Annual Plan
2008-09

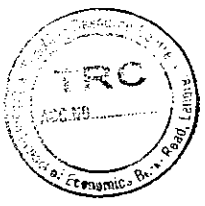




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Executive Summary

Overview of Economy

Review for 2007-08

The economy suffered a setback in 2007-08 as GDP registered a growth of 5.8% against the target of 7.2% and a growth rate of 6.8% in 2006-07. Economic performance was adversely affected by domestic and international pressures and serious short comings in economic management.

The major sectors, agriculture and manufacturing, lagged behind the set targets and economic growth primarily stemmed from better than expected growth of the services sector. Domestic power shortages, resulting from flawed past policies and inaction, together with high inflation resulted in severe hardship to ordinary citizens.

Agriculture: Agriculture sector could not perform well and grew by 1.5% compared to the Annual Plan target of 4.8%, attributed to decline in major crops to the tune of 3.0%. The decline was due to lower production levels both in wheat and cotton and lower use of fertilizer. Livestock which contributes about 50% towards agriculture sector value added is provisionally estimated to have grown at a rate of 3.8% against the projected growth of 5.7%.

Manufacturing: Manufacturing sector is estimated to grow at 5.4%. The lower than target growth is because of poor performance in large scale manufacturing sector, partly on account of power shortages and partly due to loss of export competitiveness. The large scale manufacturing has shown a growth of 4.8% against the target of 12.5%. The value added in construction sector grew by 15.2% compared to the target of 8.0%.

The poor performance of the commodity producing 'real' sector of the economy requires urgent attention.

Services: In 2007-08, as against the target of 7.1%, the services sector has increased by 8.2% contributed by transport, storage & communication (4.4%), wholesale & retail trade (6.4%), finance and insurance (17.0%), ownership of dwellings (3.5%), public administration & defence (10.9%) and social, community & personal services (9.4%).

Savings and Investment: Total investment has declined from 22.9% of GDP in 2006-07 to 21.6% in 2007-08. Like total investment, private investment in terms of ratio to GDP also declined from 15.6% to 14.2%. However, during the same period, public investment remained constant at 5.7% of GDP. As a result of high inflation especially in food items, there has been an erosion in the saving capacity of the general public which has partly resulted in the national savings to fall from 17.8% of GDP in 2006-07 to 13.3% in 2007-08.

The decline in investment but more importantly in savings must be reversed and indeed substantially increased if the economy is to have sustainable economic growth.

Balance of Payments: The balance of payments position during 2007-08 remained under pressure as reflected in the worsening of the trade deficit. The main factors for the rise in the trade deficit have been higher imports mainly due to sharp increase in prices of oil and food commodities and low growth of traditional manufactured exports.

The current account deficit is being assessed at $14.1 billion (8.3% of GDP) which is higher than the target of $8.1 billion (5% of GDP). This combined with a decline in FDI led to a significant drawdown of $4 billion in foreign exchange reserves.

Fiscal and Monetary Developments: The fiscal and monetary developments during 2007-08 were influenced by internal and external pressures and monetary and fiscal mismanagement. The overall fiscal deficit, due to sharp increase in current expenditures and burden of subsidy on oil and food items, will exceed the target significantly.

Monetary policy during 2007-08 was unhinged due to large government borrowings for budgetary support and lack of monetary discipline to keep this in check.

Inflation: A sharp upsurge was observed in the prices of essential food items, due to a combination of domestic and external factors. Continued supply shortages of the staple food items are the key domestic factors having upward pressure on food prices. On the international front, the prices of food items continued to remain strong due to growing demand of key food crops and its conversion into bio-fuel.

PSDP: During the year 2007-08, PSDP/GDP ratio amounted to 4.6%. The releases/ expenditure during July 2007-April 2008 were Rs 227 billion (75.6%) of the total net federal allocation which is higher than the development expenditure of Rs170.0 billion (68.0%) incurred during the same period last year (2006-07).

Prospects for 2008-09

GDP growth has been envisaged at 5.5% to be contributed by growth rates of agriculture (3.5%), manufacturing (6.1%) and services (6.1%). To attain the projected growth target, total required **investment** is projected at Rs 2638.8 billion, about 17% higher than last year's level. As a ratio to GDP, total investment is expected to stay around last year's level (21.5% of GDP). For financing the required investment, national savings as a ratio to GDP is projected to increase to 14.3% in 2008-09. The inflation rate (CPI) for next year has been projected at 11.0%. However, the inflation scenario would remain sensitive to international price movements.

Exports (fob) are projected to grow by 16% to $22.9 billion. **Imports** are projected to increase by 6.5% to $37.2 billion due to higher volume of import of food items and POL. The trade account is projected to be in deficit of $14.3 billion in 2008-09. Remittances have been projected at $7.7 billion. The current account deficit is estimated to be $12.7 billion or 7.2% of GDP.

The main objective of **fiscal policy** would be to keep the deficit within a sustainable limit by furthering reforms in the tax system, broadening the tax base, improving tax compliance, minimizing tax evasion and allocating adequate resources for development activities.

The **monetary** expansion will be in line with the projected GDP growth of 5.5% and inflation of 11.0%. To keep money supply growth rate in the vicinity of the targeted level and to encourage private sector credit, it is imperative that government borrowings be limited to a safe level. This will also help in keeping the inflation rate at targeted level.

PSDP for 2008-09 lays emphasis on maintaining momentum of growth, realization of core MTDF objectives, especially reducing poverty and achieving the Millennium Development Goals. Total Size of PSDP 2008-09 is Rs 541 billion (including foreign loans of Rs 67 billion).

Poverty Reduction and Human Development: Reducing poverty by providing support to the poor is the overarching objective of the new Government. The poverty reduction strategy of the Government provides a comprehensive support package for the poor, especially marginalized and vulnerable segment of the population. It aims at providing relief against rising inflation, unemployment, ill health and illiteracy, lack of skills and poor housing. A comprehensive plan has been prepared to protect and empower the poor which will allow them to earn a decent standard of living. During 2007-08, mainly as a result of high inflation, especially food inflation at 15% during July-April 2007-08 and slowing down of economic growth in major sectors, poverty levels are expected to increase.

Enabling Environment for Private Sector Growth: A major aim of the measures described above is to ensure macroeconomic stability and a conducive environment to encourage investment and growth of the private sector. The government through the development of physical and social infrastructure will assist in raising productivity and competitiveness in manufacturing and agriculture. Public-private partnership will be encouraged in developing this infrastructure.

PSDP 2008-09

The five major priorities of the PSDP are:

- comprehensive support program for poor and vulnerable groups;
- overcoming water and energy crises;
- uplift of Balochistan, NWFP and Special Areas;
- reviving growth in agriculture and manufacturing; and
- building up human resources to compete in the global economy.

Prime Minister's Initiatives

To ensure that these core priorities are reflected in the PSDP, key programs have been included as part of the Prime Minister's Special Initiatives. These cover:

- program for poverty alleviation;
- employment and skills development;
- rural development with emphasis on White Revolution and village product specialization;
- improvement in basic health facilities;
- housing for all through a revolving fund of Rs 10.0 billion; and
- improving governance.

Sectoral Development Program

Agriculture Development: A target of 4.8% of agriculture growth was fixed for 2007-08. To achieve this growth target, an amount of Rs 15.8 billion was allocated (besides provincial ADP spending) in PSDP 2007-08. The world experienced food crisis, due to depletion of stocks, diversion of grains to livestock feed to meet growing demand of meat and milk created by rising incomes as well as to bio-fuel production. This also affected Pakistan as a result of which high food inflation was observed. Steps to avoid food crisis include: bridging the yield gap through increasing productivity, increasing

investment in agricultural research, increasing credit outreach, promoting water use efficiency, rationalize agriculture prices, subsidize the inputs and proper monitoring of movement of essential commodities. An amount of Rs 20.3 billion has been allocated for different on-going and new development projects in 2008-09.

