal, Kachhi and Rainee canals and modernization of barrages in Punjab have been fully protected whereas adequate funds have been allocated for revamping/rehabilitation of irrigation system of Sindh & Punjab, extension of Pat Feeder canal and construction of 43 minors in Balochistan. An amount of Rs. 15,408 million (73% of the total water sector's allocation) has been allocated to irrigation projects for their timely completion. The major irrigation projects are as under:

- **Raising of Mangla Dam** Construction of main dam, intake embankment, bridge on bong canal, powerhouse by-pass road, land acquisition, infrastructure development in new city, Dhanghali bridge, Sukian Dyke, Jari dam/rim works, Mirpur bypass road, works on main spillway, power intake & Jari outlet and resettlement works would continue during the year 2004-05. An amount of Rs. 5,000 million would be utilized for timely completion of above works.
- **Mirani Dam** Construction of 40 Km of approach road has been completed. Earthwork of 0.76 MCM for dam embankment, spillway, irrigation system and 30% works of inlet/outlet/pressure conduit would be undertaken. Sufficient allocation of Rs. 1,500 million has been provided to accelerate the on-going works during the year 20040-05.
- **Gomal Zam Dam** Works for construction of access road, land acquisition and excavation/concreting for the diversion tunnel have been completed. The works relating to main dam, spillway, irrigation system and hydropower would be completed within next two years. An amount of Rs. 1,300 million including F.Aid of Rs. 500 million has been allocated during the year 2004-05.
- **Satpara Dam** having a storage capacity of 0.045 MAF, length of 518 m, height of 34.5 m would irrigate 19,920 acres of land in Skardu Valley. During the next financial year an amount of Rs. 600 million would be utilized on irrigation system, shatung diversion, coffer dam/outlet structures, power house & spillway works.
- **Sabakzai Dam** More than 15% works on main dam; powerhouse, irrigation system and 75% of land acquisition have been completed. Target of 80% for all works would be achieved during the next financial year. An allocation of Rs. 500 million has been made for excavation of 0.38 MCM for dam embankment, spillway, construction of 3 structures and acquisition of land.
- **Greater Thal Canal** The earthwork from RD 00 to RD 15+00, RD 15 to 64 has been completed whereas earthwork from RD 64 to RD 112 is expected to be completed upto June 2004, 46% of lining of main canal has been accomplished. A sum of Rs. 1,000 million has been allocated during the year 2004-05 for land

acquisition of 1,295 ha, 7 Msft & 14.64 MCM earthwork for canal lining & construction of main canal respectively and construction of 230 structures.

- **Kachhi Canal** 153 MCM of earthwork under KC-I (from RD 20+600 to RD 39+270) & KC-2 (RD 40+106) for main canal, land acquisition of 5,050 ha, 0.3 MCM earthwork for lining of canal are expected to be completed upto June 2004. An amount of Rs. 1,600 million has been earmarked for 8.9 MCM of earthwork for construction of main canal and lining, construction of 150 structures, land acquisition of 2,731 ha for the year 2004-05.
- **Rainee Canal** The total length of canal is 164 Km. About 31 Km of main canal (earthwork 0.8 MCM), acquisition of 1,947 hectares of land have been completed. An amount of Rs. 1,000 million has been made for construction of 73 Km of main canal & distributaries, 10 structures and 2,428 ha of land acquisition during the year 2004-05.
- **Revamping/rehabilitation of Irrigation & Drainage System in Sindh** The project costing Rs. 12,963 million includes strengthening of 8,082 Km of canals/drains, silt clearance of 3,635 Km of branches, stone pitching of 380 Km of canal banks, repair/remodeling of 241 regulators and rehabilitation of 1,596 SCARP tubewells. The physical progress of the project remained slow due to late releases of allocated funds, late award of contracts and poor work plan. Out of total allocated amount of Rs. 1,000 million it is expected that only Rs. 400 million would be utilized for rehabilitation/remodeling of canals and distributaries. A sum of Rs. 1,000 million has been earmarked for the second year of this project.
- **Punjab Irrigation System Rehabilitation (cost Rs. 19,519 M),** The ISRP Punjab includes strengthening of 1,000 Km of canals/drains, earthwork of 198 MCM for silt clearance of branches, stone pitching of canal banks, repair/remodeling of 90 regulators, 50 bridges and rehabilitation/remod. of 17,500 modules. An amount of Rs. 500 million has been allocated for this programme for the year 2004-05.
- **Punjab Barrages Modernization Phase-I** (cost Rs. 29,049 Million) keeping in view the need for emergent repair to barrages and their modernization, Rs. 1,000 Million have been allocated for this priority project.
- **Extension of Pat Feeder canal** (cost Rs. 2,244 million) and Khirther Canal (cost Rs. 1,000 million). A total sum of Rs. 610 million has been earmarked for these projects.

ii) DRAINAGE AND RECLAMATION PROGRAMME

5.31 This programme will receive 20% (i.e. Rs. 4,200 million) of total Water Sector's allocations. The sub-sector includes 5 drainage projects (one in Punjab, 3 in Sindh and one in Balochistan), in addition to NDP that has been shown separately. Adequate allocations have been made for Fordwah Sadiqia Remaining, Left Bank Outfall Drain (LBOD), Lower Indus Right Bank Drain (RBOD-I, II & III) for their timely completion.

- **National Drainage Programme (NDP)** This programme costing Rs. 25,047 million envisages rehabilitation/extension of 10,000 Km of existing & new surface drains, rehabilitation/ replacement of 1140 saline groundwater Tubewells, installation of 250,000 acres of tile drainage, 1,050 watercourses, construction of 400 Km interceptor drains and transfer of 1,500 fresh groundwater Tws. The programme is a mix of institutional and policy reforms, physical works, coordination, motivation of beneficiaries, research and studies in drainage. For this purpose a sum of Rs. 1000 million including foreign aid of Rs. 700 million, as

share of Federal Government, has been allocated. The provincial's allocations will be reflected in the provincial ADPs.

- **Right Bank Outfall Drain from Sehwan to Sea (RBOD-II)** The project costing Rs. 14,000 million includes construction of 273 Km of drain for disposal of 2,271 cusecs of drainage effluent into sea. The physical progress of the project is satisfactory, about 29 MCM of earthwork & 35 MCM of stonework for the main drain, acquisition of 2,408 ha of land, construction of 10 structures are expected to be completed upto June 2004. An amount of Rs. 1,000 million has been earmarked during the year 2004-05 to complete the on-going works of 7.3 MCM earthwork/stonework, construction of 26 structures and acquisition of 441 ha of land.

- **Balochistan Effluent Disposal into RBOD (RBOD-III)** During the next financial year Rs. 800 Million has been earmarked for earthwork of 6 MCM, construction of 125 structures and land acquisition of 289 ha for RBOD-III costing Rs. 4,485 million.

iii) ON-FARM WATER MANAGEMENT (OFWM)

5.32 The OFWM programme aims at reducing conveyance losses and field losses by improving watercourses, precision land leveling, organization of water user associations and establishing demonstration plots. In addition water storage tanks are constructed and lifting devices installed on streams so as to provide irrigation water to barani agricultural land. Water-course improvement would be accelerated because it is the cheapest available option to save water or minimize water loss and alleviate poverty. The remaining 87,000 water-courses have been proposed to be improved during the five years resulting in saving of about 8 MAF (based on studies by WAPDA & Water Management Training Institute, Lahore) of water losses and promoting increased employment opportunities to the tune of 3,86,000 jobs in the rural sector by utilizing local resources. A sum of Rs. 4,000 million have been made to meet the target of improvement of 7,500 watercourses under the national on-farm water management programme costing Rs. 66,373 million. The above-mentioned programme is in addition to OFWM-IV project, which is being undertaken in the provinces on decentralized basis for which the financial allocations will be reflected in the Provincial ADPs.

iv) FLOOD PROTECTION PROGRAMME.

5.33 The flood control works are undertaken under two main programmes namely normal/emergent Flood Works and Second Flood Sector Project (Asian Development Bank assisted). The programmes aim at protecting village abadies, private property and public infrastructure situated along the rivers. These programmes during 2004-2005 envisage execution of more than 65 priority/emergent nature of small schemes (under normal flood programme) and 50 schemes (under Second Flood Protection Sector Project) in Punjab, Sindh, NWFP, Balochistan, FATA, Northern areas and AJK. A total of Rs. 1,000 million including foreign aid of Rs. 300 million has been allocated for the above mentioned programmes.

v) SURVEY, INVESTIGATION AND RESEARCH.

5.34 Survey, Investigation and Research is a continuing programme being carried out by WAPDA. During the year 2004-2005, the work will continue on a number of important schemes such as Management & Rehabilitation of Saline & Waterlogged Soil, Study on water escapages below Kotri barrage, Nullah lai Project, International Water logging & Salinity Research Institute, Mona Reclamation & Experimental Projects and Lower Indus Water Management & Reclamation Research Project. A sum of Rs.310 million including foreign aid of Rs. 35 million has been allocated to this programme.

ENERGY

POWER

REVIEW OF 2003-04

Financial

5.35 An allocation of Rs. 33448 million (including Foreign aid of Rs. 12720 million) was made for power sub-sector during 2003-04 including budgetary corporations and excluding non-budgetary corporations. Against the above allocation, the revised estimates for 2003-04 are Rs. 32285.64 million (including Foreign aid of Rs. 11730.64 million).

Physical

5.36 The present Government is perusing a policy to enhance the power generation by harnessing more indigenous resource based generation like hydel power, coal, gas etc. in the system. Towards this end, five units of Ghazi Barotha Hydro Power project with total installed capacity of 1450 MW had been completed. In order to improve the hydel thermal mix towards hydel as well as to augment the existing water storage facilities, more hydel based projects have been approved for implementation. Similarly, in order to reduce the oil import bill, conversion of existing public/private thermal plants based on furnace oil to gas had been undertaken.

5.37 Furthermore, Government of Pakistan has accorded approval for the construction of a number of hydro electric power projects that includes Malakand-III (81 MW), Khan Khwar (72 MW), Allai Khwar (121 MW), Duber Khwar (130 MW), Keyal Khwar (130 MW), Golen Gol (106 MW), Jinnah (96 MW) in public sector. Whereas Matiltan (84 MW), New Bong Escape (79 MW) and Rajdhani (132 MW) are being implemented in the private sector.

5.38 Similarly, in order to ensure uninterrupted and stable power supply to the consumers, the augmentation and rehabilitation of transmission network is regularly upgraded. In this connection, besides addition to the ongoing secondary transmission and grid programme, a number of new 500 KV & 220 KV transmission lines are being constructed.

5.39 The Government of Pakistan announced a Policy for Power Generation Projects 2002 to attract investment from the private sector on competitive terms. During the year 2003-04, the policy had received encouraging response from the private investors. Investment climate had greatly improved due to better macroeconomic conditions of the country. 36 Expression of Interests (EOI) with a total capacity of 6,406 MW were issued during the year 2003-04. Letter of interest (LOI) for projects worth 1660 MW out of which 50% i.e. 840 MW are hydel based projects, were issued during the year 2003-04.

5.40 The total installed generating capacity of the country increased from 17977 MW in 2002-03 to 19427 MW in the year 2003-04 by the addition of five units (290 MW each) of Ghazi Brotha hydroelectric power project. The peak demand of the national grid system increased from 12328 MW in 2002-03 to 12897 MW in 2003-04. The total energy generation is expected to increase from 74789 GWh in 2002-03 to 77665 GWh in 2003-04, showing a growth rate of 3.8%. It is also expected that the losses in the system would decrease from 29.7% in the year 2002-03 to 28.5% in the year 2003-04

5.41 During 2003-04, 5,00,000 new connections are estimated to have been provided by WAPDA and KESC. It is also expected that WAPDA would electrify about 2000 villages/abadies during the period.

PROGRAMME FOR 2004-05

Financial

5.42 Allocation of Rs. 33359 million (including Foreign aid of Rs. 15862 million) is made for power sub-sector during 2004-05 including budgetary corporations and excluding non-budgetary corporations.

Physical

5.43 In the year 2004-05, the maximum power demand of the country is expected to increase to 13,340 MW. This maximum power demand can be met with the existing installed capacity, therefore, no additional generating capacity is planned during the year 2004-05. However, KESC may not be able to meet its demand due to shortage of generating capacity as well as limitations on import of power from WAPDA system. Meanwhile, the interconnection of Hub power station with KESC is in progress to meet the future growing demand of KESC system. Rehabilitation project of the existing power plants in KESC system worth Rs. 14 Billion is also under implementation and with its completion, 130 MW additional power would be available to KESC. The target for the total energy generation (including private sector) is fixed at 80176 GWh in 2004-05. It shows an increase of 3.2% over the energy generated in 2003-04. A target of about 6534 km HT lines, 4290 Km LT lines and replacement /installation of 720537 new meters have been proposed to be added in WAPDA system during 2004-05 through the implementation of renovation, augmentation & rehabilitation project of the power system. About 5,00,000 new connections would be provided by WAPDA and KESC besides electrification of 2500 new villages/abadies during 2004-05.

FUEL

REVIEW OF 2003-04:

5.44 An allocation of Rs. 804.563 million was made for Fuel Sector during 2003-04 excluding non-budgetary corporation programme. Against the above allocation, the revised estimates are Rs. 725.00 million.

5.45 Crude production during 2003-04 is expected to be about 62080 BPD against the target of 73216 BPD showing an achievement of 85%. Gas production is expected to be 3237 MMCFD against the target of 3472 MMCFD, showing 93% achievement against the target. A total of 40 Wells both in Public and Private Sector comprising of 23 exploratory and 17 development/appraisal Wells, are expected to have been drilled against the target of 77 Wells comprising of 34 exploratory and 43 development Wells showing 52% achievement. The LPG production is expected to be 1000 tones per day against the target of 1245 tonnes per day showing 78% achievement. Estimated production of Coal during 2003-04 is 3.5 million tonnes against the target of 3.6 million tonnes showing 97 % achievement.

Development of Coal:

5.46 Government of Pakistan has decided to enhance the share of coal in the overall energy mix from present 5% to 20% by the end of this decade. Most of the cement factories have switched over to coal from furnace oil, saving sufficient foreign exchange.

5.47 A Chinese Company M/s Shenhua Group is undertaking a Feasibility Study to develop a block in Thar Coal for power generation of 600 MW in phases during the next five years. M/s Rehien Braun Engineering of Germany has been awarded Bankable Feasibility Study on Thar Coal Mining, which would be completed by December, 2004. Similarly, CIDA financed a study at Thar for underground Coal Gasification. Based on it, a number of other studies are being initiated . MEL and PICT of Australia also signed an MOU with Government of Sindh (Sindh Coal Authority) to take underground coal Gasification study on BOO basis. SNGPL initiated a study for supplying town gas generated by coal to Bhakkar.

Natural Gas:

5.48 Natural gas contributes 43.8% of the total commercial energy supply in the country. Consumption of gas during the year 2003-04 has increased by 40% in power sector, 18% in general industries, 19% in domestic and 13% in commercial sector. In the year 2004-05, the demand of gas in power sector is expected to further increase by 20%, in fertilizer sector by 12% and in general industries by 7%.

5.49 Special efforts have been made to maximize gas supplies. During the year 2003-04, additional gas of 1 BCFD has been injected in the main stream. As a result no furnace oil was imported during this year and foreign exchange to the tune of US$ 700 million was saved during the year. Gas transmission line of 426 Km was laid down and distribution lines of more than 3600 Km were added to the existing systems of gas utility companies in 2003-04. Around 197000 new connections to domestic

consumers, 3500 to commercial consumers and 436 to general industries were provided during the year 2003-04. Natural gas supply was extended to 100 more towns/villages in the country.

5.50 In compliance of a decision of the Cabinet, the Gas Infrastructure Development Project was undertaken by the gas companies for the utilization of about I BCFD gas from the new discoveries. The project has been completed at the cost of Rs. 12.6 billion only ahead of schedule against the approved cost of Rs.17 billion without any foreign financial or technical assistance. With the completion of the project, following benefits have accrued:

i) Net saving of $ 700 million per annum on replacement of furnace oil.

ii) Contribution toward improvement in environment, as clean gas would become available for power, industrial, commercial, automotive and domestic sector.

iii) Reduction in road and rail congestion as less liquid fuel would be transported through road and rail.

iv) Saving in HSD consumption due to less transportation of liquid fuel.

v) Attract more investment in gas exploration, as gas transportation arrangements to the consumption centers are now available.

5.51 The Compressed Natural Gas (CNG) is being encouraged in Transport Sector to improve Urban Air Quality and reduce carbon emissions. About 450000 Vehicles have been converted to CNG making Pakistan third largest consumer in the World. The Government has issued directives to promote CNG in the Transport Sector as an alternate fuel. So far, 500 stations have been established in different parts of the country providing jobs to about 4000 persons.