Livestock: Domestic animal performance will be enhanced by breed and feed quality improvement, better animal husbandry practices, and improving health coverage. Major development projects for this sector include: Strengthening of Livestock Services for Livestock Disease Control; Development of Meat Production; Milk Collection, Processing and Dairy Production; The White Revolution "Dhoodh Darya"; Improving Reproductive Efficiency of Cattle and Buffaloes in Small Holders' Production System; Aquaculture and Shrimp Farming.

Water Resources Development: During 2007-08, against an allocation of Rs 71.3 billion, over 90% i.e. Rs 65 billion are likely to be utilized. Maximum resources have been given to the timely completion of on-going projects. It is expected that the overall water availability will increase from 18.2 Mhm (147.6 MAF) in 2007-08 to about 18.43 Mhm (149.4 MAF) in 2008-09. The water availability will be improved through a major emphasis on water conservation measures such as remodelling/rehabilitation of existing irrigation system, lining of irrigation channels/ watercourses and completion of on-going mega projects being implemented on fast track basis. Water Sector has been given high priority in the resource allocation for 2008-09 with an allocation of Rs 75.0 billion (including On-farm Water Management Program).

Energy: For the year 2007-08, an allocation of Rs 99.7 billion (including foreign aid of Rs 10.9 billion) was made for the power sector. An allocation of Rs 1.8 billion was made for fuel sector.

In 2008-09, an allocation of Rs 76.2 billion (including Foreign aid of Rs 16.3 billion) has been made for the power sector. Overcoming energy shortages is being undertaken on an urgent basis. A comprehensive Long-Term Energy Strategy is being prepared on Prime Minister's directive.

Manufacturing and Minerals: An expenditure of Rs 14.7 billion has been incurred during 2007-08 in the industry sector against an allocation of Rs 10.0 billion. Achieving accelerated industrialization is the foremost goal by capitalizing upon national strengths and mitigation of weaknesses. The challenge for Pakistan is not to rediscover industrial policy, but to re-deploy it in a more effective manner in the national, regional and global context. The policy framework will be based upon the model of advance industrial economies, where focus is on the entire value chain. An allocation of Rs 4.6 billion has been earmarked for manufacturing sector in 2008-09 PSDP.

Mineral potential of Pakistan is widely recognized and needs to be developed through institutional, academic and R&D infrastructure. An allocation of Rs 221.9 million has been earmarked for minerals (non-fuel) sector. Major projects to be carried out during 2008-09 include: Feasibility Study Gasification of Thar Coal; National Coal Policy; Exploration and Evaluation of Coal fields of Chamlang-Bala Dhaka, Bahlol and Parts of Ghazi Basin in Balochistan.

Transport and Communication: The PSDP for 2007-08 provided an outlay of Rs 51.0 billion of which Rs 29 billion is for the National Highway Authority. Against this, an expenditure of Rs 45 billion has been incurred giving an overall utilization of 88% of the total outlay.

The transport development program 2008-09 would be based on a broad strategy that will include establishment of a multi-modal transport system; an emphasis on asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system; enhanced private sector participation in sector development and institutional capacity building, with research and development and use of modern technology, procedures and processes to increase sector efficiency. An allocation of Rs 60.6 billion has been made for the development program of the Transport & Communications Sector in PSDP 2008-09. This includes Rs 36.5 billion for the National Highway Authority.

A major step under the National Trade Corridor initiative is the restructuring of Pakistan Railways on commercial lines. Seven fast freight trains have already been introduced from Karachi to Lahore / Faisalabad and back.

Physical Planning and Housing: During 2007-08, an amount of Rs 19.7 billion was allocated. It is estimated that total Rs 17.8 billion will be spent on development of 103 thousand residential plots in urban areas, water supply in urban and rural areas serving an additional population of more than 2.27 million, provision of sanitation facilities to an additional 1.30 million population both in urban and rural areas, improved environmental conditions of 0.25 million population living in Katchi Abadis / slums and construction of 0.50 million square feet additional covered area for government servant housing / offices at Federal and Provincial levels.

During 2008-09, it is planned to develop a National Spatial Strategy to safeguard the areas of national interest and provide guidelines aimed at maximizing efficiency of human settlements and other productive efforts and enhancing rural-urban complementarities.

Education: During 2007-08, an amount of Rs 6.6 billion was provided in Federal PSDP for expansion and development of Basic and College Education. Elementary education and literacy have been allocated sufficient resources to achieve the targets of Universal Primary Education (UPE) and to improve Gender Parity Index (GPI). Specific Programs "Education Sector Reforms" (ESR) and establishment of new Cadet Colleges in the country have been launched for the qualitative improvement of education.

An allocation of Rs 6.0 billion has been made for 2008-09 for Basic and College Education projects.

Higher Education: In the year 2007-08, an amount of Rs18.0 billion was allocated to Higher Education Commission (HEC) for development projects. The portfolio of the HEC during this period consisted of 334 development projects of which funding of 76 projects have been successfully completed with the remaining in various stages of implementation. Major targets include: Establishment of 4 engineering universities in collaboration with foreign countries France, Germany, China, Italy at Karachi, Lahore and Islamabad; MS/ M.Phil. leading to PhD program for 4000 faculty for strengthening of Public Sector Universities/ DAIs; Ph.D. scholarship program for 2000 Pakistani student in the foreign universities; and 1000 indigenous scholarships will be awarded for foreign Ph. D. studies.

An amount of Rs 19.1 billion has been allocated for a total of 260 ongoing development projects of the universities under HEC PSDP for 2008-09.

Science and Technology: During 2007-08, Rs 4.8 billion was allocated to Science & Technology sector. It is expected that 80% of the total would be utilized by the end of the financial year.

For 2008-09, an amount of Rs 4.0 billion has been allocated to Science and Technology sector.

Information and Communication Technology: In the PSDP 2007-08, an amount of Rs 5.5 billion was allocated for Information Technology Sector for 118 projects.

The PSDP earmarked for 2008-09 will further enhance the human resource development, IT industry development, E-Government, infrastructure development, and will create employment opportunities in the IT sector. In the PSDP 2008-09, an amount of Rs 4.6 billion has been earmarked for IT sector for 82 projects worth Rs 40 billion.

Health: An amount of Rs 15.4 billion is provided in PSDP 2007-08 for preventive and curative programs in health sector. The major thrust in this area is to help in achieving the Millennium Development Goals. A balance is being struck by investing in prevention and control of both communicable and non-communicable diseases.

Lady Health Workers will be doubled from 100,000 to 200,000 and utilized for curative nutrition interventions to reach targeted population groups.

An amount of Rs 19.9 billion has been allocated to the Health Sector in the PSDP of 2008-09, showing an increase of Rs 4.2 billion (21%) over 2007-08.

Population: During 2007-08, an amount of Rs 4.3 billion was allocated to 30 projects and programs of the population sector. The Population Welfare Program for 2008-09 is in line with the sectoral targets and objectives set in MTDF (2005-10) and Millennium Development Goals. An allocation of Rs 4.3 billion is made in the PSDP 2008-09.

Employment Promotion: An allocation of Rs 203.4 million including Rs 5.0 million for Overseas Pakistanis Division was made in PSDP 2007-08 for 15 ongoing projects. Government policies for employment generation and promotion are based on three types of measures; direct and targeted measures, accelerated investment and up gradation of technical and vocational competence of the labour force.