PROGRAMME FOR 2004-05:

5.52 An allocation of Rs. 567.768 million has been proposed during 2004-05 for Fuel Sector, excluding the non-budgetary corporation programme. During 2004-05, the crude production is planned to be 68074 BPD against estimated production of 62080 BPD in 2003-04 showing 10% increase over previous year. The Gas production is planned to be 3767 MMCFD against estimated production of 3237 MMCFD in 2003-04 showing 16% increase over previous year. The LPG production is planned to increase to 1600 tonnes per day. The Coal production is planned to be 4.0 million tonnes per annum during 2004-05 showing 12.5 % increase of the previous year. In the year 2004-05 addition of 440 Km transmission line and 4900 Km distribution line is planned. The gas will be supplied to about 200,000 new consumers and more than 125 new towns/villages. A feasibility study in the Public Sector regarding Thar Coal through International Consultants is expected to be completed during 2004-05. Efforts are being made by research organization such as Hydro Carbon Development Institute of Pakistan to convert Public Transport to CNG instead of HSD.

5.53 Physical targets/achievements during 2003-04 and 2004-05 are given in Annex- 5.3.

MANUFACTURING

Overview

5.54 Manufacturing is the second largest sector of the economy accounting for 17.5 percent to the GDP and engaging about 12 percent of the employed labour force. The performance of this sector has remained depressed during 1990s owing to host of problems like tariff reforms, escalating utility prices, inconsistent policies and law and order situation. In the backdrop of higher growth of 8.2 percent in the 1980s, the average growth of 4 percent in 1990s was disappointing. However, the fiscal year 2003–04 has become the best performing year for manufacturing sector since 1987–88 with an impressive growth of 13.4 percent including major contribution of 17.1 percent by large-scale manufacturing. The industry seems to have adjusted itself with the challenges emanated from trade and tariff rationalization of the 1990s and increased input cost due to escalating utility prices.

REVIEW OF 2003 - 04

5.55 During the year 2003 – 04, the growth in the manufacturing sector is going to set a record growth for Pakistan as compared with recent years, together with a sharper focus on small and medium enterprises (SMEs). The growth rate of the manufacturing sector for 2003-04 is estimated at 13.4 percent consisting of large scale manufacturing sector's growth of 17.1 percent and small scale manufacturing sector growth of 7.5 percent. Cars/jeeps, tractors, cement, cotton cloth, air conditioners, refrigerators, motor tyres, fertilizers particularly phosphatic, paints and varnishes, electric transformers, electric supply meters, power looms and cooking oil are expected to be the main contributors towards the higher growth in the large scale sector. SME sector has an important role to play in increasing investment and creating job opportunities. The SME Bank is playing a proactive role in promoting the development of SMEs. Commercial banks are also opening SME windows.

5.56 An allocation of Rs 418.00 million was made in the Federal PSDP 2003-04, out of which Rs 18.258 million have been utilized reflecting 4.4 percent utilization. The ongoing projects including 'Support for Reforms in Regulatory and Legal Policy Environment for Private Sector Growth' and 'Project Preparatory Technical Assistance for SMEs Sector Development', are planned to be completed during the year 2003-04. The implementation on the remaining three projects namely: Upgradation and Modernization of Workshop Facilities at PITAC, Lahore, Upgradation of Plastic Technology Centre, Karachi (Metal Processing Development Centre) and Automotive Testing and Training Centre, Karachi could not start due to delay in finalization of the details on equipment and machinery from Japan. Resultantly, the funds of Rs 400.00 million allocated for the said projects were surrendered by the Ministry. The project wise detail of utilization of funds during 2003 – 04 is given at Annex – 5.4.

PROGRAMME FOR 2004 – 05

5.57 The major focus during 2004 – 05 will be on policies aimed at boosting the flow of foreign direct investment to Pakistan to accelerate industrial growth, expand range of exportable goods and promote faster industrialization. The policy of establishing new economic and industrial zones will also be encouraged. The reduction in mark up rates and tariff rationalization will further encourage the investment in the industrial sector. As regards public sector, an allocation of Rs 392.432 million has been earmarked for the development of technological base and technical training in the country. The allocation includes: Rs 180.00 million for Plastics Technology Centre (PTC) Karachi, Rs 92.432 million for Balancing and Modernization of Workshop Facilities at Pakistan Industrial Technical Assistance Centre (PITAC), Lahore, Rs 115.00 for Metal Processing Development Centre at PITAC, Lahore and a provision of Rs 5.00 million for Upgradation of Automotive Testing and Training Centre, Karachi.

Industrial Growth and Production:

5.58 The high momentum attained in the current year was due to tremendous increase in the production of air-conditioners, refrigerators, phosphatic fertilizer, electric transformers, cars and trucks etc. The growth target for the industry sector as a whole for the year 2004-05 has been rationalized to 9.8 percent. The manufacturing sector is envisaged to grow by 10.2 percent in 2004-05. The large scale manufacturing is targeted to grow by of 12.0 percent and the small scale manufacturing 7.5 percent. A statement indicating production of 39 large scale industries during 2002-03 (bench mark), 2003-04 (revised estimates) and targets for 2004–05 is given at Annex 5.5.

MINERAL DEVELOPMENT

5.59 Pakistan is endowed with a diversified mineral resource potential, however, economic viability of extraction of many mineral deposits has not been established yet. The sector has been allocated meager resources ranging between 0.45 percent to 2.46 percent of the total public sector expenditure since First Five Year Plan. The growth has mainly remained in construction and industrial minerals e.g., marble, limestone, dolomite etc. This shows weak 'Resource Base' of the mineral sector reflecting the contribution of this sector to GDP of just around 0.5 percent.

REVIEW OF 2003-04 AND ALLOCATIONS FOR 2004-05

5.60 For the year 2003 – 04, an allocation of Rs 45.92 million was made to carry out six mineral sector (non-fuel) projects which included: Construction of Lab and Office buildings for GSP at Peshawar and Lahore, Accelerated Geological Mapping and Geochemical Exploration of the out crop Area of Pakistan, Airborne geophysical Survey for identification of Mineral Potential Area of Pakistan, Accelerated Ground Water Study in Balochistan and Ground Follow up Arrow Magnetic Anomalies in Chaghai District, Balochistan. However, none of the project could be implemented except Construction of Laboratory and Office building for GSP at Peshawar. Resultantly, Rs 31.00 million out of Rs 46.00 million were surrendered. For the year 2004 – 05, an allocation of Rs 55.791 million (non-fuel minerals) has been made for

Construction of Laboratory and Office building for Geological Survey of Pakistan at Peshawar (Rs 17.791 million), Accelerated Mineral Exploration Programme of GSP to identify new economic mineral deposits in the country (Rs 8.00 million) and Ground Follow-up of Aeromagnetic Anomalies in Chagai District Balochistan (Rs 30.00 million). Details of allocation and utilization in 2003-04 and allocation for 2004 – 05 are given at Annex-5.6.

Mineral Production

5.61 A statement giving estimated mineral production during 2003 – 04 and targets for 2004 – 05 is given at Annex 5.5.

TRANSPORT AND COMMUNICATIONS

REVIEW OF 2003-04

5.62 The public sector development programme for 2003-04 envisaged an outlay of Rs.31142.51 million for the federal public sector programme comprising of Rs.12849.51 million for the budgetary programme and Rs.18293.00 million for the budgetary corporation programme (NHA). As against this an expenditure of Rs.34646.55 million has been incurred giving an overall utilization of 111 percent of the total outlay. An expenditure of Rs.13065.45 million has been incurred under the budgetary programme and Rs.21581.10 million under the budgetary corporation programme (NHA). Salient features of implementation of the programme are given below:

Railways

5.63 Against an allocation of Rs.8008.49 million an expenditure of Rs.7636.90 million has been incurred giving a utilization of 95 percent of development programme. The main thrust of the Pakistan Railways was aimed at the improvement of infrastructure and procurement of essential material for locomotives, coaches, bogie wagons and track rehabilitation of railway network. Work on rehabilitation of 101 DE locomotives & 450 passenger coaches, procurement of 30 locos, 69 DE locos, 175 passenger coaches & 1300 high capacity wagons, was accelerated, in addition to completion of development projects under the on-going portfolio.

D.G. Ports & Shipping Wing.

5.64 Against an allocation of Rs.3072.82 million an expenditure of Rs.3872.78 million has been incurred giving a utilization of 126 percent. The reason for incurring expenditure more than the allocation was the acceleration of work on the Gwadar Deep Sea Port Project, which is expected to be completed during the financial year 2004-05. Work on the Gwadar Fish Harbour cum mini port is on the verge of completion, with work on the ice cold storage & desalination plant (which are important for making the port fully functional) yet to be completed. However these are likely to be completed during the year 2004-05.

National Highway Authority (NHA)

5.65 Against an allocation of Rs.18293.00 million an expenditure of Rs.21581.10 million has been incurred on the development programme of National Highways giving a utilization of 118 percent. The reason for incurring expenditure more than the allocation was the payment made against outstanding liabilities of the completed projects, and ahead of schedule work on some projects like the Makran Coastal highway, Dualization of Chablat Nowshera Section of the national highway N-5 including flyover and Improvement of N-70 Qilla Saifullah-Loralai-Bewatta Section etc. Work on dualization of National Highway (N-5) on other different Sections, Karachi Northern Bypass, Layari Expressway, Islamabad-Muzaffarabad Road, Mansehra Naran-Jalkhad Road, Service Road for Faisalabad-Multan Motorway (M-4) Dera Allahyar-Nutal Sibi Section (N-65), Ratodero / Shahdadkot-Khuzdar Road, KKH (N-35) continued. Work on Kohat Tunnel, Pindi Bhattian – Faisalabad Motorway (M-3) & Improvement of Indus Highway (Phase-I&II) was completed. Work on construction of bridge on River Jhelum at Azad Pattan also continued. Work on Islamabad-Peshawar Motorway (M-1) was again taken in hand through a consortium of Pakistani contractors after the termination of original contract with M/s.Byinder of Turkey in 2002.

Research (NTRC)

5.66 Against an allocation of Rs.31.80 million an expenditure of Rs.25.00 million has been incurred giving a utilization of 79 percent.

IT & Telecommunications
Special Communication Organization (SCO)

5.67 Against an allocation of Rs.617.62 million an expenditure of Rs.467.62 million has been incurred giving a utilization of 76 percent. This includes completion of on-going projects in AJ&K and NAs viz.GSM project for provision of mobile telephone services in AJ&K & Rural Digital Expansion Project for AJ&K (Phase-II), while work on the laying of Optic Fibre Cable alongwith Transmission System between Mansehra & Gilgit was initiated. Consultants were engaged for the International Gateway & Earth Station for AJ&K and Northern Areas.

Frequency Allocation Board (FAB)

5.68 Against an allocation of Rs.85.00 million an expenditure of Rs.150.00 million has been incurred for completion of work on the Pakistan Telecommunication Regulation and Privatization Support Project funded by the World Bank giving a utilization of 176 percent.

National Telecommunication Corporation (NTC)

5.69 Against an allocation of Rs.322.93 million an expenditure of Rs.128.00 million has been incurred giving a utilization of 40 percent in respect of the project for establishing Optical Fibre based Transmission Link along the coastal highway from Karachi to Gwadar / Jiwani, and Karachi to Keti Bandar.

SUPARCO

5.70 Against an allocation of Rs.308.12 million an expenditure of Rs.428.00 million has been incurred giving a utilization of 139 percent. This includes annual operating & lease payment for the PAKSAT-I (Phase-I) Satellite and Feasibility Study for Earth Observation Satellite System (EOSS).

Commerce Division

5.71 Against an allocation of Rs.58.58 million an expenditure of Rs.32.00 million has been incurred on the World Bank financed project i.e. Trade and Transport Facilitation Project for preparation of documents of various transport acts relating to road, rail, sea and multi-model network in Pakistan. The project is expected to be completed during the next financial year.

PROGRAMME FOR 2004-05

5.72 An allocation of Rs.35052.17 million has been made for the development of Transport and Communications Sector. This includes Rs.17932.17 million for the Budgetary Programme and Rs.17120.00 million for the Budgetary Corporations Programme (NHA). Salient features of the programme are given below:

Pakistan Railways

5.73 An allocation of Rs.9280.60 million has been made for continuation of work on Track Rehabilitation of Pakistan Railways Network, Procurement of 69 DE locos, procurement / manufacture of 175 Passenger Coaches, procurement of 1300 Bogie High Capacity Wagons and rehabilitation of 450 passenger coaches alongwith other on-going projects. Work on the fitment of airbrakes to 574 bogie wagons and recommissioning of 55 Stabled DE locos will be undertaken.

D.G. Ports & Shipping Wing.

5.74 An allocation of Rs.6227.00 million has been made to expedite work on the Gwadar Deep Sea Port Project in Balochistan. An allocation of Rs.5215 million has been made for the Gwadar Deep Sea Port Project, which is expected to be completed during the financial year 2004-05. An additional amount of Rs.1000.00 million has been allocated for the deepening of the channel and installation of gantry cranes at Gwadar Port to enable it to handle bigger ships for transshipment. The balance work relating to the ice cold storage & desalination plant on the Gwadar Fish Harbour-cum-mini port will be completed to make it fully functional.

National Highway Authority (NHA)

5.75 An allocation of Rs.17120.00 million has been made for continuation / completion of the on-going programme. The main thrust of the programme is aimed at the acceleration of work on the dualization of National Highway (N-5) on different Sections, Islamabad-Peshawar Motorway (M-1), Makran Coastal Road, Karachi Northern Bypass, Layari Expressway, Islamabad-Muzaffarabad Road (N-17), Mansehra Naran-Jalkhad Road, Dera Allahyar-Nutal Sibi Section (N-65), Ratodero /

Shahdadkot-Khuzdar Road, Qilla Saifullah-Loralai-Bewata Section (N-70) & KKH (N-35) Bridge on River Jhelum at Azad Pattan. Work on the Lowari Tunnel project will be initiated. Work on the remaining section of the Gwadar Ratodero Road (Khuzdar-Khori, Ratodero-Quba Saeed Khan & Gwadar- Turbat) & the remaining portion of the Indus Highway (N-55) (Sehwan-Dadu, Dadu-Larkana, Rajanpur-D.G.Khan & Malana Junction-Sarai Gambila Sections) will also be undertaken. Work will also be initiated on the realignment of Jaccobabad - Dera Allah Yar section of the National Highway N-65, improvement of N-65 from Jaccobabad Bypass to Shikarpur, Quetta-Kalat-Chaman road, Quetta Western bypass, 2 interchanges on motorway M-2 at Khanqah Doghran & Sial Mor and the National Highway improvement programme co-financed by the World Bank. Out of total allocation an allocation of Rs.125.00 million has also been made for 25 new un-approved projects which will mainly contribute towards smooth and safe flow of vehicular traffic on the national highways.

Research (NTRC)

5.76 An allocation of Rs.18.00 million has been made for continuation of research programme and work on the Pakistan Transport Plan Study in collaboration with JICA.

IT & Telecommunications
Special Communication Organization (SCO)

5.77 An allocation of Rs.891.35 million has been made for initiating work on the GSM project for AJ&K and the Northern Areas, International Gateway Exchange & Earth Station for AJ&K and the Northern Areas, Rural Digital Communication Uplift Project for AJ&K (Phase-II), provision of Optic Fibre Cable in Northern Areas (Mansehra-Gilgit), provision of 15,000 Local Telephone Outside Plant (OSP) in major Cities / Town of Northern Areas, Laying of Optical Fibre Cable (OFC) alongwith Transmission System between Gilgit and Skardu and Expansion 7 Improvement of Telecommunication Facilities in Northern Areas (Phase-II).

Frequency Allocation Board (FAB)

5.78 An allocation of Rs.99.00 million has been made for initiation of work on Upgradation of National Frequency Management and Monitoring System project. The project is expected to be completed during 2005-06.

National Telecommunication Corporation (NTC)

5.79 An allocation of Rs.325.00 million has been made for completion of on-going work on Establishment of Optical Fibre based Transmission Link for establishing Coastal Communication Link, Hosting of GoP Portal & Government websites and De-Regulation Facilitation Unit Project of Ministry of Information Technology.

Planning and Development Division
NLC

5.80 An allocation of Rs.300.00 million has been made for construction of work on the Up-gradation and Expansion of Existing NLC Communication Network.

Commerce Division

5.81 An allocation of Rs.40.00 million has been made to complete the balance work on the World Bank financed project i.e. Trade and Transport Facilitation Project for the establishment of multi-modal transport system & redrafting of laws for streamlining procedures for ports & custom clearance and freight forwarding.

Defence Division
SUPARCO

5.82 An allocation of Rs.382.00 million has been made for payment of the next installments of the lease fee & operational cost of PAKSAT-I project to M/s Hughes Global System and to undertake tow feasibility studies for new projects namely PAKSAT-IR Feasibility and System Definition Study (FSDS) and Earth Observation Satellite System (EOSS) Feasibility & System definition Study (FSDS).

Pakistan Meteorological Department

5.83 An allocation of Rs.19.224 million has been made to complete the remaining works on the establishment of Special Computerized weather analysis centre, hostel and accommodation at the National Agrometeorological Centre for improving the efficiency of the department and strengthen its infrastructure.

Finance Division

5.84 An allocation of Rs.350 million has been made for procurement of containers scanner equipment for installation at Airports.

PHYSICAL PLANNING AND HOUSING

5.85 Major sectoral issues include severe housing shortage, low water supply and sanitation coverage, and haphazard growth of cities/towns. The government will continue to facilitate the private sector for the construction of houses/flats by providing trunk infrastructure and ensuring adequate credit. In so far, the public sector is concerned, following programmes are being funded through the PSDP.

i) water supply and sanitation services;
ii) government offices and buildings;
iii) government servants housing;
iv) development of Federal Capital Islamabad; and
v) regularisation and improvement of Katchi Abadis and slums.

REVIEW OF 2003-04

5.86 Secrtoral size of PSDP in 2003-04 was Rs 9911 million out of which Rs 6200 billion or 62% was for federal projects and Rs 3711 billion or 38% for the provincial projects. Break-up of allocation and expected utilization during 2003-04 is given in Table-5.2.

Table-5.2

PSDP Allocation and Utilization

(Million Rupees)

	2003-04		
	Allocation	Utilization	%age
I. Federal Programme	6200	5900	95
II.**Provincial Programmes**	3711	3556	96
Punjab	1497	1400	93
Sindh	579	556	96
NWFP	748	720	96
Baluchistan	887	880	99
Total: -	9911	9456	95

5.87 Achievements during 2003-04 have fallen short of the target, in almost all the sub-sector. Major PP&H physical targets and achievements during 2003-04 are given in Table-5.3

Table –5.3
Physical Targets and Achievements

Item		Unit	2003-2004	
			Targets	Expected Ach.
i)	Urban Residential plots	Nos (in million)	0.130	0.085
ii)	Urban Water Supply	Addl. Population served (in million)	2.000	1.450
iii)	Urban Sewerage Drainage	-do-	1.250	0.825
iv)	Rural Water Supply	-do-	0.500	0.350
v)	Rural Sanitation	-do-	0.500	0.200
vi)	Govt. Servant Housing	Unit Nos. (in million)	0.500	0.300
vii)	Govt. Offices/Buildings	Sq. ft. (Million)	0.800	0.550
viii)	Katchi Abadis Improvement	Addl. Population Served (in million)	0.500	0.250
ix)	5-Marla Urban & 7 Marla Rural Plots.	Nos (in million)	0.100	0.000

PROGRAMME FOR 2004-05

5.88 Against the utilization of Rs 5900 million sectoral size of the PSDP in 2004-05 for federal programme is Rs 8011 million showing an increase of Rs 2111 million or 36 % higher whereas the provincial allocations will be shown in their respective ADPs. Sub-sector-wise break-up of PSDP allocation for 2004-05 is given in Table 5.4

Table 5.4.

PSDP Allocation

(Rupees in Million)

Sub-Sector	Allocation 2004-05
Water supply / sewerage	2918
Urban roads / Development	1560
Office / Buildings	1689
Government Servants Housing	501
Other	1343
Total :	**8011**

5.89 Sub sector-wise break of physical targets for 2004-05 are given at Annex 5.7.

MASS MEDIA

REVIEW OF 2003-04

5.90 The allocation for Mass Media Sector was Rs 563.137 million during the year 2003-2004. The revised estimates are Rs 549 million.

Television

5.91 The television sub sector utilization stands at Rs 487.887 million. The replacement of equipment is a mega project of PTV. Rs 250.00 million has been spent on purchase of equipment for studios at five TV stations. Equipment has been imported and installation has begun. TV Station at Muzaffarabad AJK has been inaugurated on 5th Feb, 2004. Rs 161 million were spent on this project. Rupees 75 million were utilized on six RBCs. Rebroadcast Centre Noushki (Chaghi) has been completed and commissioned.

Radio

5.92 Rupees 26.00 million have been utilized by Pakistan Broadcasting Corporation. 100 KW MW transmitter and BH Turbat utilized Rs 15.00 million. Three new transmitters will be commissioned for the news and current affairs channel of radio by the end of the year at Lahore, Peshawar and Quetta. The project of 100 KWMW transmitter and BH Mirpur and 100 KWSW transmitter at Rewat is also nearing completion.

Associated Press of Pakistan

5.93 The projects of Urdu News Service and Business news service have been completed at a cost of Rs 2.946 million.

Cyber Wing

5.94 Rupees 15.4 million were spent on creation of cyber wing in the Ministry of Information and Broadcasting.

Human Rights

5.95 The Human Rights Mass Awareness and Education project has utilised Rs.17.100 million including Rs.16.398 million Norwegian and Swiss Grants. Various components of the project have been implemented.

PROGRAMME FOR 2004-2005

5.96 Mass Media Sector has been allocated Rs 500.00 million, which includes Rs 465.400 million for PTV, Rs 30 million for PBC and Rs 4.6 million for Department of Films and Publications.

Pakistan Television Corporation

5.97 During the year up-gradation and modernization of equipment at all the PTV centres will continue. The project has been allocated Rs.286.40 million for the year 2004-05 for purchase of equipment. Seven RBCs in AJK will be completed and Rs 70.950 million have been provided for the project of TV station Muzaffarabad. The on-going projects of re-broadcast stations Umerkot and Qilla Saifullah have been earmarked Rs.15.00 million each for progress on civil works. Second TV Channel Phase-III has been provided token allocation of Rs 5.00 million. Rupees 73.05 million have been allocated for seven RBCs located in FATA one each at South Waziristan, Mohmand Agency and Orakzai, and Ziarat, Pooran, Besham (Maira) and Shakargarh.

Pakistan Broadcasting Corporation

5.98 The project of 100 KW MW transmitter and BH Turbat has been allocated Rs.30 million for civil works.

Department of Films and Publications

5.99 Rupees 4.600 million have been allocated for the project for conversion of 35 mm films to DVD.

CULTURE, SPORTS, TOURISM AND YOUTH

REVIEW OF 2003-04

5.100 A summary of original allocations and revised estimated utilization during the year 2003-04 is given in Table 5.5.

Table 5.5
Allocation / Utilization during 2003-04

(Million Rupees)

Sector/ Sub – Sectors	Original Allocation 2003 – 04	Revised Allocation 2003 – 04	Estimated Utilization	% age Utilization
Sports	434.700	231.570	209.377	90.4
Culture/ Archaeology	180.400	159.225	159.225	100
Tourism	53.200	22.708	22.706	99.99
Youth	10.000	2.730	2.730	100
Total (CSTY):	**678.300**	**416.233**	**394.038**	**94.7**

5.101 The major projects estimated to be completed during 2003–04 in the Sports Sector include: Synthetic Track and Football Ground at Quetta, Construction of Swimming pool at Quetta, Construction of Mushaf Squash Complex, Mini stadium at Okara, Construction / Implementation of Tennis Courts/ Hockey Ground at Qayyum Stadium, Peshawar, Construction of Sports Stadium at Charsada and Sports Hostel at Turbat, Synthetic Turfs at Hyderabad and Islamabad, Sports Hostel at PSC, Islamabad, Extension/ renovation of Squash Complex at Abbottabad, Quetta, Peshawar and Rawalpindi and Sports Complex at Rahim Yar Khan and Nawabshah.

5.102 Major projects carried out in the Archaeology/ Culture Sector during 2003–04 include: National Monument Islamabad, Development and restoration of Historical Sites, Taxila and Peshawar Sections, National Art Gallery, Islamabad, National Museum of Folk Heritage, Preservation and Restoration of Harappa Remains and other small projects, while the projects completed in the Tourism Sector include; PAITHM, Swat and Motels at Bahawalpur, Hunza, Koh-e-Taftan, Rama Lake and Saidu Sharif.

ALLOCATIONS FOR 2004-05

5.103 The summary of allocations (2004–05) as compared with estimated utilization (2003–04) for Culture, sports, Tourism and Youth Sectors is given in Table 5.6.

Table 5.6
Allocations for 2004-05

Sectors	2003 – 04 Estimated Utilization	2004 – 05 (Allocations)	% Increase/ Decrease) over 2003 – 04
Culture/ Archaeology	159.225	355.498	123.3
Sports	209.377	219.617	4.9
Tourism	22.706	51.000	124.6
Youth	2.730	4.742	73.7
Total	**394.038**	**630.857**	**60.1**

5.104 Major projects to be carried out in the Sports Sector include Construction of 05 Boxing Gymnasium at Islamabad, Lahore, Peshawar, Quetta and Karachi, Sports Stadium at Sakardu, Extension of Abottabad Squash Complex and Renovation of existing Squash Courts of Quetta, Peshawar and Rawalpindi. In addition, some new projects including Hockey Stadium at Khushab, construction of Stadium at Haripur, Sports Complex Mardan, and 03 Sports Stadia at Chakwal, Thatta and Badin have also been allocated for 2004-05. In the Culture Sector main projects to be implemented in 2004 – 05 include: Construction of National Art Gallery, Islamabad, Establishment of National Monument of Pakistan at Islamabad, Development and Restoration of Archaeological Sites from Taxila to Swat (Both Peshawar and Taxila Sections), Preservation and Restoration of Jahangir Tomb, Lahore, Shalimar Garden Lahore and Harrappa Remains and Museum. In the Youth Sector, the project entitled

"Construction of Youth Development Centre at Quetta will be undertaken during 2004 - 05.

EDUCATION AND TRAINING

REVIEW OF 2003-04

Financial

5.105 During the fiscal year 2003-04 an amount of Rs.2234.0 million was provided for the expansion and development of Education (excluding higher education) in Federal PSDP. This included allocation of Rs.2185.0 million for projects of Ministry of Education and Rs. 49.0 million under Ministry of Defence for school / college education in Cantonments & Garrisons.

5.106 An amount of Rs. 865.0 million was provided for Education Sector Reforms (ESR) specific programmes. This amount was transferred to the provinces/districts for implementing programmes of Education For All (EFA), Introduction of technical stream at Secondary level, Adult Literacy Programme, Quality Assurance and Teachers' Training Resource Centers. Major projects included in the PSDP were Madrassa Reforms for introduction of formal subjects including Computer Education, National Education Assessment System (NEAS), Science Education Project, Conversion of existing schools in Islamabad to Model Schools/Colleges, establishing Cadet Colleges, establishment of Non-formal Basic Education Schools, Establishment of Polytechnic for Girls at Turbat and introduction of M.Ed classes in Federal College of Education Islamabad. Provision was also made for new schools / colleges in Islamabad, consolidation of existing schools through providing additional class rooms, free text books, scholarships, science education facilities and introduction of technical stream in secondary schools in ICT. National Education Foundation established community schools in FATA.

Physical

5.107 Overall literacy rate (for both male & female) in 2003-04 is estimated at 54 % with female literacy rate as 42 %. Participation rate at Primary level is 93 %, at Middle level 46 % and at Secondary Level 36 %.

PROGRAMMES FOR 2004-05

Financial

5.108 An allocation of Rs.3421.0 million has been made for the financial year 2004-05 for Education and Training Sector (Excluding Higher Education) projects. This includes Rs.3359.0 million for projects of Ministry of Education, Rs 57.0 million for projects of School / Colleges education in Cantonments & Garrisons under Ministry of Defence and Rs. 5.0 million under Cabinet Division for Centres of Excellence for Urdu informatics.

5.109 An allocation of Rs. 800.0 million has been made for Education Sector Reforms (ESR) specific programmes which include Education For All (EFA), Adult Literacy Programme, Quality Assurance, Revamping of Science Education at secondary level, Introduction of technical stream and Teachers Training Resource centers. This allocation will be transferred to the provinces/ districts for implementing ESR specific programmes and will help the districts to formulate need-based projects under Devolution Plan. To implement Government policy of mainstreaming religious institutions for increasing the employment capability of their output, the project "Madrassa Reforms" for introduction of formal subjects in Madaris has been allocated Rs.1450.0 million.

Physical

5.110 The projects Non-formal Basic Education Schools and National Education Assessment System will assist in increasing accessibility and quality of education at elementary level. Establishment of Gwadar Institute of Technology through Chinese grant and Polytechnic for girls at Turbat will help increase technical manpower in Balochistan. Scholarships for Bangladeshi students will further strengthen relation between the two brotherly countries. Other major projects include Science Education Project, establishment of Cadet Colleges in the country, scholarships for students and introduction of M.Ed classes in Federal College of Education. The ICT major projects include conversion of existing schools in Islamabad to Model Schools/ Colleges, establishment of new schools / colleges, IT facilities to schools & colleges, consolidation of existing schools through providing additional class rooms. National Education Foundation will establish community schools in FATA.

5.111 Overall Targets of Literacy rate (for both male & female) is to be raised to 56 % with female literacy rate to 44 %. Participation rate at Primary level, Middle level and Secondary level is expected to be enhanced to 96 %, 49.5 % and 38 % respectively.

HIGHER EDUCATION

5.112 In the modern era of 21st century, the developing nations are at the crossroads of either a prosperous future or lagging further behind their current status in the global economy. The obligations of WTO would offer both challenges/restrictions and chances to prosper the economy at international level. The importance of education and especially higher education has been realized at international level as engine for the steady growth of a nation. The future belongs to the knowledge-based industries. The nations having large pools of human resource with technical knowhow, excellence in cutting edge / market based technologies and effective technology triangle of academia, industry and R&D institutions would be able to dictate their terms in global economic scenario. Hence, Pakistan needs to invest heavily in tertiary education and utilize its advantage of human resource to play vital role in world economy.

REVIEW OF 2003-04

Financial

5.113 A total amount of Rs 4.477 billion was allocated to higher education during 2003-04. In the Mid-Year Review of PSDP 2003-04, this allocation was further increased by Rs 490.88 million making higher education allocation to about Rs 5.000 billion. The expected utilization would be 98%.

Physical

5.114 The main emphasis during last year was laid on areas like human resource development, infrastructure development in universities, introduction of information technology and other emerging sciences at university level, strengthening of laboratories and libraries, faculty development, popularization of R&D culture, linkage among universities/industry, focused support in key areas and curriculum development/revision in the universities.

5.115 Public sector universities/institutes were provided financial support for modernization of their obsolete equipment/infrastructure, faculty development, human resource development, revamping of curricula and computerization/networking of the campuses across the country.

5.116 Human resource development remained the most important area to focus on for sustainable economic development of the country. Both indigenous and foreign scholarship schemes were utilized for training of scholars at PhD level in all areas. The major ongoing scholarship schemes included Development of S&T Manpower through Indigenous PhD (300 Scholars), Merit Scholarship Scheme for PhD in Science & Technology and Development of High Level S&T Manpower through Split PhD Programme. Several new scholarships have been approved to augment the rate of production of PhDs in the country to meet the requirements of universities, industry and R&D organizations. Some of these are: Overseas scholarship scheme for PhD; 5000 Indigenous PhD Fellowships and several other overseas PhD Scholarship schemes in the fields of Natural and Basic Sciences and Engineering Sciences in countries like Germany; France, Austria, China and Thailand .

5.117 The development of infrastructure at public sector universities was also an important objective for modernizing of universities in Pakistan to bring them at par with international repute institutions. New initiatives were also funded through special grants. Establishment of 3rd World Center for S&T, Establishment of NUST HQ and Establishment of Virtual University are few examples of setting up of new institutes with modern facilities in the country.

5.118 A major initiative undertaken for improving the efficiency of higher education system was computerization, networking and introduction of IT culture at university level. Public Sector universities were provided funds to establish fiber optic / radio link networks and share the available resources with each other and connect with the world through internet and video conferencing.

5.119 Many programmes/projects relating to faculty training, curriculum development and development of universities/industry linkage were also undertaken. Curriculum of graduate and postgraduate level was reviewed and modernized on the basis of international standards. Funds were allocated in different schemes of universities for the training of faculty and staff. In order to focus on applied research, the universities were supported to design/initiate projects on cost sharing basis with the private sector/industry.

PROGRAMME FOR 2004-05

Financial

5.120 An amount of Rs 9104.436 million has been allocated to higher Education programmes during 2004-05. This amount is almost double to the allocation of previous year and shows the commitment of the government to invest more in higher education for better growth of economy. The allocation includes Rs 5221.271 million for ongoing and Rs 3883.165 million for new projects.

Physical

5.121 The main emphasis in the next year would be laid on human resource development and faculty development by initiating masters, MPhil, PhD and Post-doctoral programmes at indigenous and international level. The scholarship programs are being developed for students to attain PhD degrees both within, as well as, outside the country. An innovative program is the hiring of expatriate Pakistanis serving as faculty members and researchers at premier teaching and research institutions of the world. The ongoing scholarship schemes would be continued and new scholarship schemes will also be initiated to train student in key areas.

5.122 Infrastructure development at university level is a pre-requisite for quality research and development. Most of the equipment available in the universities is obsolete and needs to be replaced with the modern state-of-the-art equipment. Other areas of focus regarding infrastructure include physical infrastructure, electronic access highway, digital library program, curriculum and distance education mechanism.

5.123 Establishment of technology triangle among industry, universities and R&D institutes plays an important role for economic uplift of a country. Hence, initiatives aimed at enhancing collaboration between academia and industry will be encouraged / supported. Universities will be encouraged to send their students on internship to industry and public/private sector organization to gain practical experience. The universities will also be encouraged for entrepreneurship, which includes support for the teaching of entrepreneurship related skills at universities, setup of subsidized research and development facilities and support for the setup of a venture capital fund dedicated to promoting relevant projects showing great promise.

5.124 HEC is in the process of developing targeted programs to catalyze development in the following focus areas: Engineering Sciences, Basic Sciences, Pharmaceuticals, Biotechnology, Information Technology, Social Sciences / Economics / Management, Agricultural Sciences and Health Sciences. Biotechnology

will play a very significant role in the future economic development of Pakistan. Developing a cogent social and economic development plan and charting its progress in implementation are key objectives for the promotion of humanities, social sciences and economic areas in Pakistan's higher education system.