An allocation of Rs 160.8 million including Rs 8.8 million for Overseas Pakistanis Division have been made in the PSDP 2008-09 for ongoing projects/programs.

Women Empowerment and Social Welfare: Major programs of women empowerment include: establishment of women crises centers, and awareness through media for women's development.

The social welfare programs focus on neglected, disadvantaged, underprivileged, destitute, children, senior citizens and disabled people. An amount of Rs 519.9 million in PSDP 2008-09 has been allocated for 28 projects. The Women Development allocation for 2008-09 has been increased by about three folds as compared to the allocation for the last three years.

Rural Development: During 2007-08, an amount of Rs 6.3 billion including Rs 307 million of foreign aid was allocated in the PSDP for rural development sector. Major initiatives are being undertaken for capacity building and removing bottlenecks effecting development of rural basic infrastructure. The proposed programs for 2008-

09 for the Rural Development sector include an amount of Rs 5.8 billion including Rs 430 million foreign aid.

Environment: The Federal PSDP 2007-08 earmarked Rs 8.5 billion for the environment sector. PSDP 2008-09 provides Rs 9.5 billion for Environment Sector projects. In addition allocation of about Rs 1.0 billion would be made in the Provincial ADPs for the sector.

Good Governance: An amount of Rs 12.5 billion has been allocated for the Governance sector during 2007-08 and Rs 10.0 billion have been spent, thereby showing a utilization of 79%. A number of initiatives have been undertaken for addressing governance related issues. These include: Access to Justice Program, Tax Administration Reforms, Public Sector Capacity Building, National Commission for Government Reforms, Devolution and Police Reforms. An amount of Rs 12.8 billion including foreign aid of Rs 5.0 billion for the sectoral programs in 2008-09.

Chapter 1

Growth, Investment and Savings

Overview

Economic performance in 2007-08 was adversely affected by domestic and international pressures resulting in a set back to the economy. GDP registered a growth of 5.8% against the target of 7.2%. This was accompanied by a double digit inflation and sharply rising trade deficit. Major sectors, agriculture and manufacturing, lagged behind the set targets. Domestic power shortages, reflecting shortcomings in economic management, together with soaring energy prices in international markets slowed down economic growth and resulted in severe hardship to ordinary citizens. For 2008-09, a GDP growth of 5.5% has been envisaged keeping in view the need to regain macroeconomic stability and expected movements in international oil and commodity prices.

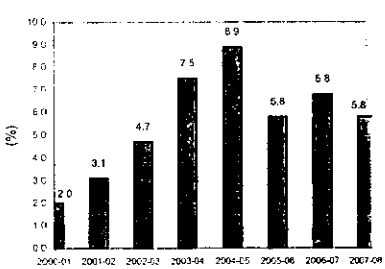
It appears that the spurt in economic growth in recent years was not sustainable. After reaching a peak in 2004-05, the economy has gradually slowed down to its current low growth rate. Favourable external economic circumstances especially injections of concessional aid inflows fuelled this growth hike. As these eased and global oil & commodity prices rose at an unprecedented rate, the economy began to slip downwards. This situation was made worse by short-sighted domestic economic management. These developments once again show the tendency of the Pakistan economy to move in stop-go cycles.

Review of Annual Plan 2007-08

The GDP for the year 2007-08 was targeted to grow at 7.2% comprising growth rates of 4.8% in agriculture, 9.4% in industry and 7.1% in services sector. The manufacturing sector was targeted to grow by 10.9% with large scale manufacturing growing at 12.5%. Investment and national saving rates were projected to be 23.8% and 18.8% of GDP respectively. Inflation was projected at 6.5%.

Box 1.1

REAL GDP GROWTH RATE



GDP growth in real terms has increased from 2.0% in 2000-01 to its peak level of about 9.0% in 2004-05. Thereafter, it averaged around 6.1% per annum during 2005-06 to 2007-08. During the same period, structure of the GDP has changed significantly with the share of agriculture declining from 24.9% in 2000-01 to 20.9% by 2007-08 and that of services sector increasing from 51.3% to 53.2%.

GDP Growth

On the basis of latest available information, the GDP growth for 2007-08 has been estimated at 5.8% which is well below the Annual Plan target of 7.2%. The decline in growth rate has largely come from the poor performance of the productive sectors or the real economy. Depressed production in cotton, wheat and large scale manufacturing was

mainly responsible for the decline. In contrast, growth rate of services sector has surpassed the target (Annex 1.1). GDP growth for last three years averaged at 6.1% per annum. (Box 1.1)

Sectoral Growth Performance

Agriculture sector could not perform well and grew by 1.5% compared to the Annual Plan target of 4.8%, due mainly to decline in major crops to the tune of 3.0%. Total fertilizer nutrient offtake during Rabi crop (October-December, 2007) was 1,214 thousand tonnes which was 20.3% less than the same period last year. Out of the total offtake, nitrogen was 859 thousand tonnes (-7.6%), phosphate 347 thousand tonnes (-39.5%) and potash about 9 thousand tonnes (-51.4%). Urea offtake was 1514 thousand tonnes (0.7%) and DAP 620 thousand tonnes (-36.4%). The subsidy provided on fertilizer could not make a significant impact on the offtake because prices in international market registered a significant increase which dampened its impact.

Crop-wise analysis suggests that the decline in agriculture output was due to lower production levels both in wheat and cotton. According to provisional estimates, output of wheat has been estimated at 21.8 million tonnes which is 9.0% below the Annual Plan target and 6.3% below last year's level of 23.3 million tonnes. On account of late start of sugarcane crushing and delay in picking of cotton crop, wheat area declined by about 2.0% from the target. Similarly, cotton crop, estimated at 11.7 million bales, is 9.3% less than last year's production and 17.3% less than the target. The rice output, though increased by 2.3% to 5.6 million tonnes against the last year level of 5.4 million tonnes, is still lower than the Annual Plan target of 5.7 million tonnes. Finally sugarcane registered a growth of 14.2% to 62.5 million tonnes against last year's level of 54.7 million tonnes. Details of output of agriculture crops are given at Annex 1.2.

The minor crops registered a growth rate of 4.9% against the target of 2.3%. Within the minor crops, the production of pulses namely mash, masoor and mung has increased by 8.8%, 13.8% and 28.4% respectively.

Livestock which contributes about 52% towards agriculture sector value added is provisionally estimated to have grown at a rate of 3.8% against the projected growth of 5.7%. The output of milk and hides has registered an increase of 3.2% and 3.4% respectively. The output of meat, wool and skins increased by 4.2%, 1.2% and 2.3% respectively. Fishery has been estimated to grow by 11.0%. The value added of forestry decreased by 8.5% against the targeted increase of 3.5%.

Mining & Quarrying sector which was targeted to grow by 4.5% is provisionally estimated to have grown by 4.9%. This growth was mainly contributed by increase in production of crude oil (8.5%), natural gas (2.4%) and limestone (20.8%).

The manufacturing sector was targeted to grow by 10.9% with large scale manufacturing and small scale manufacturing growing at 12.5 and 7.5% respectively. For the year 2007-08, manufacturing sector is estimated to grow at 5.4%. The lower than target growth is because of poor performance in large scale manufacturing sector, partly on account of power shortages and partly to loss of export competitiveness due to higher input costs. The large scale manufacturing has shown a growth of 4.8%.

During July-March, 2007-08, the large scale items which have registered impressive growth in production are sugar (34.0%), cement (17.9%), buses (32.1%), TV sets (19.3%), soda ash (13.5%), woollen and carpet yarn (12.8%) and tea blended (10.4%). The items which have shown significant decline during the same period are H/C.R.

sheets (10.0%), billets (17.1%), coke (13.9%), electric transformers (36.2%), tractors (5.2%), deep-freezers (11.2%) and paper & paper board (5.6%).

The value added in construction sector grew by 15.2% compared to a target of 8.0%. This has been computed on the basis of consumption of cement in construction activity.

The value added in the electricity, gas & water supply is estimated to decline by 14.7% (against the targeted increase of 3.0%) largely due to the escalation in the cost of inputs.

In 2007-08, as against the target of 7.1%, the services sector has increased by 8.2% contributed by transport and storage & communications (4.4%), wholesale & retail trade (6.4%), finance and insurance (17.0%), ownership of dwelling (3.5%), public administration & defence (10.9%) and social, community & personal services (9.4%).

Savings and Investment

For 2007-08, total investment in current prices is estimated to be Rs 2258.2 billion which is 21.6% of GDP compared to last year's 22.9%. Like total investment, private investment in terms of ratio to GDP also declined from 15.6% to 14.2%. However, during the same period public investment remained constant at 5.7% of GDP.

Gross fixed investment in the private sector in 2007-08 amounted to Rs 1488.6 billion, the distribution of which across various sectors has been reflected in Table 1.1.

Table 1.1: Distribution of Private Fixed Investment: 2007-08

Sectors	% Share
Agriculture	10.4
Mining & Quarrying	3.8
Manufacturing	25.3
Services	12.2
Transport & Communication	24.2
Ownership of Dwellings	10.7
All Others	13.6
Total	100

As shown by the overall shares of private fixed investment, maximum investment went into the manufacturing followed by transport & communication sector. The pattern was similar to last year when the share was recorded at 25.6% for manufacturing and 24.4% for transport and communication sector.

As a result of high inflation especially in food items, there has been an erosion in the saving capacity of the general public which has partly resulted in national savings to fall from 17.8% of GDP in 2006-07 to 13.3% in 2007-08. This had serious implications

for financing of investment expenditures through national savings which amounted to only 61%, with a considerable proportion of 39% to be financed through borrowing from abroad. In 2006-07, foreign-funded proportion of investment was limited to 22%. The details of the macroeconomic framework may be seen at Annex 1.3.

Increasing reliance on external resources for investment financing in recent years has been a cause of concern. The dependence on external resources which was 21% during the 1980s rose to 25% in the 1990s. In more recent years, it has again shown a tendency to rise. The dependence level at 21% during 2005-06, went up to 22% in 2006-07 and further to 38% during 2007-08. A mirror image of the rising dependence level is the reduced level of national saving, which has gone down as low as 13.3% during 2007-08.

Relatively low savings have remained a source of concern since long, as it necessitates dependence on foreign resources for financing investment. A comparison of Asian economies for 2006 shows that Pakistan has one of the lowest gross domestic savings rate (13.7%) compared with other regional economies such as Bangladesh (20.3%), India (32.4%), China (47.3%), and Malaysia (43.0%). As the development requirements of the economy increase, greater attention needs to be focused upon mobilization of savings.

Foreign Private Investment

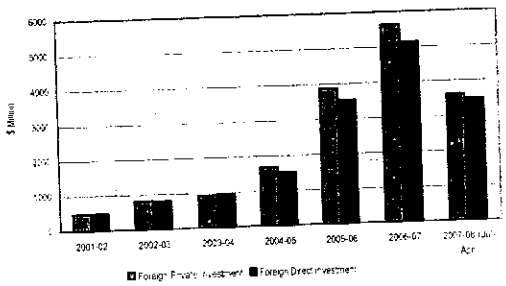
Net foreign private investment during July-April 2007-08 has declined by 32.2% over the corresponding period last year. Total foreign private investment has been recorded at $ 3580.5 million (FDI $ 3481.6 million and Portfolio $ 98.9 million). In 2006-07, net foreign private investment was $ 5278.1 million (FDI $ 4180.8 million and portfolio $1097.3 million). (Box 1.2).

The countries making major contribution to FDI (in million $) are USA (1161.7), UK (303.1) UAE (535.4), Switzerland (141.3) and Netherlands (101).

As shown in Table 1.2, the major sectors fetching FDI are financial business, telecommunications, oil & gas explorations, trade, power thermal, petroleum refining and construction. Although FDI had shown significant increase from $485 million in 2000-01 to $5125 million in 2006-07, it had been mainly concentrated in the services sector. During July-April, 2007-08, communication and financial services taken together account for 53% of total FDI. Efforts are, therefore, needed to attract these flows into commodity producing and export oriented sectors.

Box 1.2

Foreign Private Investment



Pakistan's performance in attracting foreign direct investment (FDI) flows has been promising which has been made possible due to strong economic growth and an aggressive privatization program. As a result, FDI has emerged as a major source of private external inflows. During recent years, FDI flows have increased from $ 485 million in 2000-01 to as high as $ 5125 million in 2006-07, reflecting confidence in domestic economic policies.

Table 1.2 Foreign Private Investment

($ Million)

	July -April		%Change
	2006-07	2007-08	
A: Foreign Private Investment			
FDI	4180.8	3481.6	-16.7
Portfolio Investment	1097.3	98.9	-91.0
Total	5278.1	3580.5	-32.2
B: Sectoral Distribution of FDI			
Financial Business	877.1	739.6	-15.7
Telecommunications	1360.1	1032.6	-24.1
Oil & Gas Explorations	452.5	503.7	11.3
Trade	142.7	163.1	14.3
Power(thermal)	134.5	44.2	-67.1
Petroleum Refining	115.0	67.4	-41.4
Construction	117.7	75.7	-35.7
All Others	981.2	855.3	-12.8
C: Countries Contributing to FDI			
U.S.A	682.3	1161.7	70.3
U.K	718.8	303.1	-57.8
U.A.E	368.0	535.4	45.5
Switzerland	157.8	141.3	-10.5
Netherlands	753.4	101.0	-86.6
All Others	1500.5	1239.1	-17.4

Source: State Bank of Pakistan

Annual Plan 2008-09

GDP Growth

For the year 2008-09, given international economic pressures especially rising oil prices and the need to restore macroeconomic stability, GDP growth has been envisaged at 5.5%. This is to be contributed by sectoral growth rates of agriculture (3.5%), manufacturing (6.1%) and services sector (6.1%). As an outcome of the envisaged economic scenario, per capita GNP at current market prices would increase to Rs 76607 in 2008-09 compared to last year's per capita of Rs 66548, reflecting an increase of 15.1%. In real terms, in 2007-08 prices, the rate of increase would be 3.7%.

Agriculture Sector

For 2008-09, agriculture sector is projected to grow by 3.5% to be contributed by growth rates of major crops (4.5%), minor crops (2.0%), livestock (3.2%), fishery (3.4%), and forestry by (1.5%).

The value added of major crops in constant prices of 1999-2000 is projected to increase by 4.5% to Rs 406.4 billion compared to Rs 388.9 billion during last year. Cotton production is projected to increase by 21.1% to 14.1 million bales. The production of sugarcane is targeted at 56.5 million tonnes compared with 62.5 million tonnes achieved during 2007-08 showing a decline of about 9.6%. The target for wheat production has been projected at 24.0 million tonnes higher by 9.9% against last year level. Rice and maize production have been targeted at 5.7 and 3.3 million tonnes respectively. Details of the output of agriculture production of major crops and livestock are given at Annex 1.2.