5.125 The universities will be assisted in identifying areas requiring reform, identifying best practices, and suggesting mechanisms for improvement. The central resource facility would be provided to all university faculties to assist them with the development of research projects, negotiate research contracts and enhance the ability of the faculty to attract research and development grants. A modern curriculum providing a broad base of education and latest knowledge in the respective areas of specialization is a pre-requisite to development of quality education in universities.

5.126 Universities will share recourses, exchange students and information in order to have a better collaboration. The Pakistan Education and Research Network (PERN) provides a perfect platform to build an "internet 2 compatible" truly high-speed network that will allow real-time transfer of audio and video, multimedia-enabled lectures and remote research partnerships. Setting up of Local Area Networks (LAN), Wide Area Networks (WAN), Information and Library Network (INLIBNET) would also lead to increase and improve the academic activities and research.

SCIENCE AND TECHNOLOGY

5.127 Science and Technology is now universally recognized as major agents for economic growth and socio-cultural development of a nation. However, the role of Science and Technology for rapid economic development has been neglected over the years in Pakistan. The investment on R&D work, technological development, human resource development and technology transfer from developed countries has never been at par with other developing countries like Malaysia, Korea, Singapore, Indonesia, Turkey and even India. This act of negligence has left Pakistan to a distance if not centuries then certainly years behind the developed world. There is a need to set our future objectives in line with the rapidly changing technological and scientific developments and to develop infrastructure and manpower necessary for speedy S&T development in the country.

5.128 Major thrust of development initiatives in Science & Technology sector remained on development of scientific & technological manpower in high technology fields, upgrading/replacement of the basic R&D infrastructure, restructuring of R&D organizations, meteorology standards &testing system (MSTQ), acquisition of cutting edge technologies, developing link among R&D organization, industry & universities, public-private partnership for R&D, using Science & Technology for Economic Development (STED) Programme and establishing ties of S&T cooperation with regional as well as developed countries.

REVIEW OF 2003-04

Financial

5.129 An amount of Rs.1479.166 million was allocated for Science and Technology sector during 2003-04. This includes Rs 1312.166 million for Ministry of Science and Technology. It is expected that 95% of the allocation would be utilized by June 2004.

Physical

5.130 Major emphasis in S&T sector during last three years remained on replacing obsolete infrastructures in R&D organizations with state-of-the-art equipment. R&D organizations were encouraged to excel in modern and cutting edge technologies like genetics, bio-technology, robotics, nanotechnology, mechatronics, material science, composite materials, micro electronics and space sciences. Ministry of Science & Technology also tried to improve/establish ties in science and technology fields with regional and developed countries. Some new joint research projects were started in this regard while others are in pipeline. Public-private partnership is inevitable to accrue true benefits of science and technology for economic development of the country. Private sector was encouraged to invest in the science and technology sector. This helps all these stakeholders to achieve their objectives with lesser effort. Research organizations were motivated to establish links with the industry to get sponsorship for research projects of mutual interest and develop new patents.

5.131 Major S&T organizations like Pakistan Council of Scientific and Industrial Research (PCSIR), Pakistan Council for Research in Water Resources (PCRWR), Pakistan National Accreditation council (PNAC), Pakistan Council for Renewable Energy Technology (PCRET), National Institute of Oceanography (NIO), National Institute of Electronics (NIE), Center for Agriculture and Molecular Biology (CAMB) and Pakistan Standard and /quality Control Authority (PSQCA) were provided enough funds to complete ongoing projects as well as to initiate new projects as per priorities of long term S&T planning. Some major ongoing projects in S&T Sector were: PCSIR-Industrial Linkage Programme; Pakistan Institute of Technology for Minerals and Advanced Engineering Materials (PITMAEM), PCSIR Laboratories Complex, Lahore; Strengthening and BMR of R&D Capabilities of PCSIR Laboratories Complex, Karachi; Teachers and Researchers Overseas Scholarship Scheme (TROSS); Mitigation of drought disaster in Cholistan deserts; National Water Quality Management Programme; Survey for Extension of Continental Shelf of Pakistan; Establishment of Pakistan National Accreditation Council (PNAC); Pak-Kazak; Pak-Turkey and Pak-Syria Joint Research Funds.

PROGRAMME FOR 2004-05

Financial

5.132 An amount of Rs 2570.436 million has been allocated for science and technology sector in 2004-05. Out of this Rs 1910.346 million including foreign aid of Rs 145.00 million are earmarked for Ministry of Science & Technology. In addition, Pakistan Atomic energy Commission (PAEC), Pakistan Space & Upper Atmosphere Research Organization (SUPARCO), National Engineering and Science Commission (NESCOM), Pakistan Metrological Department and Pakistan Nuclear Regulatory Authority (PNRA) were allocated Rs 189.240 million, Rs. 164.900 million, Rs 260.000 million, Rs 19.950 million, and Rs 26.000 million respectively.

Physical

5.133 The quality of research institutes is largely determined by the quality of manpower employed and the infrastructure/institutional facilities in existence. It is

proposed to upgrade the basic infrastructure of R&D organizations by providing international level facilities of equipment, networking/computerization, digital libraries/literature, etc. and utilize it to launch the S&T programmes in the key sectors of development. A strong and sustainable infrastructure is important to develop a dynamic culture of R&D activity. Besides necessary technical staff, the facilities of laboratory, library and information system of international standards and compatibility need to be created in these establishments on sustained basis to carry out meaningful work. New projects in public sector would include as their integral part, the establishment of pilot projects/plants to initiate commercial operation with economic feasibility being demonstrated to attract local industrial entrepreneurs to invest.

5.134 Industrial and R&D Institutes would be established preferably on university campuses wherever possible. These institutes will be the direct responsibility of the concerned universities as part thereof with policy guidance from Ministry of Science and Technology in collaboration with Higher Education Commission (HEC). Working directly as part of the university will make them more effective and productive in a multidisciplinary environment.

5.135 Various measures have been suggested to develop indigenous technology and promote industrialization for export led promotion including defence. These involve establishment of Technology Cluster Centres (TCCs) to provide training, testing and quality development services for the fan, leather and bedsheet industry; establishment of Technology Development Fund (TDF) to support the productivity drive in different sectors of our economy, Technology Development Board (TDB) to streamline policies and incentive packages for industry, and Technology Venture Capital Companies (TVCCs) to provide risk funds for technology development; forging of Government. Industry and Research Institution linkages, and promoting S&T Information and Metrology, Standards, Testing and Quality Assurance (MSTQ) Services to enhance our competitiveness in the international market.

5.136 Internationally recognized Metrology Standards and Testing Quality System (MSTQ) would be established in Pakistan. Public and private sector would be motivated to obtain ISO-9000/14000 Certifications in order to meet the challenge of WTO regime and compete in the world market. National Accreditation Council (NAC) is a body responsible for accrediting the certification agencies, for listing and calibration of laboratories as well as for registration of auditors. NAC would be strengthened to play its role for implementation of metrology standards and testing quality systems. PSQCA and PCSIR would also be strengthened to share the workload for meeting ISO/WTO obligations.

5.137 The main emphasis would be laid on new emerging fields such as genetic engineering, biotechnology, Remote Sensing/Geographic Information System, Microelectronics, Robotics, Mechatronics, Space science, Telecommunication, New materials, Nanotechnology, marine science, water recourses and renewable energy technology to be at par with other developing countries. Efforts are already underway to develop requisite manpower and achieve latest equipment through initiation of joint projects with friendly countries in order to develop a sound base in these areas. In addition, different joint research funds are also being established with friendly developed /developing and Muslim countries to benefit from each other's experience

and initiate projects of mutual interest. Examples in this regard are Pak-USA; Pak-Kazak; Pak-Turkey and Pak-Syria Joint Research Funds.

INFORMATION TECHNOLOGY

5.138 The Information Technology Revolution is probably the most important force shaping communities today. We are currently experiencing an IT Revolution just as there was an Industrial Revolution. This revolution is effecting all aspects of our lives. It is a move from collective to individual. Industrial revolution was slower and localized where as the IT revolution is faster and global. The 21st century can safely be named IT century as no institution could be run without the help of computer and IT in future. The relentless advance of IT has brought dramatic benefits to individuals, business and almost every organization. Now a days, the world has developed into an information economy, and the application of new technologies is at the centre of the activity. New technologies are being developed at a record pace. Information Technology improves performance and profitability in many and different ways. It is very important to know that we are now living in a digital age. As the saying goes, every business now is an information business, information technology industry is driving ahead with advances that promise to bring the new medium into the living rooms and on the desks of millions human beings.

POLICY

i) The Vision

To harness the potential of Information Technology as a key contributor to development of Pakistan and to position the country as a key player in the international IT market.

ii) Objectives of IT Policy:

To realize the vision behind the IT policy, the following main objectives have been envisaged:

- Make the Government a facilitator and an enabler to provide maximum opportunities to the private sector to lead the thrust in development of IT in Pakistan.
- Develop an extensive pool of trained quality IT manpower at all levels to meet local and export requirements.
- Promote widespread use of IT applications in government organizations and departments for improving efficiency, transparency and accountability for efficient service delivery to citizens. Set up national databases that are reliable, secure, up-to-date and easily accessible.
- Promote enabling environment for the extensive use of IT applications in all the sectors with a view to create job market for IT professionals.

- Develop an enabling legislative and regulatory framework for IT related issues.
- Capacity building of government departments in IT applications.
- Encourage and promote the development of quality software that can capture export markets.
- Implementation of electronic commerce for both national and international transactions.

iii) Focus areas of IT Policy:

- Human resource development
- Infrastructure development
- Software/ hardware industry development
- Internet growth in the country
- Incentives to stakeholders and users
- IT promotion and awareness campaign
- IT usage in government organizations
- Legislation and regulatory framework

REVIEW OF 2003-04

Financial

5.139 During 2002-03, since most of the Human Resource Development (HRD)/Universities projects were transferred to HEC, more funds were allocated for the e-government and software development programmes in 2003-04. The IT & Telecom Division has initiated open source programme as a new initiative and major allocation of funds has been made for e-government, software development, targeted HRD at schools and college level and open source programme.

5.140 An allocation of Rs.563.766 million was made in PSDP 2003-04 to IT sector. Against this allocation an amount of Rs.394.806 has been released till first week of June and an expenditure of Rs.158.162 million has been reported till April 2004. Further release of Rs. 19.697 million is expected by June 2004.

Physical

5.141 The main programmes and achievements are summarized below.

i) Targeted Human Resource Development

5.142 The importance of Human Resource Development in the overall scheme for promotion and use of Information Technology is very high. Therefore, primary efforts during 2003-04 have been to strengthen the human resource capacity of the country and a large number of HRD projects have been initiated. Pakistan Computer Bureau is the key organization in promotion of capacity building and HRD projects. Special attention to IT programme at university level is being given by Higher Education Commission.

5.143 In the year 2003-04, the government initiated or completed 33 projects at a total cost of Rs.2.57 billion, to improve HRD of the country. The major projects include:

- IT/Computer Science Teachers, Lab. Incharges & Computer Labs. Project (total six projects, one each in Punjab, Sindh, NWFP, Balochistan, AJK and FATA/FANA &ICT)
- Establishment of a Multi-media platform for Virtual University
- IT Human Resource Support to Ministries/Departments.
- I.T. Training for the Employees of Federal Government, Provinces and AJK

5.144 The other important projects are: Automation/computerization of Cadet College Sanghar, Military College Jhelum, Polytechnic colleges of Islamabad and Mardan, National Defence College Islamabad, PMA Kakul, Administrative Staff College Lahore, NIPA Lahore, Peshawar and Quetta, Intermediate colleges, College of Physicians & Surgeons, Karachi, National College of Arts Lahore and many other Schools and Colleges.

ii) Software Industry Development

5.145 Development and support for the local software industry has been a priority area. Setting up of Information Technology parks and tax free policies of the government were the main incentives for the entrepreneurs to set up IT companies in Pakistan. By 2003, more than 700 IT companies were established generating approximately $ 20 million revenue. Pakistan Software Export Board played a major role in promotion of the software industry in Pakistan by launching projects to assist local IT companies to participate in international and domestic exhibitions. PSEB established 20 international call centres, 6 IT parks in the country in public and private sector.

5.146 In the year 2003-04, the government initiated / completed 8 projects at a total cost of Rs. 178.38 million, to improve software exports. The major projects include:

- Standardization of Pakistani Software Industry (ISO)
- Standardization of Pakistani Software Industry (CMM)
- Strategic Studies & Promotions
- International Exhibitions

iii) E-Government Programme

5.147 The e-government programme has been the major focus area during the years 2002-04. In order to drive the e-government programme, the Electronic Government Directorate (EGD) was established in October 2002. The EGD completed projects for provision of services through GOP portal, salary disbursement through ATMs, IT skills training programme for probationary government officers, process mapping for

improving efficiency at Ministry of Science & Technology and survey of Federal Divisions for LAN & hardware requirements.

5.148 In the year 2003-04, the government initiated / completed 16 projects at a total cost of Rs. 318.457 million, to improve E-government programme of the country. The major projects include:

- Secure E-Mail at Prime Minister's Secretariat
- E-Enabling of National Assembly
- E-Enabling of Senate
- Automation of Ministry of IT
- Recruitment System for FPSC

5.149 The other important projects are: computerization/automation of Export Promotion Bureau, Monopoly Control Authority, Computerized File and Mail tracking at Ministry of IT, Pakistan Medical Research Council, Project Management System for Development Funds at NWFP, Finance & Planning Department of NWFP, Sindh Government Departments.

5.150 In the year 2003-04, the government initiated or completed 8 projects at a total cost of Rs. 175.132 million, to improve e-services for citizens. The major projects include:

- Lexicon, Machine Translation & Text Speech Software for Urdu
- Access to Statutory & Case Laws at District Bar Associations
- Tech Support to Provincial IT Departments

5.151 The other projects include: automation of City District Government, Karachi, Computerization of Arms Licenses, Computerization of Registration Deeds at Lahore, Sialkot Model IT District, Quid-e-Azam Paper Project and Hospital Management System at Sindh Institute of Urology

iv) IT Industry Development

5.152 Development and support of the private software industry is the key to developing IT as a primary contributor in the GDP growth. To give incentives for investing in the IT industry the Government has announced tax holiday for the IT industry. In addition the bandwidth capacity was increased from 200 Mbps in 2001-02 to 580 Mbps in 2003-04. The increase in bandwidth capacity and reduction in bandwidth tariff rates had resulted in establishment of new IT companies operating as call centers. As the internet was spread from 530 cities in 2001-02 to 1707 cities in 2003-04, new IT companies in the form of Internet Service Providers (ISP) were set up. According to estimates, the total number of Internet users in Pakistan is about 1.7 million.

5.153 In the year 2003-04, the government initiated / completed 5 projects of IT industry development at a total cost of Rs. 155.54 million, to improve e-services for citizens. The major projects include:

- Industrial Automation (Open Source Systems)

- Geographical Information System (GIS) to facilitate Mineral Exploration in NWFP
- Industrial Information Network (IIN) for SMEs Development in Pakistan
- Domestic Exhibitions

v) IT Infrastructure Development

5.154 In the year 2003-04, the government initiated / completed 4 projects at a total cost of Rs. 664.60 million, to improve IT infrastructure in the country. The major projects include:

- Development of Open Source Resource Center
- Establishment of STPs in Private Sector

Poverty Reduction and Human Development

5.155 Pakistan is a poor country and bulk of our population is living under poverty line. According to 2000-01 survey, 32 % of our population is below poverty line. But latest estimates reveal that about 40 % of our citizens are poor as per international standards. Their per capita annual income is less than Rs.8,983. IT sector can play a very positive role in the eradication of poverty. But unfortunately IT sector is in its infancy in Pakistan and has not played significant role in poverty alleviation. Private sector may be encouraged and give incentives for employment generation in IT related fields and organizations to reduce poverty. Unemployed can be successfully inducted in IT sector. Poverty can be lowered through the use of IT by capacity building among the poor, less educated and less privileged classes. Emerging opportunities in IT and IT enabled services can open up significant possibilities for employment and generating income. In this regard, we may promote domestic and cottage IT industry as China, India and Malaysia have already done. In these countries the role of IT in their GDP is very significant and increasing at a tremendous pace.

PSDP 2004-05

5.156 An amount of Rs. 1652.138 million has been provided in the PSDP 2004-05 for IT sector.

Main Features of Sectoral Programmes of 2004-05

5.157 It is estimated that there will be implementation of more than 100 IT projects in the year 2004-05 among them 61 projects are ongoing/approved projects. The important areas of these projects are:

i) E-Government

1. Federal Government Data Centre and Intranet:

   This major project has been recommended by the CDWP at a cost of Rs. 452.468 million for approval of ECNEC. The proposed project aims at providing basic IT infrastructure to all the Federal Divisions and Ministries.

The project involves E-Services by Government, installation of Local Area Network and basic IT infrastructure to 22 Divisions, setting up of a federal government intranet and a central data centre which will work as the nerve centre for federal government intranet.

2.Ministry of Defence Projects:

Human Resource Management, Information System, Resource Planning Systems and Logistics etc. These projects will cost Rs. 800 million and comprise of Logistics and Inventory Control, Ordnance Depots and ASC Functions, Human Resource Management and automation of MS Branch and all Regimental Centres.