The value added in minor crops, in constant prices, is projected to increase by 2.0% in 2008-09 to Rs 133.6 billion against Rs 131 billion achieved during last year.

The Livestock sector is targeted to grow by 3.2%. It will help in maintaining its share in agriculture (at 52%). The fishery and forestry sector has been projected to grow by 3.4% and 1.5% respectively for 2008-09.

Industry

Manufacturing sector is projected to achieve a growth rate of 6.1% during 2008-09. It is expected that energy shortages will subside to a certain extent and export competitiveness improved through appropriate incentives and policy measures. Accordingly, large scale manufacturing is targeted to grow by 5.5% against the actual growth of 4.8% in 2007-08, with small scale manufacturing growing at 8.0%, which is slightly higher than last year.

The mining and quarrying sector is projected to grow by 5.0% based on 7.6% increase in extraction of natural gas, crude oil (1.9%), coal (15.2%), limestone (3.5%) and rock salt 7.0% respectively.

The construction sector is expected to grow at 8% in 2008-09.

Services

Like in 2007-08, services sector would continue to be the main contributor towards the increase in economic growth for 2008-09. The services sector as a whole is projected to grow by 6.1%. It will be contributed by growth rates of its sub-sectors, including

transport, storage & communication (4.5%), wholesale & retail trade (5.4%), finance and insurance (12.0%), ownership of dwellings (3.5%), public administration & defence (4.0%) and social, community & personal services (7.0%).

Savings and Investment

To attain the GDP growth target, total required investment is projected at Rs 2638.8 billion in current prices, about 17% higher than last year's level. As a ratio to GDP, total investment is expected to stay around last year's level (21.5% of GDP). For financing the required investment, national savings as a ratio to GDP is projected to increase from 13.3% in 2007-08 to 14.3% in 2008-09 implying that about 67% of total investment requirements will be financed through national savings and remaining 33% through external resources. This will mean a current account deficit of 7.2% of the GDP.

The inflation rate (CPI) for next year has been projected at 11.0% as against 10.3% in 2007-08. This projection has been made keeping in view the likely movements in international oil and commodity prices.

The details of the Macroeconomic Framework for the Annual Plan 2008-09 may be seen at Annex 1.3.

Annex 1.1

Gross Domestic Product
(At 1999-2000 Prices)

Items	Rs Million				% Change		
	2006-07 Revised	2007-08 Target	2007-08 Provisional	2008-09 Target	2007-08 Target	2007-08 Provisional	2008-09 Target
I COMMODITY PRODUCING SECTORS	2,489,589	2,629,751	2,569,336	2,693,674	7.4	3.2	4.8
A. AGRICULTURE	1,132,041	1,148,541	1,148,871	1,188,663	4.8	1.5	3.5
Major Crops	400,798	415,135	388,904	406,405	4.5	-3.0	4.5
Minor Crops	124,857	130,828	130,967	133,586	2.3	4.9	2.0
Livestock	577,376	574,689	599,217	618,092	5.7	3.8	3.2
Fishery	16,606	17,919	16,431	19,058	4.2	11.0	3.4
Forestry	12,402	9,970	11,352	11,522	3.5	-8.5	1.5
B. INDUSTRY	1,357,548	1,481,210	1,420,465	1,505,010	9.4	4.6	6.0
Mining & Quarrying	132,254	141,506	138,777	145,716	4.5	4.9	5.0
Manufacturing (i+ii+iii)	987,576	1,111,071	1,040,863	1,103,897	10.9	5.4	6.1
i) Large-Scale Manufacturing	694,777	799,947	728,401	766,463	12.5	4.8	5.5
ii) Small Scale Manufacturing	223,352	239,324	240,126	259,336	7.5	7.5	8.0
iii) Others*	69,447	71,800	72,336	76,097	5.0	4.2	5.2
Construction	127,616	131,357	146,962	158,719	8.0	15.2	8.0
Electricity, Gas & Water Supply	110,102	97,276	93,863	96,679	3.0	-14.7	3.0
II SERVICES SECTOR	2,702,861	2,988,301	2,923,452	3,101,218	7.1	8.2	6.1
Transport, Storage & Communications	528,465	570,954	551,809	576,640	5.9	4.4	4.5
Wholesale & Retail Trade	883,487	1,077,589	939,752	990,493	7.8	6.4	5.4
Finance and Insurance	304,855	335,127	356,811	399,580	15.0	17.0	12.0
Ownership of Dwellings	140,587	146,210	145,521	150,614	4.0	3.5	3.5
Public Administration & Defence	322,981	328,920	358,116	372,441	4.0	10.9	4.0
Social, Community & Personal Service	522,486	529,501	571,443	611,444	5.0	9.4	7.0
GDP(fc)	5,192,450	5,618,052	5,492,788	5,794,891	7.2	5.8	5.5

* Covers slaughtering of animals in accordance with Islamic Shana (Zabiha)

Annex 1.2

Major Crops and Livestock

Items	Units	2006-07	2007-08		2008-09	Percent Change	
			Target	Provisional	Target	2007-08 Provisional	2008-09 Target
I. Kharif Crops							
Rice	(000 MT)	5,436.5	5,720.5	5,561.2	5,720.5	2.3	2.9
Basmati	(000 MT)	2,493.6	2,666.4	2,450.9	2,666.4	-1.7	8.8
Others	(000 MT)	2,944.9	3,054.1	3,110.3	3,054.1	5.6	-1.8
Bajra	(000 MT)	238.0	257.0	305.0	320.0	28.2	4.9
Maize	(000 MT)	3,088.4	3,220.9	3,109.2	3,278.8	0.7	5.5
Jawar	(000 MT)	179.5	188.5	170.1	175.0	-5.2	2.9
Sugarcane	(000 MT)	54,741.5	55,876.0	62,499.4	56,516.0	14.2	-9.6
Cotton	(Mln Bales)	12.86	14.10	11.66	14.11	-9.3	21.1
II. Rabi Crops							
Wheat	(000 MT)	23,294.6	24,000.0	21,830.0	24,000.0	-6.3	9.9
Barley	(000 MT)	92.7	95.2	97.7	102.6	5.4	5.0
Gram	(000 MT)	837.8	848.3	568.6	843.3	-32.1	48.3
Sesamum	(000 MT)	30.4	31.0	32.8	33.5	7.9	2.1
Rapeseed & Mustard	(000 MT)	212.2	153.8	271.1	280.0	27.8	3.3
Tobacco	(000 MT)	103.2	127.1	95.0	100.0	-7.9	5.3
III. Livestock							
Milk	(Mln MT)	40.9	35.1	42.2	43.6	3.2	3.2
Meat	(Mln MT)	2.6	2.8	2.7	2.8	4.2	4.2
Wool	(000 MT)	40.6	41.8	41.1	41.5	1.2	1.2
Hides	(Million No)	11.8	10.2	12.2	12.6	3.4	3.4
Skins	(000 Nos)	44.3	50.8	45.3	46.4	2.3	2.3

Sources: Ministry of Food, Agriculture & Livestock
Federal Bureau of Statistics
Planning & Development Division

Annex 1.3

Macroeconomic Framework

(At Current Market Prices)

(Rs. Billion)