3. The Other Projects are Foreign Office Portal, E-Services at CDA, E-Services at Chief Commissioners Office, E-Services at Islamabad Police and E-Services for Agriculture sector. Online processing of Hajj applications.

ii) Land Revenue

5.158 Programme for computerization of Land Revenue and Property tax records for all provinces at an estimated cost of Rs.2.00 billion will be initiated.

iii) IT Industry and Software Exports

5.159 Government is planning to establish 3 more IT parks in public sector in Lahore, Karachi and Islamabad during 2004-05. The software export target is US$-25 million. Establishment of 25 International Call Centres has been planned in 2004-05. The other important steps are:

- Improve quality of processes and personnel in the IT industry
- Use marketing channels of multinationals such as Microsoft, IBM and Sun Corporation
- Create domestic demand
- Approach multinationals that already have significant investment in Pakistan for increased investment.
- Work closely with industry associations as well as Export Promotion Bureau, Board of Investment and other entities.

iv) Other Projects/Programmes and Targets for 2004-05

- Automation of 50 Local District Governments to improve decision-making and to provide Electronic Services to citizens.
- Land Revenue Record Management System in 20 Districts
- Electronic bill payment facility for all major utilities
- Number of Call Centre agents to grow from current 2,200 to 3,000.
- Annual output of IT professionals is estimated 10,500.
- Personal computers in the country to increase upto 2.5 million.
- Internet connections to increase from 1707 to 1900 cities

- Internet connections to increase upto 0.8 million
- Increase of internet users to 2 million
- IT degree institutions and universities to increase upto 90
- IT (non-degree) institutions to increase upto 500

Present Government's Policies and Measures

5.160 The present government is awarding highest priority to IT and following are the key elements of the IT Policy 2000. Implementing new projects in the areas of HRD, infrastructure development, E-government for efficient and transparent governance and improved delivery of pubic services to citizens, increased software exports and IT enablement of local industry. The Ministry of Information Technology has taken a number of initiatives for promotion of Information and Communication Technologies in Pakistan in the above-mentioned areas. Major achievements of the government in IT sector have already been given in the review of 2003-04. The proposed IT projects/programmes for 2004-05 are also a clear manifestation of the present regime to give boost and impetus to Information Technology in the country.

HEALTH AND NUTRITION

HEALTH

5.161 Health Sector Programme is placing emphasis on provision of Primary Health Care to improve effectiveness of health care programme by addressing the issues of under utilization of rural health facilities and continuing programmes for control of preventable diseases and control of nutritional disorders through supplementation, fortification and food diversification. To reduce the prevailing burden of diseases, due importance has been given to an efficient, equitable & effective service delivery mechanism. A vision with specific objectives and articulated strategies for realization of the objectives and targets for the health sector has been kept in view while allocating resources to different programmes/projects.

5.162 The budgetary allocations for the health sector have gradually increased to improve the quality of health care. The total outlay set aside for health improvement programmes during 2003-04 was Rs.4712.00 million

REVIEW OF 2003-04

Financial

5.163 PSDP allocation for the Health Sector Development Programme was Rs.4712.00 million. The revised estimates were Rs.4542.060 million during 2003-04. Priority was accorded to the preventive programmes as follows:-

National Programme for Family Planning and Primary Health Care

5.164 The project aims at increasing the access of health services at grass roots level through development of 100000 Lady Health Workers

5.165 At present there are 70,000 LHWs including 8000 LHWs under Women Health Project and 4400 LHWs under Reproductive Health Project. Rs.2600.00 million were allocated for the year 2003-04.

Expanded Programme of Immunization

5.166 The project envisages to immunize 4 million infants against preventable diseases besides 21.8 million children against Polio and 5.6 million childbearing women against tetanus per annum. An allocation of Rs. 400.00 million was made for the year 2003-04.

Roll Back Malaria Control Programme

5.167 The project aims at keeping malaria under control by selective spray, treatment and provision of impregnated bednets all over the country. . An amount of Rs.29.00 million has been allocated for the year 2003-04. The implementation of the project is reported to be satisfactory.

National AIDS Prevention and Control Programme

5.168 The objective of the project is to keep AIDS under control through screening, awareness, safe blood transfusion and training of Doctors and Paraprofessionals. An amount of Rs.174.00 million was allocated for the year 2003-04. which has been fully utilized.

National Tuberculosis Control Programme

5.169 The project aims to control the re-emerging disease of Tuberculosis through new strategy of DOTS (Directly Observed Treatment Short Course), through provision of treatment at the doorsteps of the people alongwith training of Doctors and other professionals. Rs.19.00 million are allocated for the year 2003-04 for the project.

Physical

5.170 The health sector performance in term of physical infrastructure i.e. rural health centers, basic health units and hospital beds has been encouraging. The targets for health sector during 2003-04 include the establishment of 40 Basic Health Units (BHUs) , 8 Rural Health Centres (RHCs), Upgradation of 15 existing Rural Health Centres (RHCs), 35 Basic Health Units (BHUs), and addition of 1800 hospital beds. The manpower development targets covers the output of 3700 Doctors, 250 Dentists, 2300 Nurses, 5000 Paramedics and 500 Trained Birth Attendants (TBAs). Under the preventive programme, 8 million children were to be immunized and 19 million packets of Oral Rehydration Salt (ORS) were to be distributed during 2003-04. The achievements have been largely in the vicinity of the targets. The health programmes during the year has realized 63-96 percent of its physical targets. Physical targets and achievements in the health sector during 2003-04 are given in Table No. 5.7.

Table 5.7
Physical Targets and Achievements During 2003-04

Sub-Sector	Targets (Nos)	Estimated Achievements (Nos)	Achievements (%)
A. Rural Health Programme			
i) New Basic Health Units (BHUs)	40	25	63
ii) New Rural Health Centres (RHCs)	8	5	63
iii) Upgradation of existing RHCs	15	10	75
iv) Upgradation of existing BHUs	35	25	83
B. Beds in Hospitals/RHCs/BHUs	1800	1600	88
C. Health Manpower Development			
i) Doctors	3700	3500	95
ii) Dentists	250	200	80
iii) Nurses	2300	2000	89
iv) Paramedics	5000	4500	90
v) Training of TBAs	500	480	96
vi) Training of LHWs	17000	17000	100
D. Preventive Programme			
i) Immunization (Million Nos)	8.0	7.5	93
ii) Oral Rehyderation Salt (ORS) (Million Packet)	19.00	18.00	95

PROGRAMME FOR 2004-05

(i) Financial

5.171 An amount of Rs 6463.356 million have been allocated in the federal PSDP (2004-05) to the Health Sector including foreign aid of Rs. 892.682 million. There is an increase of 37 % (Rs.1751.356 million) over the last year's allocations. The total outlay set aside for Health Division is Rs. 6044.556 million which is 38 % more over the last year's allocation. Major portion of the allocation goes to preventive programmes. Agency wise allocation is given in Table No. 5.8.

Table 5.8
Allocation for 2004-05

(Million Rs.)

	Allocation	F.Aid	Rupees	FEC
Health Division	6044.556	892.682	5151.874	0.00
Pakistan Atomic Energy Commission	307.00	0.00	207.00	100.00
Narcotics Control Division	31.00	0.00	31.00	0.00
Cabinet Division	78.00	0.00	78.00	0.00
Interior Division	2.800	0.000	2.800	0.00
Total :	6463.356	892.682	5470.674	100.00

Physical

5.172 The physical targets during the year are addition of 1000 hospital beds, graduation of 4800 Doctors, 360 Dentists, 3000 Nurses and 5000 Paramedics. Under the Immunization Programme, 70 percent of children will be vaccinated against 7 communicable diseases while management of diarrhoea through ORS will continue by provision of 17 million ORS Packets. Efforts to eradicate polio from the country are in final stages and the target for this year is elimination of Polio from the country. Efforts to strengthen Vaccination against Hepatitis B will continue all over the country.

NUTRITION AND CONSUMPTION

REVIEW OF 2003-04

Financial

5.173 Rs.775.581 million were allocated for Nutrition Programmes for the year 2003-04 against which Rs. 563.213 million are expected to be utilized. The major programmes included are: 1) Tawana Pakistan Project, School Nutrition Package for Girls 2) Improvement of Nutrition through Primary Health Care Project 3) Feasibility of Wheat Flour Fortification. 4) Salt Iodization Programme.

Physical

a. Food availability

5.174 During this year availability of food items remained satisfactory. The average per capita availability of wheat increased from 112 Kg to 116 Kg per year. Increase was also recorded in rice, other grains, milk, pulses, sugar, fruits & vegetable while decrease was recorded in meat and vegetable ghee/ edible oil. The National average per capita availability of calories during the year increased from 2405 to 2511 and protein from 64.30 grams to 66.22 grams per day. Both the calories and protein availability remained above the National average requirement.

b. Nutritional status

5.175 Based on the findings of the recent Nutrition Survey, 38 percent of the children under five are under weight, 37 percent are stunted while 13 percent are severely malnourished. About 26 percent of the pregnant and lactating mothers are malnourished.

5.176 More than 63 percent of the school going children and more than 76 percent of the mothers have mild to severe iodine deficiency based on the urinary excretion rate. Almost half (48.7 percent) of mothers and 30 percent children under five are anaemic.

c. Programmes

5.177 Following major programmes remained in progress, and their achievements are summarized as under:

1. Micronutrient Deficiency Control Programmes:

i. Iodine Deficiency Disorders Control:

5.178 The objective of the programme is to confine iodine deficiency through increased intake of iodine as part of the daily food. The programme promotes use of iodised salt at household level and at the same time while taking measures to enhance production to meet the demand National average showed that 25 percent of the households are consuming iodised salt and one third of the edible salt produced is iodised. Promotional campaign through electronic, print media and inter personal communication remained in progress to increase demand for iodised salt.

ii) Iron Deficiency Anaemia Control through Flour Fortification:

5.179 Appropriateness and feasibility of fortification of what flour is being considered as an intervention to address iron deficiency. Although technology is available, however its adoption to local food habits, customs and food production is not yet established. Formal flour milling, and informal small scale grinders (Chakkies) share about equal supply of wheat flour in the market. A technical feasibility, in this context covering both formal and informal flour milling sector is underway and each are is briefed as under:

a Feasibility study for wheat flour fortification with iron through the formal sector has four components viz: Production, Stability - Acceptability, Bio-availability and Community Based Efficacy Trials. The production, stability - acceptability and bio-availability components of the study have been completed.

b Wheat flour fortification feasibility for Small Scale Grinders (Chakkies) was also initiated during this year. The study had components of production, which included feeder and the pre-mix testing, stability, acceptability and community based efficacy. The trials have been accomplished and modification tests are being finalized.

II. National Nutrition Survey:

5.180 The Pakistan National Nutrition Survey 2001-02 has been completed with collaboration of the UNICEF. The objectives of this survey was to up date current nutrition indicators, establish trend, look for associated factors and influence the nutrition status.

III. Improvement of Nutrition Through Primary Health Care and Awareness:

5.181 The project aims at strengthening Nutrition Component in the primary health care and create mass awareness.

i) Media campaign through Electronic and Print Media for creating awareness about proper Breastfeeding and Weaning, girl child nutrition and use of iodised salt has been launched.

ii) 20,000 LHWs were trained to enhance/promote growth monitoring of children, optimal breastfeeding and weaning and micronutrient supplementation activities.

iii) 7 million Vitamin A capsules distributed for Vitamin A Supplementation.

iv) Development of nutritional food based dietary guidelines was initiated at National Institute of Health.

IV. Tawana Pakistan Project (School Nutrition Package for Girls):

5.182 The feeding programme have been started in 2591 schools. The existing infrastructure of Bait-ul-Mal at district level has been reinforced in 29 project districts. The Ministry of Women Development, is sponsoring and implementing the project in collaboration with assistance of Bait-ul-Mal.

PROGRAMME FOR 2004-05:

5.183 Rs. 473.161 million have been allocated in PSDP 2004-05 for the ongoing Nutrition Programmes sponsored by different ministries. Besides a new Project viz: "Micro-nutrient Control Programme for Iodine deficiency, Iron deficiency & Vitamin A deficiency", Monitoring and evaluation would be undertaken.

Food Availability:

5.184 The availability of essential food items are targeted to meet the nutritional needs of the population. The average per capita availability of wheat is projected as 123.55 kg per annum for the year 2004-05. The availability of calories is estimated at 2550 per capita per day.

Micro-nutrient Control Programmes:

5.185 The activities under the Salt Iodisation Programme will be strengthened and made more functional with the involvement of private sector.

5.186 The Community based efficiency trials for Iron fortification of wheat flour through Flour Mills and the small scale grinders would be implemented.

Nutrition in Primary Health Care:

5.187 Nutrition activities at the first care level would be continued for the delivery of nutritional messages to the community.

Tawana Pakistan Project:

5.188 The feeding programme for girls in school and community would be continued/strengthened in 29 districts.

POPULATION WELFARE PROGRAMME

5.189 Since 1951 the size of population has more than quadrupled (4.4 times) over a half-century period. It was 33.7 million in 1951, increased to 84.2 million in 1981 and further increased to 133.5 million in 1998. According to estimates, it stands now at 151.6 million in 2004 (July). The annual growth rate is estimated at 1.99 percent (2004) per annum. It is still among the highest growing countries of the world. At the existing trend the total population will reach to 165 million by the year 2009 (mid) and 195.50 million by 2020 (NIPS).

5.190 The population of the country has marked young age structure, a high dependency ratio and big size. The increasing number of population has resulted in low human development, low savings & investment, low labour force participation rate. A large number of theoreticians, policy planners, economists, sociologists still believe that multiple factors are responsible for low performance in the field of population planning. The government of Pakistan has realized that if the population grows faster than the economic growth, the country will never be able to meet the needs of their people for economic and social services and every one will suffer especially the poorest. Higher population growth rate is leading to rapid depletion of national resources and additional demand for services and infrastructure. Unmanageable size of population is responsible for jeopardizing the whole Planning & Development efforts in the country.

Selected Demographic Indicators

INDICATORS	YEAR (2003-04)
Total Fertility (TFR)	4.07
Crude Birth Rate (CBR)	28.00
Crude Death Rate (CDR)	8.10
Growth Rate	1.99
Life Expectancy: Male	64.10
Female	63.80
Contraceptive Prevalence Rate (CPR)	34

REVIEW OF 2003-04

Financial Utilization 2003-04.

5.191 During the year 2003-04 the population welfare programme was allocated (revised) Rs.2500.0 million. The population welfare programme has utilized Rs.1275.0 million up to April 2004 and is expected to utilize Rs.2200 million (88%) by end June, 2004.

Service Infrastructure:

5.192 During the period under review, the performance of service delivery remained satisfactory. The programme established 2306 Family Welfare Centres (FWCs), 132 Reproductive Health (RHS) 'A' centres, 223 Mobile Service Units and involved 7274 service outlets of health and other provincial line departments (PLDs). In addition 25165 Registered Medical Practitioners, 26025 Hakeems and Homeopaths, 57 Village Based Family Planning Workers (Female), 4056 Male Mobilizers were also involved.

PROGRAMME FOR 2004-05

Following are the major objectives;

- Decrease the population growth rate from 1.99% in 2003-04 to 1.92% in 2004-05.
- Increase the coverage from 76% 2003-04 to 80% in 2004-05.
- Over 80000 LHWs will offer conventional contraceptives in their catchments area.
- Increase contraceptive prevalence rate (CPR) from existing 34% in 2003-04 to 36% in 2004-05.
- Enhance involvement of NGOs by restructuring the NATPOW, civil society organizations and social marketing projects.

Financial:

5.193 An allocation of Rs. 2586.0 million has been ear-marked for the Population Welfare Programme in the next financial year 2004-05.

Services Delivery:

5.194 The programme envisages to establish additional 235 FWCs, 48 MSUs, 12 Reproductive Health (RHS)'A' centers and recruit 1785 Male Mobilizers, besides involving additional 425 service outlets of health and other provincial line departments (PLDs), 680 Hakeems/Homoeopaths and 605 Registered Medical Practitioners.

MANPOWER & EMPLOYMENT

MANPOWER

REVIEW OF 2003-04

Financial

5.195 An allocation of Rs 113.890 million was made in PSDP 2003-04. Total estimated expenditure is Rs 73.23 million including completed programme namely "Support for the implementation of National Policy and Action Plan to combat Child Labour" (Rs.3.13 million). A sum of Rs.5.185 million was allocated for Labour Market Information System (LMIS) project, which could not be materialized due to non-availability of donor. The thrust of the programme continued to be skill development.

National Vocational Training Project Ph-II.

5.196 The project was initially approved by the ECNEC in March 1987 at a total cost of Rs. 2041.353 million with FEC of Rs.1171 million. The Restructured/Revised project was approved by ECNEC on February 11, 1993 at a total cost of Rs.2882.189 million including FEC of Rs.1884.029 million. The project is in final stage of completion. The actual expenditure incurred upto June 2003 is Rs.2852.131 million including FEC of Rs.1844.03 million.