Items	2006-07 Revised	2007-08 Targets	2007-08 Provisional	2008-09 Targets	Growth (%) 2007-08	Growth (%) 2008-09
GDP (fc)	8257.4	9409.5	9906.1	11600.5	19.97	17.11
Indirect Taxes (Net)	465.8	597.3	572.1	673.0	22.81	17.64
GDP (mp)	8723.2	10006.8	10478.2	12273.5	20.12	17.13
Net Factor Income from Abroad	158.5	177.7	234.0	276.2	47.64	18.02
GNP (mp)	8881.7	10184.5	10712.2	12549.7	20.61	17.15
External Resources Inflow (Net)	446.3	498.8	869.4	888.1	94.81	2.15
Total Resources/Uses	9328.0	10683.3	11581.6	13437.8	24.16	16.03
Total Consumption	7330.8	8301.7	9323.4	10799.0	27.18	15.83
Total Investment	1997.2	2381.6	2258.2	2638.8	13.07	16.86
Fixed Investment	1857.6	2221.5	2090.5	2454.7	12.54	17.42
Public Incl. General Govt.	500.8	570.4	602.0	736.4	20.20	22.33
Private	1356.8	1651.1	1488.6	1718.3	9.71	15.43
Changes in Stocks	139.6	160.1	167.7	184.1	20.12	9.81
National Savings	1550.9	1882.8	1388.8	1750.7	-10.45	26.06
As % of GDP (mp)						
Total Investment	22.9	23.8	21.6	21.5		
Fixed Investment	21.3	22.2	20.0	20.0		
Public	5.7	5.7	5.7	6.0		
Private	15.6	16.5	14.2	14.0		
National Savings	17.8	18.8	13.3	14.3		
External Resources Inflow (Net)	5.1	5.0	8.3	7.2		
Memo Items						
Inflation Rate (%) #	7.9	7.8	10.3	11.0		
GNPmp Per Capita (Rs)	56153	63251	66548	76607		

Inflation rates in this table are based on CPI.

Chapter 2

Balance of Payments

The balance of payments position during 2007-08 remained under considerable pressure as reflected in the worsening trade deficit. The main cause was the sharp increase in prices of oil and food commodities and low growth of traditional manufactured exports. The impact of the widening current account deficit on the overall balance of payments was compounded by a decline in foreign private investment. Total foreign exchange reserves consequently declined during 2007-08 compared to the level of US$15.0 billion in the previous year.

Review of Annual Plan 2007-08

The Annual Plan 2007-08 envisaged an increase in the trade deficit of $15.2 billion (8.9% of GDP) mainly on account of higher imports. Exports (fob) were projected at $18.9 billion, up by 10.5 percent from $17.1 billion in 2006-07. The growth in exports were projected on the basis of the following assumptions: (i) an increase in the exportable surplus resulting from high agricultural production, (ii) greater market access through bilateral arrangements, preferential and free trade agreements with regional and other countries, and (iii) improvement in the overall competitiveness of the external sector by enhancing value addition in manufactured exports. These measures were part of a comprehensive Pakistan Export Plan 2006-13 which would accelerate growth of exports.

Imports (fob) were projected at $29.5 billion, up by 11.0 percent from $26.6 billion in 2006-07. The trade deficit during 2007-08 was thus projected to be $10.6 billion against a deficit of $9.5 billion during 2006-07. The balance on invisible account was projected to be in surplus to the tune of $2.5 billion as against of $2.1 billion in 2006-07. The current account deficit was projected to increase to $8.1 billion (5.0 percent of GDP) in 2007-08 from a deficit of $7.4 billion (5.1 percent of GDP) during 2006-07.

Exports: Exports during July-April, 2007-08 stood at $16.0 billion, up by 15.0 percent from $13.9 billion during the corresponding period of last year. The improvement is due to the increase in export receipts of Basmati rice (45.2%), raw cotton (28.5%), made-up articles (2.3%), leather tanned (21.0%), leather manufactures (23.7%), art, silk and synthetic textile (31.2%), cement (170.1%), jewellery (408.4%), fruits (33.7%), oil seeds, nuts & kernels (155.1%) vegetables (4.2%), cutlery (35.6%), and guar and guar products (43.4%). However, against these increases in mainly non-traditional exports the more traditional exports have shown a deceleration during the period under review. About 80 percent of the total export items, for which data on both volume and price are available, showed a growth of 7.0 percent. The decomposition of this growth into volume and price effect reveals a decrease of 2.4 percent in volume and an increase of 9.4 percent in price. Exports (fob) for the full year 2007-08 are estimated to be around $19.7 billion as against the Annual Plan target of $18.9 billion. Details are in Annex 2.1.

The growth in exports during 2007-08 was entirely due to rise in the non-textile exports – mainly other manufactures and petroleum group; whereas textile exports recorded 2.5 percent fall during this period. The decline in the textile exports was broad based

with only the exports of raw cotton, knitwear, synthetic textiles and textile made-ups registering positive growth.

The exports of textile and clothing sector performed poorly due to following reasons:

- Increased competition in the international market for textile products, high cost of business in the country, inflation and increasing interest rates in the wake of tight monetary policy leading to decline in the textile exports;
- Flooding of domestic market with smuggled and under-invoiced imports thus discouraging local industry to expand;
- Imposition of anti-dumping duty and abolition of GSP concession in Europe and an imbalanced custom duty in USA facilitating the substitution of Pakistani products in the export markets of USA and Europe by China, India and Bangladesh (the latter due to special preferences having the status of a least developed country).
- Law and order situation in the country.

As over 60 percent of total exports of Pakistan originate from the textile and clothing sector, concerted efforts are needed to become a reliable exporter for value added textile products. Garment industry, especially women's garments should concentrate on fashion design for keeping pace with rapidly changing fashion in the international market. The challenges being posed by regional countries like China, India and Bangladesh need to be adequately met by Pakistan's textile sector, through overcoming constraints of high cost of doing business, low level of value addition and dynamic marketing strategies for export of textile goods to USA, EU and other markets.

Imports: During July-April period of 2007-08 imports have increased by 29.8 percent to $28.6 billion over the corresponding period of last year ($22.0 billion). The imports are higher mainly due to a significant increase in imports of food group (wheat and palm oil), petroleum group, machinery group (power generating machinery, electrical machinery and apparatus, other machinery), agricultural and other chemical group, textile group, fertilizers, iron and steel scrap and iron and steel, CBU motorcycles, paper and paperboard (Table 2.1).

Table 2.1: Group-wise Imports

($ Million)

Item	July-April 2006-07	July-April 2007-08	% Change
Food Group	1636.7	2655.2	62.2
Machinery Group	5477.7	5898.7	7.7
Petroleum Group	5896.6	8670.4	47.0
Textile Group	1250.6	2035.2	62.7
Agricultural and Other Chemical Group	3511.8	4761.6	35.6

Source: FBS

Increase in the import bill during July-April 2007-08 was mainly due to rising international oil and food prices. In addition, imports of wheat and cotton were necessitated due to domestic shortages. In the absence of all these factors, import growth, and thus the trade deficit, would have been significantly lower than the current level.

The important items of import which have shown decline during this period include sugar (94.8%), pulses (30.5%), tea (9.2%), textile machinery (16.0%), CKD/SKD motor cars (29.8%), mobile phone (12.6%), aluminium wrought & worked (20.1%), gold (87.8%) and jute,(1.8%).

Import items for which data on both volume and prices are available (54.8% of total import item) showed a growth of 46.2%. Decomposition of this growth into volume and price effect reveals an increase of 20.8% in volume and 25.4% in price.

Imports (fob) for 2007-08 are estimated at $34,925 million. Details are at Annex 2.2.