5.197 The other schemes provided funds during 2003-04 were "Training of 1824 youth" under the Prime Minister's directives, in National Training Bureau Islamabad (Rs 17 million), Use of Video Films in training (Rs 25 million), Construction of Auditorium for PMI (Rs 20 million), Promotion of awareness and training /education about Human Rights among workers and employers (Rs 3 million), Consolidation of Development of LMIS in Pakistan(Rs 5.2 million including F.A Rs.4.870 million), Gender Sensitization of Industrial Workers (Rs 2 million) and Project document for inviting Expatriate Pakistanis Consultants in Pakistan (Rs.10 million). An allocated amount of Rs.10 million for Expatriate Pakistani Consultants in PSDP 2003-04 could not be utilized because of, non- approval of terms and condition of consultants by Finance Division.

PORGRAMME FOR 2004-05.

5.198 An allocation of Rs.90.685 million have been allocated to the Manpower Sector under PSDP 2004-05. Detail of which is as under:

National Vocational Training Project Ph-II (Ongoing Scheme)

5.199 An amount of Rs.10 million has been allocated to meet the salaries of the project and residual civil works in respect of VTCs at Toba Tek Singh, Jaranawala, Vehari, Shikarpur and Khairpur, which are pending due to court cases.

Use of Video Films in Training.

5.200 The Project was approved on 2-6-2003 by DDWP at a cost of Rs.39.624 million for utilization in two years. An amount of Rs.25.00 million was allocated to carry out the project activities. Major activities under taken are; establishment of a video library in the Media Development Unit of NTB, dubbing of films in local language, and copying them on CDs. Equipment would also be provided to Media Development Unit and the provincial reproduction units. An amount of Rs.2 million has been provided during 2004-05.

I. Training of 1824 Youth in NTB

5.201 One-year project with a total cost of Rs.20 million was approved by DDWP on 2-6-2003 to train 1824 trainees. An expenditure of Rs 17.00 has been anticipated upto 30th June 2004. The objective of the programme is to make the jobless youth, a productive organ of the society. In addition, overseas demand for the skilled labour from Pakistan will also be met through training in the trades, which are in great demand in the country and abroad. An amount of Rs.1.5 million have been allocated in PSDP 2004-05.

Construction of Auditorium for Pakistan Manpower Institute.

5.202 Project was approved at cost of Rs.35.60 million by the DDWP on 2-6-2003. An amount of Rs.20 million was allocated in PSDP 2003-04 out of which Rs.12 million has been utilized. Rs.16 million has been allocated in PSDP 2004-05.

NEW PROJECTS.

Promotion of Awareness and training about Human Rights among workers and employers.

5.203 This is a newly approved project. An amount of Rs.3 million has been allocated in PSDP 2004-05.

Gender Sensitization of Industrial Workers.

5.204 This is also a newly approved project. An amount of Rs.3 million has been allocated to carry out the project activities of sensitization of industrial workers in gender related matters.

5.205 The others new schemes provided allocations are; computerization of data of out going migrants and returning migrants (Rs 15 million), visit of Expatriate Pakistanis Consultants to sort duration assignments in Pakistan for transfer of knowledge/technology (Rs 8 million), training programme for labour/peasants, councilors for their capacity building (Rs 8 million), establishment of workers education centres at Sialkot and Gujaranwala (Rs.7 million), consolidation and development of LMIS in Pakistan (Rs 5.185 million) (Foreign aid Rs 4.87 million) and establishment of Policy Planning Cell (Rs 8 million).

EMPLOYMENT

5.206 The greatest asset of Pakistan is indeed its human resource, which needs effective and optimal utilization for a greater development and prosperity of the country. The development, mobilization and utilization of its human resources, however present an enormous challenge. At the same time Pakistan faces the highest growth rates in its population and consequently its labour force, which combinedly exert tremendous pressure on the consequently limited economic resources.

5.207 The government is pursuing a multi-pronged policy consisting essentially of three elements to tackle the problem. First, through economic development side by side with specific employment generating schemes. Secondly, through efforts to reduce the population growth. This will reduce pressure on the labour market. Thirdly through comprehensive technical and vocational training schemes to improve education and skills, thereby enhancing the marketability of the labour force.

REVIEW OF LABOUR FORCE AND EMPLOYMENT

5.208 Population of Pakistan in 2003-04 (July) is estimated at 148.675 million growing at an annual rate of 1.99 %. The population growth rate was 3.0 percent in 1981, and 2.4 percent in 1998. The trend, however, indicates that population growth rate is on the decline. Nevertheless, the current growth rate of 1.99 per cent is still one of the highest among the most populous countries of the world.

5.209 On the basis of estimated population of 148.675 million during 2003-04 (July) and labour force participation rate being 29.61 percent, the total labour force of Pakistan is estimated at 44.02 million. Out of which 40.82 million are employed compared to 39.80 million during 2002-03. Labour Force is expected to increase from 44.02 million in 2003-04 to 44.90 million in 2004-05. It is estimated that during the year 2004-05 approximately 1.08 million new jobs will be generated in the economy and it will increase the employment level to 41.9 million.

5.210 Estimates of population, labour force and employment are given below in Table No.5.9.

Table No. 5.9
Population, Labour Force & Employment

(In Million)

Year	Population (July of each Year)	Labour Force Participation rate*	Labour Force	Employed Labour Force**	Un-employed Labour Force
2002-03	144.44	29.61	42.77	39.80	2.97
2003-04	148.68	29.61	44.02	40.82	3.20
2004-05	151.63	29.61	44.90	41.90	3.00

* Labour Force Survey 2001-02
** Projections of P&D Division.

5.211 The sectoral employment estimates for the year 2003-04 and 2004-05 are given in Table No. 5.10.

Table No. 5.10

Sectoral Employment

Sectors	Employment(In million)			Increase in Employment	
	2002-03	2003-04	2004-05	2003-04	2004-05
Agriculture	16.752	16.904	17.046	152,606	141,577
Mining &Quarrying	0.028	0.028	0.028	-14	139
Manufacturing	5.508	5.623	5.714	115,255	90,732
Electricity & Gas	0.322	0.334	0.339	12,162	4,770
Construction	2.408	2.576	2.786	167,997	210,263
Wholesale & Retail Trade	5.910	6.210	6.518	299,468	308,275
Transport & Communication	2.349	2.395	2.446	47,326	50,524
Finance & Insurance	0.354	0.348	0.351	-6,860	4,364
Services	6.170	6.400	6.667	230,940	266,974
Total	39.800	40.819	41.896	1,018,880	1,077,618

5.212 The above table reveals that the highest percentage increase is expected in construction sector during 2004-05. It is estimated that employment in construction will be generated by 8.5 percent. It will be followed by Wholesale & Retail Trade Sector, the employment of which is expected to grow by 5 percent in the Year 2004-05.

TECHNICAL/ VOCATIONAL TRAINING

5.213 The development of human resources is the process of increasing the knowledge, the skill and capacities of all the people in the society. In economic terms it is called accumulation of human capital. Economic growth not only requires an increase in capital investment but also a larger supply of scientific, technical and vocational skills.

5.214 The unemployment of educated youth is an expensive and socially disruptive phenomenon. The economic cost is high because expenses on their education and training are wasted while they are not employed. The chances of their falling victim to destructive tendencies are great. The real long-term solution of the problem lies in the simultaneous reform of the education and vocational training system and rapid growth and development of the economy. Both systems need to respond to market demand for skills and emphasize quality at higher levels.

5.215 At present roughly 1700 thousands students are being enrolled for matriculation examination every year. The passing students constitute about 9 percent of the total literate labour force in Pakistan. The Pre-Matric constitutes 33.5 percent of the total literate labour force. It indicates that age groups of 10-14, 15-19 and 20-24 need to address. The percentage of unemployed is higher in these age groups. In total 56 percent of total unemployed are belong to these age groups. This situation emphasized to create a system of technical and vocational training for youth to match the requirement for trained manpower in an expanding modern sector.

5.216 The government has visualized the need for vocational training not as meeting to immediate market demand but responding to the underlying need for a long-term

structural change in the production technology of Pakistan. The efforts are being made to consolidate / streamline the existing infrastructure of technical and vocational training and involve the participation of private sector. The private sector is being given some incentives to take the lead in vocational /technical training with the government playing an active role in developing a coordinated national system to meet the market challenges.

WOMEN DEVELOPMENT

5.217 Government of Pakistan is conscious of the issues of women development and is fully committed to the enhancement of the status of women on the grounds of equity and equality. Government actions for empowerment of women are reflected through enhancement of women seats in the National and Provincial Assemblies and their participation at the district government and union council level.

REVIEW OF 2003-04

Financial

5.218 An allocation of Rs 810.00 million (Rs.700 million for Tawana Pakistan and Rs.110 million for Normal Women Action Programme) was made to the Women's Development sector. Out of which, expenditure amounting to Rs.459 million has been incurred.

5.219 Ministry of Women Development (M/oWD) is charged with solving the problems of women in Pakistan. A National Policy for Empowerment of Women was released and implemented by the Ministry of Women Development. The policy addresses the social, economic and political empowerment of women. To meet the objectives of the policy, IT training for elected lady representatives was convened. A major event of the Ministry was celebration of year 2003 as the year of Mohtarma Fatima Jinnah. In addition to the core programmes of the public sector, NGOs and the private sector were also attracted for ongoing and new initiatives. Various activities focused towards women's development included establishment of crises centers, computer and literacy centers, credit schemes, nursing hostel and industrial homes.

5.220 Tawana Pakistan Programme was allocated an amount of Rs 700 million in PSDP 2003-04, of which the estimated expenditures are Rs 400 million. The Programme is striving to improve nutritional and educational status of girls through provision of food and vitamin supplements in girl primary schools. During the year, girl students in 765 schools, in under developed rural areas of Pakistan were provided food and nutritional supplements.

PROGRAMME FOR 2004-05

5.221 The development programme has been prepared in the light of the efforts of the Government for improvement of overall economic and social conditions of women and children. An allocation of Rs. 925 million has been made for Women Development Programme in PSDP 2004-05 (Rs. 140 million for Normal Women Development Programme, Rs. 300 Million for Tawana Pakistan Project, Rs. 385

Million and Rs. 100 Million for Gender Reform Action Plan and National funds for advancement of Rural Women respectively).

Tawana Pakistan Programme

5.222 An amount of Rs 200.00 million has been recommended in the PSDP 2004-05 for the Tawana Pakistan Programme which have been enhanced to Rs.400 million by the APCC to achieve its objectives and also complete the programme in time. During this year it is planned to cover all the 530,000 students in 29 districts of Pakistan. Feeding and administration of micronutrients and albendazole would be carried out in 5300 girls primary schools.

SOCIAL WELFARE

REVIEW OF 2003-04

5.223 The Social Welfare Sector was allocated an amount of Rs. 225.338 million during the current financial year which was subsequently revised and reduced to Rs. 205.338 million. This includes Rs. 179.525 million for training and rehabilitation services for the handicapped, Rs. 5.365 million for Social Welfare and Community Development Services while Rs. 12.789 million were allocated for encouragement and promotion of NGOs throughout the country. An amount of Rs. 7.659 million was allocated for Staff Welfare Services for welfare and uplift of the federal government servants. The major emphasis in the sub-sector of Special Education remained on the construction/completion of work in progress at the Federal Capital as well as other places in the country. The implementation/construction of special education centres at Gilgit, Okara, Kohat and Hyderabad is proceeding on the right direction. The Social Welfare Wing of Ministry of Women Development, Social Welfare and Special Education is running three Community Development Centres, two in Northern Areas and one near Islamabad to deliver welfare services to the poor segments of the society especially women. Financial and technical assistance to about 400 NGOs functioning in far-flung rural areas has been provided in 2003-04.

PROGRAMME FOR 2004-05

5.224 Major emphasis during the next financial year (2004-05) will continue to be on the completion of ongoing projects. Some important initiatives in the PSDP 2003-04 included the development of a Park for the disabled at Islamabad, construction of National Institute of Special Education at Islamabad, National Training Centre for Special Persons at Islamabad, National Library and Resource Centre at Islamabad and Construction of Special Education Centre at Gilgit, Okara, Kohat and Hyderabad. All of these projects have been funded promptly and it is expected that these schemes will be completed by June, 2005. Most of the schemes included in PSDP 2004-05 are ongoing in nature while new projects have also been accommodated. New initiatives include establishment of more special education centres in the already existing special schools where these disabilities could not be started previously. A project for celebration of the year 2004 as the year of Child Welfare and Rights and three more Community Development Centres are being established one each at Khyber Agency, Kurram Agency and North Waziristan. An allocation of Rs. 335.512 million has been

allocated for the year 2004-05 for the promotion of Special Education and Social Welfare Sector.

RURAL /AREA DEVELOPMENT

REVIEW OF 2003-04

5.225 During the financial year 2003-04, an amount of Rs.840.88 million was provided for Rural Development under Ministries/Divisions programme. It was estimated that upto June, 2004 an amount of Rs. 1030.50 million will be utilized. Utilization is higher than the allocation due to additional amount of Rs.653 million provided to Japanese Assistant Road construction Project. Agency-wise allocation and utilization is given in the Table No. 5.11.

Table No. 5.11
Allocation and Utilization

(Rs in Million)

Sl.No	Agency	Allocation 2003-04		Utilization 2003-04	
		Total	F.Aid	Total	F.Aid
I.	M/O Local Govt. & Rural Development	276.70	267.74	881.00	872.04
II.	Narcotics Control Division	158.50	148.80	90.00	84.00
III.	Interior Division	20.50	-	20.50	-
V.	Finance Division	385.18	333.60	39.00	15.00
Total:-		840.88	750.14	1030.50	971.04

PROGRAMME FOR 2004-05

5.226 An amount of Rs.1017.40 million has been provided for Rural/Area Development in the year 2004-05. Out of this amount, Ministry of Local Government and Rural Development has been provided Rs.272.25 million, Narcotics Control Division has been provided Rs.133.15 million for Agricultural and Area Development Project in poppy growing areas of FATA. An amount of Rs.447 million (including Rs.400 million of foreign aid) has been provided to the Finance Division for Decentralization Support Programme. Rs.122 million have been provided for National Reconstruction Bureau. Agency-wise allocation for the Financial year 2004-05 are given in the Table No 5.12.

Table No. 5.12
Allocations for 2004-05

(Rs in Million)

Sl.No.	Agency	Allocation 2004-05	
		Total	F.Aid
I.	Ministry of Local Government & Rural Development	272.25	270.00
II.	Narcotics Control Division	133.15	128.00
III.	Interior Division	33.00	-
IV.	Finance Division	447.00	400.00
V.	National Construction Bureau (NRB)	122.00	122.00
Total RD		1017.40	920.00

SPECIAL AREAS

Review of 2003-04

5.227 An amount of Rs.9355.54 million was provided to Special Areas. It is estimated that upto June, 2004 an amount of Rs.10586.54 will be utilized. Utilization is higher than the allocations due to provision of additional allocation of Rs.1091 million for FATA and 140 million for AJ & K. Agency-wise allocation and utilization is given in the Table No. 5.13.

Table No. 5.13
Special Area Allocation/ Utilization

(Rs in Million)

Sl.No	Agency	Allocation 2003-04		Utilization 2003-04	
		Total	F.Aid	Total	F.Aid
I.	AJ & K	3830.00	342.00	3970.00	342.00
II.	Northern Areas	2519.00	300.00	2519.00	300.00
III.	FATA	3006.54	104.00	4097.54	104.00
Total:-		9355.54	746.00	10586.54	746.00

PROGRAMME FOR 2004-05

5.228 An amount of Rs.11233 million as a block allocation including Special Development Programme for FATA has been provided for the Special Areas to bring at par with rest of country. This allocation is about 20 per cent over and above than the corresponding year. Agency-wise allocation for the financial year 2004-05 are given in the table No 5.14.

Table No 5.14
Special Areas Allocations for 2004-05

(Rs in Million)

Sl.No.	Agency	Allocation 2004-05	
		Total	F.Aid
I.	AJ & K	4463.00	707.00
II.	Northern Areas	2770.00	200.00
III.	FATA	4000.00	-
Total (Special Areas)		11233.00	907.00

DROUGHT EMERGENCY RELIEF ASSISTANCE PROGRAMME

5.229 The Government of Pakistan took cognizance of the deteriorating situation caused by the prolonged drought during the past 7-8 years and launched the Drought Emergency Relief Assistance (DERA-I) Programme w.e.f July, 2001, with revised out lay of US$ 179.59 millions for execution of short-term development schemes in

drought-hit areas of the provinces to revive the agrarian economy and promote sustainable use of water resources for improving productive capacity, livelihood and income of drought affected people. The share of ADB in the programme was US $ 100.9 million, World Bank US $ 45.96 million and Government of Pakistan US $ 32.73 million.

REVIEW OF 2003-04

Financial:

5.230 The Drought Emergency Relief Assistance Programme was initiated with an outlay of Rs.10522.02 million against which Rs.8352.38 million were released to the provinces and Federal DERA Unit upto June 2003. During the financial year 2003-04, Rs.2464.66 million, however, were released. Province-wise yearly releases are given in Annex 5.8.

5.231 One of the characteristics of DERA Programme is its upfront release which differentiate it from other aided programmes. More than 79% funds have been released so far against which Rs.4488.33 million have been utilized by now which comes to 54% of the released funds. The Federal DERA Unit interacted with the provincial as well as district governments and collected, processed and submitted SOEs of Rs.3724.34 million for reimbursement by donors against which Rs.2934.23 million or 79% of the claims have been reimbursed. Remaining claims of Rs.790.21 million are being processed by donors. Province/agency-wise details of cumulative allocations, releases, expenditure and re-imbursement made by donors are given in Annex 5.9.

Physical:

5.232. About 2181 development schemes costing Rs.9575.461 million remained under implementation in the drought-hit areas of provinces. First priority was accorded to drinking water schemes followed by labour intensive schemes such as construction of roads, small dams/delay action dams, irrigation channels and tube wells etc. Province and sector-wise details of schemes being executed are given in Annex 5.10.

5.233 During the year 2003-04, 568 schemes, which comes to 26% of the total portfolio of schemes have been completed. The work is in progress on the remaining 74% schemes which are at various stages of execution and would be completed during 2004-05.

PROGRAMME FOR 2004-05

Financial:

5.234 An allocation of Rs.1033.338 million has been made for DERA Programme in the PSDP 2004-05 for winding up DERA-I. Further more, a token allocation of Rs.5.0 million has been provided for DERA-II in the PSDP 2004-05. Token amount would be increased adequately once PC-I for DERA-II is approved.

Physical:

5.235 About 1613 out of 2181 schemes being executed under DERA-I would be completed during 2004-05.

5.236 According to Indus River System Authority (IRSA) average shortfall of water at canal head for Kharif crop was 18% in 2001, 6% in 2002 and 2% in 2003. Inspite of rains, the shortfall in Rabi season was 49% in 2001, 31% in 2002 and 13% in 2003. The IRSA has also forecasted a further shortfall of 13% in Kharif 2004. The low temperature in snow melting glacier zone may subsequently, result a 40% shortfall in the Indus River System.

5.237 Rains during 2003-04 were higher by 27.7%, which was mostly wasted due to run off water as the provinces have inadequate storage capacity to store rainwater during normal weather year. In Potohar tract less than 3% rainwater is being stored. Run off water in non-Indus basin part of Balochistan is around 9.8 MAF, which could be stored for recharge of ground water, irrigation and drinking purposes. Therefore, drought like conditions would continue to prevail unless hundreds of small dams/delay action dams are constructed to conserve the run off water from torrential rains and snow melting in upper reaches.

5.238 Phase-I covered only 20% of the drought-hit areas. The remaining 80% areas of the provinces, whole of Northern areas and AJ&K are looking with wide eyes upto the people at helm of affairs for immediate succor. Monitoring and Evaluation experts visited 60 out of 68 districts of operation and assessed the programme extremely successful. DERA-I is going to be closed on 31-12-2004.

5.239 Keeping in view the above situation and need based demand of the people of drought affected areas, phase-II of drought programme has been proposed for implementation in the drought affected areas of Pakistan and AJ&K. DERA-II will cost Rs.3225 million for a period of 60 months w.e.f 01-01-2005 to further alleviate impact of drought by developing drought management strategy over a longer period, reviving the agrarian economy, employment generation by implementing labour intensive programmes and environment improvement through replication of proven strategy of DERA-I in new areas.

ENVIRONMENT

REVIEW OF 2003-2004

5.240 PSDP 2003-2004 includes an allocation of Rs.642.006 million for the Environment Sector. This allocation was subsequently revised to Rs.512.612 million. Against this an expenditure of Rs.192.652 million has been incurred upto March 2004 which is at 30 percent of the original allocation. Expenditure upto June 2004 is estimated at Rs.460.606 million which gives a utilization of 72 per cent only. Slow progress is attributed inter-alia to allocation for un-approved projects and delay in implementation of the approved projects.

5.241 There are nineteen projects in the Environment Sector which includes one project each sponsored by the Ministries of Water & Power, KANA, Defence and Finance while fifteen projects sponsored by the Ministry of Environment.

Major Programmes

5.242 Salient features of the major projects under implementation in the Environment Sector are given below:

A. Capacity Building.

Institutional strengthening is a continuous process and has been properly focused in the Environment Sector. Capacity building of the project implementing agencies and other functionaries involved in policy making, planning, law enforcement and monitoring of environmental activities have been an important area of interest by different donor agencies. Particular examples of institutional capacity building are; M/o Environment, Pakistan Environmental Protection Agency (PEPA), ENERCON and P&D Division (Environment Section). Other important project is "Strengthening of Forestry Wing at Federal Level for Sustained Monitoring of the Implementation of Forestry Sector Master Plan" under which four research studies are expected to be completed by June 2004.

B. Forestry and Watershed Management

i) A project in forestry sector, named "Rachna Doab Afforestation Project" was started in July 1995 at a cost of Rs. 485.382 million. During the period under review an expenditure of the order of Rs.78.537 million is expected to be incurred on block afforestation of 37380 Acres and plantation on 250 Avenue miles.

ii) Poverty Reduction through Participatory Watershed Management in Tarbela Reservoir Catchment project was approved by CDWP at a cost of Rs.198.609 million. The main objective of the project is to reduce sediment load, create employment opportunities and rehabilitate the degraded land resource. During the period under review an expenditure of the order of Rs.88.745 million is expected to be incurred on raising of 96 nurseries, plantation on 7346 acres, providing check dams on 2320 acres, establishment of 22 community organisations, terracing of 525 acres and maintenance of 24795 acres of land.

iii) Another project viz "Mangla Watershed Management Project" is being implemented by the M/o Water & Power at a total cost of Rs.168.993 million. During the period under review an expenditure of Rs.37.900 million is expected to be incurred on

about 4500 acres/avenue miles of afforestation and survey/Planning of 6052 miles.

C. Clean Air Initiative.

Ministry of Environment (ENERCON) is the implementing agency for "Fuel Efficiency in Road Transport Sector (FERTS) Project under UNDP grant assistance. The project aims at improving fuel efficiency and curtailing noxious emissions from Transport Sector through digitalized tuning of gasoline and diesel vehicles. Under this project a total of 30 digital tune-up stations have already been established in different parts of the country. During the period under review 6 tune up centres have been established while 96 mechanics and 204 workshops have been trained In addition Revolving Loan Fund worth US $ 3.00 million has been established for financing purchase of tune-up equipment.

D. i) **Meteorology / Climatology**

The National Centre for Drought / Early Warning System Project is under execution by the Pak. Metrology Department at an estimated cost of Rs.164.844 million including an FEC of Rs.56.601 million. The responsibilities of the main and the regional centres include:

a) Collect data from the network stations in the region.

b) Co-ordinate with the voluntary agencies operating the network and help them in running the stations smoothly

c) Store and process the data and transmit it to the National Centre in the desired format.

During the period under review, an expenditure of Rs.14.0 million has been incurred on payment of land.

ii) A Climate Change Studies Centre has been established on which an expenditure of Rs.10.0 million is expected to be incurred during the period under review.

PROGRAMME FOR 2004-05.

5.243 An allocation of Rs.728.947 million including foreign exchange component of Rs.273.709 million has been made in the Public Sector Development Programme 2004-2005 for Environment Sector projects. The implementation programme and details of the major programme component are discussed in the following paras.

5.244 The implementation programme during 2004-05 includes:

a) An allocation of Rs.55.245 million has been made for afforestation (block plantation) on 3630 acres and linear plantation on 125 avenue miles under Rachna Doab Afforestation Project;

b) An allocation of Rs.109.864 million has been made for Plantation on 17,000 acres, direct sowing on 5,500 acres, maintenance of afforestation on 42,000 acres, check dams on 2,500 acres, cut off drains on 35 km and terracing on 750 acres under Tarbela Watershed Management Project.

c) An allocation of Rs.34.0 million has been made for Soil survey/planning on 64 Sq. miles, afforestation on 4,000 acres, land improvement works on 1,000 acres, 10 extension services, 50 engineering structures and 1.7 million Cft. soil conservation structures under Mangla Watershed Management project.

d) An allocation of Rs.3.515 million has been made for start of work establishment of forest nurseries and block afforestation in Islamabad.

e) Under the clean air initiative 23 tune-up centres will be established and training will be provided to 100 mechanics and 200 workshop owners for which an allocation of Rs.41.961 million (FEC 40.157 million) has been made. Besides an allocation of Rs.13.0 million has been made for establishment of Phase-III of the Ozone Cell.

f) An allocation of Rs.60.0n million has been made for Establishment of National Centre for Drought, Environmental Monitoring and Early Warning System in Pakistan.

g) An allocation of Rs.15.0 million has been made for Establishment of Global Change Impact Study Centre at Islamabad.

h) An allocation of Rs.11.178 million has been made for acceleration of work on management of Khunjrab National Park in Gilgit.

i) An allocation of Rs.18.70 million for start of work on establishment of Cherat wildlife park at Nowshera.

j) An allocation of Rs.4.5 million has been made for implementation of WSSD plan in Pakistan,.

5.245 An allocation of Rs.250.0 million including foreign exchange component of Rs.200.0 million has been made for solid waste management project in Islamabad. Work on the project is expected to be initiated during 2004-05.

GOOD GOVERNANCE

5.246 Governance embodies the power which is exercised in the management of a country's economic, social, political and legal requirements. Good governance must, therefore, enable the state, the civil society and the private sector to work in cohesion for accelerated growth and the achievement of greater human development. Every

branch of the state – executive, legislative, judiciary – should work in a synchronized manner to enable the civil society grow and feel satisfied in the fulfillment of its emerging needs. In other words, the various branches should address the genuine aspirations of the people and work actively and effectively with utmost commitment in advancing their human resources and ensuring the well-being of the members of the society.

REVIEW OF 2003-04

Financial

5.247 An allocation of Rs. 2926.14 million was made for Governance programmes in 2003-04, against which an expenditure of Rs. 2166.235 million was incurred, showing a utilization of 74.03 percent. Details of the Ministry-wise allocation and actual expenditure are given in Table – 5.15.

Table 5.15

Allocation and Utilization 2003-04

Name of Ministry/Division	Allocation	Utilization	%
Statistic Division	50.940	30.537	59.95
P&D Division	115.20	43.966	38.16
Law, Justice & Human Rights Division	2092.90	1442.832	68.94
Finance Division	553.90	603.80	109.01
Establishment Division	69.100	1.00	1.45
Cabinet Division	44.100	44.100	100.0
Total:	**2926.14**	**2166.235**	**74.03**

Physical Achievements

Statistics Division:

5.248 The Economic census is conducted in the entire country including FATA, NAs and AJ&K to achieve the following objectives: i) to find out value of goods, services produced, inputs cost, fixed assets of all types of economic activities in the country except agriculture; ii) to prepare directories of different sectors of the economy, which are used as Sampling Frame for carrying out detailed sample surveys subsequently; and iii) to be used as benchmark for the preparation of future projections with regard to the number of establishments by type of economic activity and employment size.

Planning & Development Division:

5.249 The Macro Modeling Project was initiated with an overall budget of Rs.1.118 million for a period of three years (from July 1999 – June 2002). The main purpose of the exercise of Macro Modelling was to develop a Model that best suits the requirements of Planning Commission. In addition there was (and is) a commitment with the World Bank under the PIFRA Project to set up a nucleus in the Planning Commission for Macro Modelling and Policy Simulations. The Phase-I of the Macro

Modelling Project mainly dealt with data collection, specification and estimation of behavioral equations. An Econometric – Cum- Consistency Model (ECCM) for Pakistan Economy has been built specifying behavioural, technical, and identity relations among various variables. The model consists of National Income, Savings & Investment Block, Fiscal Block, Balance of Payments Block and External Debt Block. For these blocks behavioural equations have been estimated by using data covering a period of 1981-2000. The model also generates overall employment projections.

Law, Justice & Human Rights Division:

5.250 Access to Justice Programme (AJP) has been launched by the Government of Pakistan with a programme loan from the Asian Development Bank (ADB) to implement legislative, judicial, policy and administrative reforms in the country to strengthen the system of administration of justice. The programme is a key part of the Government's nation-wide efforts to improve the accessibility of public entitlements for all citizens, particularly for the poor, women and minorities. While the Ministry of Law through its PMU is the executing agency (EA) of the AJP, implementation of reforms is the responsibility of the implementing agencies (IAs) of AJP. These include the judiciary (High Courts), Law & Justice Commission, Interior/Home, Law, Finance, Police, Ombudsman and Federal Judicial Academy. Under the Programme, IAs are expected and encouraged to plan and implement all kinds of technical and development projects aimed at achieving the objectives of the Programme. The Ministry of Finance, Government of Pakistan and its Provincial counterpart Departments of Finance are responsible for providing AJP funds to the IAs through regular budgetary channels for implementation of new projects. In order to steer implementation of AJP and monitor its progress on a regular basis, national and provincial programme review & coordination committees (NPRCC & PPRC) have been established at the federal and provincial levels. In addition, the ADB also carries out an annual performance review of the activities carried out with the AJP funds.

Finance Division:

5.251 The Project for Improvement of Financial Reporting and Auditing (PIFRA) was initially planned to be completed by June 2001. The new completion date has been fixed as 31st May, 2005. The delay in completion occurred due to increase in the scope of the project, selection of appropriate technology, change of architecture from decentralized to centralized. Total sites were increased from 24 to 52 which has resulted into increase in scope by more than 100%. All the components including Audit Component are at a very advanced stage of completion. Efforts are being made to complete the project within stipulated time.

Establishment Division:

5.252 Establishment Division have taken the initiative for the establishment of National School of Public Policy (NSPP) by integrating Pakistan Administrative Staff College (PASC), Lahore, National Institute of Public Administration (NIPA), Lahore and the Civil Cervices Academy (DMG, Campus), Lahore. The Ordinance, providing for the establishment of NSPP under a statue, has been promulgated on October 28, 2002. Renovation/up-gradation work at NIPA Lahore, Karachi, Quetta & PASC, Lahore and Academy for Rural Development, Peshawar has been completed.

Cabinet Division:

5.253 Under NRB's project, the Police Order 2002 was completed as promulgated through a presidential order on August 14, 2002, which is a major step towards ensuring law and order and dispensing speedy justice. Constitutional amendments, to provide legal protection to the Local Government system, were drafted and announced on August 21, 2002 in the form of Legal Framework Order 2002. A proposal for restructuring of civil service structure and system and restructuring of higher government structure and system were completed and presented to the Chief Executive on November 15, 2002. National Reconstruction Information Management System (NARIMS) was fully operationalised in District Chakwal. Guidelines for establishment of Citizen Community Boards were formulated and provided to the provincial governments. In order to encourage proactive citizenry to take part in local development, the idea, of Devolution Trust for Community Empowerment (DTCE) was conceptualized and given a practical shape. In addition, capacity building of Local Government representatives and state functionaries remained a prominent feature of year 2002-2003. The Good Governance Project aims at supporting NRB to conceive, design & facilitate the implementation of a strategic National Reconstruction Agenda for establishment of genuine democracy with sustained and durable Good Governance. Strategic focus of Phase-II is to analyze, consolidate and improve upon the devolution program. It supports the implementation of reconstruction initiatives identified & formulated during Phase-I by sponsoring research analysis and capacity building in related fields and formulation of new reconstruction initiatives.

PROGRAMME FOR 2004-05

Financial

5.254 An allocation of Rs. 5783.088 including foreign aid of Rs.1123.087 million has been made for Governance programmes in 2004-05. Details of the Ministry-wise allocation are given in Table – 5.16.

Table – 5.16
Allocation for 2004-05

Name of Ministry/Division	Allocation	F.Aid	Local Rupee
Statistics Division	62.837	0.000	62.837
P&D Division	71.653	0.000	71.653
Law, Justice & Human Rights Division	2400.00	163.710	2236.290
Finance Division	1206.405	920.184	286.221
Establishment Division	3.000	0.000	3.000
Cabinet Division	39.193	39.193	0.000
Interior Division	2000.000	0.000	2000.000
Total:	**5783.088**	**1123.087**	**4658.921**

Statistics Division:

5.255 During the year 2004-2005 a new survey entitled "Core Welfare Indicators Questionnaire (CWIQ) Survey" envisaged to provide household data at district level for PRSP and formulation of district level plans will be conducted. Besides completing the remaining work of data collection of economic census, data processing, preparation of reports and business directory will be completed. It is also envisaged to complete remaining work of Quarterly National Accounts so as to provide a sustainable programmes of QNA, development and stimulate the statistical system in the areas of macro-economic framework, its development, execution and realization of success under the latest UN System of National Accounts (SNA 1993).

Planning & Development Division:

5.256 Under Electronic Government, data bases of PSDP, Development Projects profile, Quarterly Project Reports (QPRs), Accounting System of the Jawaid Azfar Computer Centre (JACC) and the Planning and Development Division, Computerized Inventory of equipment and furniture shall be developed. These databases will improve overall efficiency of the Division by reducing information retrieval time. Furthermore, information will be available for all without any discrimination.

5.257 The Macro Modeling Project will undertake optimal control analysis for working out the magnitude of changes in policy instruments needed to attain a given set of objectives, extension of the model to include monetary sector, and to coordinate efforts of model building being undertaken by various research organizations in the country (like PIDE, SPDC etc.) and abroad (like Wharton Link Model, IMF Financial Programming Model and World Bank's RMSM).

Law, Justice & Human Rights Division:

5.258 During the next 2004-05, activities will be undertaken to complete the schemes initiated through Access to Justice (AJP) funds at the federal and the provincial levels. Similarly, measures will also be initiated for strengthening the newly introduced judicial/police reforms as well to implement the first phase of the TA Project for strengthening of institutional capacity.