Invisibles Account: Workers' remittances at $5.5 billion in 2006-07 were higher than $4.6 billion in 2005-06. The inflow of workers' remittances showed an increasing trend during the period July-April of 2007-08 touching $5.3 billion as against $4.5 billion in the corresponding period of 2006-07, registering an increase of 19.5 percent. The monthly average remittances for the July-April period of 2007-08 stood at $531.9 million as compared to $445 million during the same period of the last fiscal year. Remittances for the year 2007-08 are estimated at $6.6 billion. After allowing for other invisibles receipts and payments, the invisible balance is estimated to register a surplus of about $1.1 billion in 2007-08 as against a surplus of $2.1 billion of last year.

Current Account Balance: The current account deficit is expected to exceed the target of 5.0 percent of GDP. This situation would have been worse had it not been for the increase in workers' remittances. With the trade deficit at $15.2 billion and invisible surplus of $1.1 billion, the current account deficit for 2007-08 is estimated to increase to $14.1 billion (8.3 percent of GDP) from 2006-07 deficit of $7.4 billion (5.1 percent of GDP). Details are given at Annex 2.3.

Capital Account: Gross aid disbursements during 2007-08 are estimated at $2.8 billion as compared to $3.0 billion recorded last year. Allowing for other capital inflows, the overall balance is likely to be negative to the tune of $5.0 billion in 2007-08 compared to a surplus of $4.6 billion in 2006-07.

Projections for 2008-09

Trade Account: During 2008-09, exports (fob) are expected to grow by 16 percent to $22.9 billion against $19.7 billion estimated for 2007-08. The export growth target of 16 percent is in line with that of MTDF 2005-10. Implementing various measures suggested under Pakistan Export Plan 2006-13 will accelerate this growth.

Imports during 2008-09 are anticipated to increase by 6.5 percent to $37.2 billion due to higher volume of import of food items, POL and edible oil (Annex 2.2). As a result, the trade account is projected to be in deficit by $14.3 billion in 2008-09 against a deficit of $15.2 billion estimated for 2007-08. Details are given at Annex 2.3.

Invisibles Account: Prospects for the invisible balance will continue to be governed mainly by the behaviour of the worker's remittances. For 2008-09, remittances have been projected at $7.7 billion against $6.6 billion estimated for 2007-08. Allowing for other invisible receipts and payments, the surplus on invisible account is anticipated at $1.6 billion against a surplus of $1.1 billion estimated for 2007-08.

Current Account Balance: With a deficit of $14.3 billion on the trade account and a surplus of $1.6 billion on the invisible account, the current account deficit is targeted at around $12.7 billion or 7.2 percent of GDP in 2008-09 against a deficit of $14.1 billion or 8.3 percent of GDP in 2007-08.

Capital Account: Gross disbursements are expected to be $3.9 billion in 2008-09 compared to $2.8 billion in 2007-08 largely due to increase in disbursements of program/commodity aid. After allowing for other capital movements, surplus of $132 million is likely to occur in the overall balance in 2008-09 as compared to a deficit of $5.0 billion during 2007-08. The gross reserves are likely to reach the level of $11.3 billion in 2008-09, compared to a level of $11.0 billion in 2007-08. Annex 2.3 gives the detailed balance of payments position of the country.

Annex 2.1

EXPORTS

($ Million)

Items	2006-07	July-April		% of Total	2007-08		2008-09
	Actual	2007	2008	Target	Estimate*	Target	
A. Food Group	2093.0	1640.3	2007.3	78.4	2299.6	2403.5	3015.9
Rice	1125.8	942.0	1210.9	83.7	1331.0	1333.0	1735.0
Basmati	556.3	450.10	653.55	80.9	656.0	712.0	935.0
Others	569.5	491.91	557.38	86.4	675.0	621.0	800.0
Fish & Fish Preparations	188.3	158.16	165.86	84.0	230.0	210.0	260.0
Fruits	113.6	95.17	127.25	83.8	119.6	154.1	182.9
Vegetables	55.0	43.14	44.94	78.5	54.4	58.1	68.9
Leguminous Vegetables	7.8	5.01	1.46	64.6	5.7	2.3	2.7
Tobacco	9.4	7.42	6.74	78.9	10.6	8.7	10.3
Wheat	96.6	47.80	0.00	0.0	0.0	0.0	0.0
Spices	24.1	20.17	21.51	83.9	27.4	26.0	30.9
Oil Seeds, Nuts & Kernels	17.7	13.84	35.30	78.2	20.3	45.8	54.4
Sugar	0.0	0.00	48.45	100.0	0.0	49.2	58.3
Meat & Meat Preparations	41.7	33.68	41.19	80.7	49.7	51.8	61.4
All other food items	413.0	273.90	303.672	66.3	450.9	464.5	551.1
B. Textile Group	10801.1	8875.0	8649.6	82.2	12289.3	10808.7	12991.6
Raw Cotton	50.2	45.26	58.14	90.1	100.0	60.0	100.0
Cotton Yarn	1428.0	1176.51	1070.63	82.4	1640.0	1400.0	1575.0
Cotton cloth	2026.4	1717.46	1572.49	84.8	2285.0	1875.0	2635.0
Cotton Carded or Combed	12.9	12.41	12.01	96.6	10.4	12.6	15.0
Yarn other than cotton yarn	67.2	57.31	45.49	85.3	86.9	54.1	64.2
Knitwear	1961.0	1479.88	1504.33	75.5	2175.0	1850.0	2100.0
Bed wear	1995.9	1634.73	1564.95	81.9	2176.6	1938.3	2299.6
Towels	602.5	505.95	497.56	84.0	670.5	601.1	713.2
Tent, canvas & Tarpaulin	69.1	60.60	59.63	87.7	90.0	75.0	90.0
Ready-made Garments	1384.8	1250.82	1200.22	90.3	1625.0	1525.0	1750.0
Art, Silk & Synthetic Textile	419.7	310.52	407.24	74.0	590.0	575.0	650.0
Made-up Articles (exclud. Other Tex)	471.2	419.39	428.57	89.0	506.6	488.5	579.5
Other textile materials	312.1	204.15	228.30	65.4	333.3	354.1	420.1
C. Petroleum Group & Coal	840.4	674.1	931.0	80.2	900.1	1090.1	1200.0
Petroleum Crude	0.0	0.00	0.00	0.0	0.0	0.0	0.0
Petroleum Products(Excl. Top Naphtha)	306.2	222.78	407.72	72.7	429.3	518.0	570.3
Petroleum Top Naphtha	533.7	450.87	523.17	84.5	470.0	572.0	629.6
Solid Fuel (Coal)	0.4	0.41	0.06	93.2	0.8	0.1	0.1
D. Other Manufactures Group	2627.8	2170.8	2860.7	82.6	2762.7	3393.6	3923.1
Carpets, Rugs & mats	233.3	193.29	182.31	82.8	275.0	230.0	285.0
Sports Goods	288.4	234.0	214.4	81.1	334.8	300.0	350.0
a)Footballs	171.3	142.97	135.56	83.5	215.0	164.8	195.5
b)Gloves	57.8	44.19	67.47	76.5	63.5	89.5	106.2
c)Others	59.269	46.85	41.42	79.0	56.1	45.7	48.3
Leather Tanned	321.2	279.78	338.57	87.1	280.0	430.0	490.0
Leather Manufactures	554.2	461.2	570.7	83.2	578.2	680.0	780.0
Leather Garments	388.1	320.32	447.11	82.5	425.0	539.0	623.0
Leather gloves	132.6	109.75	116.64	82.8	112.8	133.4	148.0

EXPORTS

($ Million)