Finance Division:

5.259 Under the Project for Improvement of Financial Reporting and Auditing (PIFRA), 11 remaining pilot sites and 32 roll out sites are planned to be completed. The funds requirement is to meet the procurement of the system, the hardware, licensing fee, implementation services site development and networking of all 52 sites.

5.260 The Public Sector Capacity Building Project (PSCBP) is approved by the Government. Objectives of the Project are: to Enhancing the capacity (skills; knowledge; attitude) of public sector officials; Strengthening capacity for improving the quality of entry level civil servants; Strengthening capacity of key ministries/agencies which are in the forefront of design implementation & monitoring of policy reforms; Strengthening capacity of independent regulatory institutions in

effectively regulating their respective sectors; and Enhancing Government's capacity to facilitate broad based civil service reforms (CSR).

5.261 The Central Board of Revenue developed a strategy for reform of tax administration in November, 2001 and its recommendations were approved by the Government on 17th November, 2001. The overall objectives of the Reform Programme are: To achieve financial and administrative autonomy (legal changes); To restructure the CBR along functional lines and develop a well trained and motivated workforce in order to develop and manage a modern, efficient revenue administration; To develop effective-working relationships with taxpayers and other government departments those contribute to increased compliance, and improved service; To increase the revenue net and collection and to eliminate revenue leakage; To bring taxpayers part of this reform programme by introducing effective self-assessment at the beginning of the process, risk based assessment in the middle and targeted audit at the end.

Establishment Division:

5.262 Various consultancies initiated under TA for National School of Public Policy (NSPP) will be completed and a project document for establishment of NSPP will be prepared for clearance of the CDWP/ECNEC. Preparatory work of construction of NIPA Complex Quetta will also be launched.

Cabinet Division:

5.263 Strategic focus of the Good Governance project during the next financial year would be on consolidation and entrenchment of government structures and systems currently in the process of implementation. Nevertheless, restructuring of civil service and higher government structure and system would be in sharp focus. Development of an internship programme for parliamentarians, Local Government System in Islamabad Capital Territory (ICT), Cantonments and FATA, Implementation of Local Governments in four districts of Balochistan recently restored by the Prime Minister, are some of the new areas of interventions.

OUTPUT OF AGRICULTURE

ITEMS	UNIT	2002-03	2003-04		2004-05	% Change	
			Targets	Prov.	Targets	2003-04/ 2002-03	2004-05/ 2003-04
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. KHARIF CROPS							
Rice	(000 MT)	4,478.4	4,550.0	4,847.6	5,114.0	8.2	5.5
Basmati	(000 MT)	2,304.3	2,300.0	2,534.6	2,540.0	10.0	0.2
Others	(000 MT)	2,174.1	2,250.0	2,313.0	2,574.0	6.4	11.3
Bajra	(000 MT)	189.2	200.0	273.7	225.0	44.7	-17.8
Maize	(000 MT)	1,737.1	1,800.0	1,770.9	2,209.0	1.9	24.7
Jawar	(000 MT)	202.5	250.0	238.1	262.0	17.6	10.0
Sugarcane	(000 MT)	52,055.8	52,500.0	53,419.0	50,875.0	2.6	-4.8
Cotton	(Mln Bales)	10.211	10.6	10.048	10.720	-1.6	6.7
II. RABI CROPS							
Wheat	(000 MT)	19,183.3	20,500.0	19,767.5	20,800.0	3.0	5.2
Barley	(000 MT)	99.6	125.0	100.6	125.0	1.0	24.3
Gram	(000 MT)	675.2	600.0	548.0	648.0	-18.8	18.2
Rap. & Mustard	(000 MT)	214.9	348.0	208.7	239.0	-2.9	14.5
Tobacco	(000 MT)	88.2	95.0	83.7	96.2	-5.1	14.9
III. LIVESTOCK							
Milk	(000 MT)	27,811.0	29,000.0	28,624.0	29,472.0	2.9	3.0
Meat	(000 MT)	2,133.0	2,300.0	2,196.0	2,263.0	3.0	3.1
Wool	(000 MT)	39.7	40.0	40.0	40.3	0.7	0.8
Hides	(Mln No)	8.2	8.4	8.4	8.6	2.4	2.4
Skins	(000 Nos)	40,308.0	40,420.0	41,420.0	42,577.0	2.8	2.8

Sources:

Crops

1 2002-03 *Economic Wing (MINFAL) & NAC(FBS)*
2 2003-04 *NAC(FBS)*
3 2004-05 *Rice,S.Cane,Cotton, Maize & Rap & Mustard(MINFAL) Wheat.Gram,Tobacco & Others (Food & Agr.Sec. P&D)*

Livestock 2002-05 *Livestock Division (MINFAL)*

Annex- 5.2

Key Physical Targets for 2004-2005 and Expected Achievements during 2003-04

S.No	Item	Unit	Target for 2003-04	Expected Ach. 2003-04	Target for 2004-05
Irrigation					
1.	Water Availability (Cumulative)	Mhm MAF	16.64 134.88	16.64 134.88	16.69 135.28
Drainage & Reclamation					
3.	Disastrous area protected	Mha	0.24	0.10	0.24
4.	Tubewells a. Drainage TWs	No	---	---	60
5.	Surface Drains (Earthwork)	MCM	43.70	43.70	17.90
Flood Control					
	a. Embankments d. Spurs	Km No	100 31	55 17 *(more than 115 small schemes)*	119 33
OFWM Programme (Revised Target)					
i). ii) iii).	Watercourse Improvement Precision Land Leveling Water Storage Tank	No Hac No	2000 6000 50	240 1200 50	7500 14998 146

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

Annex – 5.3

PHYSICAL TARGETS/ACHIEVEMENTS

Fuel :

S.No.	Items	Unit	Estimated Achievement 2003-04	Target 2004-05	Percentage Increase 2004-05/2003-04
1.	Crude Production	B.P.D	62080	68074	10%
2.	Gas Production	M.M.C.F.D	3237	3767	16%
3.	Wells Drilled:	Nos	40	-	-
	Exploratory	Nos	23	-	-
	Appraisal Dev.	Nos	17	-	-
4.	L.P.G Production	Tonnes/day	1000	1600	60%
5.	Coal Production	Mil.Tonnes Annum	3.5	3.4	97 %

MANUFACTURING SECTOR

UTILIZATION DURING 2003 - 04 AND ALLOCATIONS FOR 2004 - 05

(Million Rupees)

Sr. No.	Name, Location and Status of the Scheme	Estimated Cost		Estimated Expenditure upto June, 2003	2003 - 2004 Revised Estimates	2004 - 05 Allocations (F. Aid)
		Total	F. Aid			
1	2	3	4	5	7	8
ON - GOING						
1	Support for Reforms in Regulatory and Legal Policy Environment for Private Sector Growth (WB)	23.600	21.500	12.000	9.458	0.000
2	Project Preparatory Technical Assistance for SME's Sector Development.	57.600	48.000	48.800	8.800	0.000
	NEW					
3	Balancing and Modernization of Workshop Facilities at PITAC, Lahore	454.118	424.676	0.000	0.000	92.432 (71.340)
4	Upgradation of Plastic Technology Centre, Karachi (Japan) Approved by ECNEC.	396.000	366.000	0.000	0.000	180.000 (150.00)
5	Upgradation and Modernization of PITAC (Lahore) Metal Processing Development Centre (JICA) Approved by ECNEC.	284.000	264.000	0.000	0.000	115.00 (100.00)
6	Automotive Testing and Training Centre (Karachi)	398.000	378.000	0.000	0.000	5.000
	TOTAL (Industries):	**1613.318**	**1502.176**	**60.800**	**18.258**	**392.432 (321.340)**

INDUSTRIAL AND MINERAL PRODUCTION

	ITEMS	UNITS	2002-03 (Actual) *	2003-04 (Targets)	2003-04 (Estimates) **	2004-05 (Targets) #	% Change 2003-04/ 2002-03	% Change 2004-05/ 2003-04
A.	**INDUSTRIAL PRODUCTION (Large-Scale Manufacturing)**							
1	Cotton Yarn	Mln Kg	1,915	2,063	1,952	2,089	1.9	7.0
2	Cotton Cloth	Mln SQ Mtr	582	609	673	727	15.6	8.0
3	Vegetable Ghee	000 MT	772	824	800	850	3.6	6.3
4	Sugar	000 MT	3,686	3,800	4,000	3,808	8.5	-4.8
5	Paper & Paper Board	000 MT	376	356	406	435	8.0	7.1
6	Nitrogeneous Fertilizer	000 NT	2,199	2,214	2,272	2,431	3.3	7.0
7	Phophatic Fertilizer	000 NT	113	210	246	280	117.7	13.8
8	Soda Ash	000 MT	281	253	290	305	3.2	5.2
9	Caustic Soda	000 MT	164	167	188	198	14.6	5.3
10	Paints & Varnish (L)	000 Ltr	46,535	51,078	63,534	82,595	36.5	30.0
11	Paints & Varnish (S)	MT	3,899	12,752	5,994	6,893	53.7	15.0
12	Petroleum Products	Mln Litr	10,826	12,414	11,004	12,105	1.6	10.0
13	Cement	000 MT	10,845	11,987	12,334	14,185	13.7	15.0
14	Billets	000 MT	408	442	440	450	7.8	2.3
15	HR/CR/Sheets	000 MT	738	788	730	730	-1.1	0.0
16	Trucks	Nos	1,950	2,591	2,003	2,778	2.7	38.7
17	Buses	Nos	1,340	1,662	1,381	1,710	3.1	23.8
18	LCVs/Jeeps	Nos	12,548	14,552	13,936	21,335	11.1	53.1
19	Cars	Nos	62,893	72,103	95,586	114,703	52.0	20.0
20	Tractors	Nos	26,501	28,000	34,300	43,766	29.4	27.6
21	Air Conditioners	Nos	12,043	5,272	34,856	40,782	189.4	17.0
22	Refrigerators	000 Nos	373	413	555	600	48.8	8.1
23	TV Sets	000 Nos	765	770	820	900	7.2	9.8
24	Bicycles	000 Nos	630	698	645	670	2.4	3.9
25	Electric Transformers	000 Nos	18	28	32	37	77.8	15.8
26	Electric Supply Meters	000 Nos	967	961	1,525	1,980	57.7	29.8
27	Coke	000 MT	775	798	821	825	5.9	0.5
28	Cigarettes	Mln Nos	49,365	51,775	54,237	55,864	9.9	3.0
29	Jute Goods	MT	95	95	105	125	10.5	19.0
30	Motor Tyres	000 Nos	1,082	1,393	1,286	1,536	18.9	19.4
31	Motor Tubes	000 Nos	616	800	558	620	-9.4	11.1
32	Pig Iron/Hot Metals	000 MT	1,140	1,152	1,160	1,190	1.8	2.6
33	Shuttles	000 MT	79	80	93	107	17.7	15.1
34	Electric Motors	Nos	22,744	28,458	23,880	26,270	5.0	10.0
35	Power Looms	Nos	451	600	570	684	26.4	20.0
36	Tea Blended	Tonnes	57,570	58,260	59,556	62,304	3.4	4.6
37	Liquid Syrups	000 Ltr	30,558	32,486	37,094	45,440	21.4	22.5
38	Ointments	000 Kg	850	900	918	1,009	8.0	9.9
39	Cooking Oil	000 MT	143	156	166	180	16.1	8.4
B.	**MINERAL PRODUCTION**							
1	Crude Oil	BPD	65,128	73,216	62,320	68,074	-4.3	9.2
2	Natural Gas	MMCFD	2,654	3,472	3,243	3,767	22.2	16.2
3	Coal	000 MT	3,400	3,601	3,601	3,800	5.9	5.5
4	Limestone	000 MT	7,090	10,835	8,030	8,835	13.3	10.0
5	Rock Salt	000 MT	670	1,508	750	825	11.9	10.0

* 2002-03 Final Data of National Acccounts Committee (Federal Bureau of Statistics)

** 2003-04 Estimated by Planning & Development Division and Ministry of Industries & Production

\# 2004-05 Targets (Planning & Development Division and Ministry of Industries & Production)

MINERALS SECTOR
(Non - Fuel Minerals)

UTILIZATION DURING 2003 - 04 AND ALLOCATIONS FOR 2004 - 05

(Million Rupees)

Sr. No.	Name, Location and Status of the Scheme	Total Cost	Allocation for 2003-04	Estimated Expenditure upto June, 2004	Allocation for 2004-05
1	2	3	4	5	6
ON - GOING					
1	Construction of Office Buildings for GSP at Peshawar.	50.900	20.000	15.000	0.000
2	Construction of Office, Lab and Building for GSP at Lahore	33.600	5.920	0.000	0.000
NEW					
3	Accelerated Geological Mapping and Geochemical Exploration of the out-crop area of Pakistan	444.500	5.000	0.000	0.000
4	Airborne Geophysical Survey for identification of Mineral Potential Area of Pakistan.	857.400	5.000	0.000	0.000
5	Accelerated Ground water Study in Balochistan	147.300	5.000	0.000	0.000
6	Ground Follow up Arrow Magnetic Anamolies in chaghi District, Balochistan.	162.982	5.000	0.000	30.000
7	Accelerated Mineral Exploration Programme of GSP to identify new economic mineral deposits in thecountry.	16.830	0.000	0.000	8.000
	TOTAL (Minerals):	**1696.682**	**45.920**	**15.000**	**30.000**

PHYSCIAL PLANNING & HOUSING SECTOR
MAJOR PROGRAMMES AND PHYSICAL TARGETS (2004-05)

Sr. No.	Sub-Sector	Targets
1.	Urban Residential Plots	To facilitate development of 1.20.000 small-size residential plots in "Site & Services schemes" in urban areas.
2.	Urban Water Supply	Increase urban population coverage from present 87 per cent to 89 per cent.
3.	Sewerage and Sanitary Drains	Increase urban population coverage from present 55 per cent to 56 per cent.
4.	Rural Water Supply	Increase rural population coverage from present 56 per cent to 57 percent.
5.	Rural Sanitation	Increase rural population coverage from present 30 per cent to 31 per cent.
6.	Government Servant Housing	Provision of additional 1.000 houses and flats for Government Employees in Islamabad and Provincial Capitals.
7.	Government Offices/ Buildings	Construction of 0.100 million square-feet covered area for Federal/Provincial Government Agencies and Civil Armed Forces.
8.	Katchi Abadis improvement	Improvement of environmental conditions of additional 0.500 million population in Katchi Abadies/Slums.
9.	5 Marla urban & 7 Marla Rural Plots	Provision of 0.8 million plots for low-income families

Annex-5.8

Statement Showing the Release of funds to the Provinces under DERA-I

(Rs. in million)

S.No.	Name of Province / DERA Agencies	Share	2001-02	2002-03	2003-04	Total Funds Released
1	2	3	4	5	6	7
1.	Balochistam	30 %	1,304.463		400.00	1,704.463
2.	Sindh	30 %	1,304.463	650.000	650.000	2,604.463
3.	Punjab + Cholistan	25 %	1,351.053	563.500	625.000	2,539.553
4.	NWFP + FATA	15 %	698.232		774.000	1,472.232
5.	Federal DERA Unit		0.908	15.099	15.657	31.664
	Total :		**4,659.119**	**1228.599**	**2,464.657**	**8,352.375**

Annex 5.9

DERA Finnancial Analysis for allocation, Releases, Utilization and Reimbursement As on 20th May, 2004

(Rs. in million)

Provinces/ DERA Agencies	Allocation	Releases		Expenditure		Reimbursement	
			% of Allocation		% of Release		% of Expenditure
PUNJAB	2,451.55	2539.55	88	1,624.10	64	1119.15	69
SINDH	2,920.67	2,604.46	89	1502.21	58	1044.18	70
NWFP + FATA	1906.23	1,472.23	77	624.6	42	328.81	53
BALOCHISTAN	2,920.67	1,704.46	58	721.41	42	426.81	59
FDU	322.9	31.664	10	16.01	50	15.28	95
TOTAL	**10,522.02**	**8352.364**	**79**	**4,488.33**	**54**	**2934.23**	**65**

Sector and province-wise summary of schemes being executed under Drought Emergency Relief Assistance Programme during 2003-04.

(Rs. in Millin)

Sectors	Punjab		Sindh		NWFP		Balochistan		Total	
	Nos	Cost	Nos	Cost	Nos	Cost	Nos	Cost	Nos	Cost
Irrigation & dams	2	26.192	4	48.774	247	632.826	123	1595.261	**376**	**2303.053**
Water management	95	724.566							**95**	**724.566**
Drinking water	189	817.511	166	560.953	423	718.122	144	629.963	**922**	**2726.549**
Roads	276	631.318	347	2198.525	37	89.775	11	326.457	**671**	**3246.075**
Agriculture	17	83.290					4	112.374	**21**	**195.664**
Forestry	3	13.635	2	7.620					**5**	**21.255**
Fisheries	1	19.300							**1**	**19.300**
Live Stock	28	168.792	8	14.986					**36**	**183.778**
Health	14	43.174	35	103.119					**49**	**146.293**
Community welfare	5	8.928							**5**	**8.928**
Total	**630**	**2536.706**	**562**	**2933.977**	**707**	**1440.723**	**282**	**2664.055**	**2181**	**9575.461**

PCPPI—2937(04) Pl. Div.—26-6-2004—1000.