Items	2006-07	July-April		% of Total	2007-08		2008-09
	Actual	2007	2008	Target	Estimate*	Target	
c)Others Leather manufactures	33.5	31.15	6.98	93.0	40.4	7.6	9.0
Footwear	114.5	94.6	96.5	82.7	145.0	120.0	150.0
a)Leather footwear	97.1	81.31	72.03	83.7	121.6	87.3	105.5
b)Canvas footwear	2.8	1.81	0.77	65.8	2.2	1.2	2.4
c)Other footwear	14.6	11.51	23.71	78.7	21.2	31.6	42.1
Surgical Goods & Medical Instruments	190.8	152.13	202.63	79.7	150.0	250.0	280.0
Cutlery	44.2	33.15	44.93	75.0	43.4	60.8	72.1
Onyx Manufactured	11.5	9.85	9.14	85.6	16.0	10.8	12.9
Chemicals And Pharma Products	391.5	315.9	498.4	80.7	410.0	435.0	475.0
a) Fertilizer Manufactured	0.2	0.22	0.00	99.5	0.2	0.0	0.0
b) Plastic materials	112.8	96.64	166.01	85.6	117.0	133.0	147.0
c) Pharmaceutical Products	101.6	77.52	85.61	76.3	83.2	90.0	98.8
d) Other Chemicals	176.8	141.53	246.77	80.0	209.6	212.0	229.2
Engineering Goods	237.5	191.7	163.7	80.7	264.8	200.0	225.0
a) Electric Fans	22.2	15.90	19.18	71.8	24.0	27.1	32.2
b) Transport equipments	16.8	13.69	22.49	81.3	23.0	28.1	30.0
c) Other Electrical Machinery	26.3	17.91	33.45	68.2	25.2	49.8	59.1
d) Machinery Special. for particular Indus.	31.7	27.34	19.19	86.2	35.4	22.0	26.1
e) Auto Parts	23.5	18.88	17.63	80.2	23.7	22.3	24.5
f) Other Machinery	117.0	97.97	51.75	83.8	133.5	50.7	53.2
Gems	5.5	4.72	6.52	85.4	7.0	7.8	9.2
Jewellery	42.0	30.76	156.40	73.2	41.4	216.8	257.2
Furniture	10.5	8.94	8.79	85.0	11.7	10.5	12.4
Molasses	28.1	24.59	37.52	87.6	30.5	43.5	51.6
Handi Crafts	6.3	5.25	2.65	83.9	4.5	3.2	3.8
Cement	139.7	110.38	298.09	79.0	145.5	382.8	454.1
Guar & guar products	8.6	20.52	29.41	239.6	24.9	12.5	14.8
E. All Others	614.0	487.1	807.0	79.3	969.3	1277.3	1379.5
Total Exports (A-E)	16976.2	13847.3	15255.50	81.6	19221.0	18973.0	22510.0
Exports (fob)	17119.0				18921.0	19745.0	22900.0

Source: Federal Bureau of Statistics

* Revised estimates

Annex 2.2

IMPORTS

($ Million)

Item	2006-07	July-April		% of	2007-08		2008-09
	Actual	2007	2008	Total	Target	Estimate*	Target
A. Food Group	1923.4	1636.7	2655.2	85.1	1761.2	2944.4	3130.1
Milk & Cream Including milk for infants	84.2	66.14	63.65	78.5	63.1	81.1	86.3
Wheat Unmilled	41.6	41.56	818.58	100.0	45.9	825.0	750.0
Dry Fruits	68.2	56.63	67.56	83.0	78.5	81.4	86.6
Tea	213.8	184.25	167.40	86.2	238.9	194.3	206.9
Spices	54.0	45.19	63.69	83.7	58.9	76.1	81.1
Soyabean Oil	40.7	32.17	92.13	79.1	49.0	91.5	99.0
Palm Oil	915.8	736.20	1217.05	80.4	922.0	1411.0	1639.0
Sugar	260.3	256.10	13.30	98.4	0.0	14.0	0.0
Pulses	244.8	218.48	151.82	89.3	304.9	170.1	181.1
B. Machinery Group	4746.3	4011.2	5776.0	84.5	5398.6	6826.1	7269.8
Power Generating Machinery	740.2	616.48	851.83	83.3	798.9	1022.8	1089.3
Office Mach. Incl. Data Proc. Equip.	309.6	267.98	248.28	86.6	348.5	286.8	305.5
Textile Machinery	502.9	428.43	359.82	85.2	581.8	422.4	449.8
Construction & Mining Machinery	222.2	154.91	206.14	69.7	205.0	295.7	314.9
Electrical Machinery & Apparatus	651.9	531.61	607.67	81.6	750.1	745.1	793.5
Telecom	2153.2	1868.6	1890.1	86.8	2487.3	2180.4	2322.1
A. Mobile Phone	831.7	731.08	639.15	87.9	1071.2	727.1	774.3
B.Other Apratus	1321.5	1137.51	1250.96	86.1	1416.1	1453.3	1547.8
Agricultural Machinery & Implements	166.4	143.24	1612.15	86.1	227.0	1873.0	1994.7
C. Transport Group	2449.7	2075.8	1919.9	84.7	2662.5	2264.6	2411.8
Road Motor Vehicles Build Units CKD/SKD	1477.7	1177.20	1072.11	79.7	1600.3	1345.8	1433.3
CBU							
A. Buses, Trucks & Oth. Heavy Vehicles	208.9	174.2	149.84	83.4	151.2	179.7	191.4
B. Motor cars	312.1	177.60	199.55	56.9	367.2	350.7	373.4
C. Motor cycles	4.8	1.52	4081.00	31.9	2.9	12780.0	13610.6
CKD/SKD							
A. Buses, Trucks & Oth. Heavy Vehicles	152.9	91.78	108.54	60.0	188.5	180.8	192.6
B. Motor cars	408.3	377.36	264.78	92.4	445.5	286.5	305.1
C. Motor cycles	42.1	33.13	58.16	78.6	49.3	74.0	78.8
Parts	295.6	284.23	253.11	96.1	335.8	263.3	280.4
Others	53.0	37.37	33.34	70.5	60.0	47.3	50.3
Aircrafts, Ships and Boats	934.9	876.08	823.66	93.7	1032.9	878.9	936.1
Other Transport Equipments	37.1	22.47	24.16	60.5	29.3	39.9	42.5
D. Petroleum Group	7335.2	5896.6	8670.4	80.4	7395.0	11091.3	13669.0
Petroleum Products	3734.3	3027.74	4650.76	81.1	3195.0	5736.1	6109.0
Petroleum Crude	3600.8	2868.87	4019.64	79.7	4200.0	5355.2	7560.0
E. Textile Group	1183.9	938.1	650.6	79.2	1323.1	815.0	868.0
Raw Cotton	643.1	504.84	116.46	76.5	733.8	148.4	158.0
Synthetic Fibre	235.1	193.60	240.27	82.4	267.3	291.7	310.7
Suynthetic & Artificial SilkYarn	250.1	194.73	239.96	77.9	260.5	308.2	328.2
Worn clothing	55.5	44.93	53.92	80.9	61.4	66.7	71.0
F. Agri. & other Chemi. Gr.	2125.6	1663.3	2399.6	78.3	2342.5	2839.1	2659.5
Fertilizer Manufactured	447.2	280.88	823.31	62.8	512.0	925.0	621.0
Insecticides	96.6	79.53	80.30	82.4	104.0	97.5	103.8
Plastic Materials	1152.6	951.25	1068.29	82.5	1260.0	1294.4	1378.6
Medicinal Products	429.3	351.66	427.72	81.9	466.5	522.1	556.1

Annex 2.2

IMPORTS

($ Million)

Item	2006-07	July-April		% of	2007-08		2008-09
	Actual	2007	2008	Total	Target	Estimate*	Target
G. Metal Group	1980.1	1617.3	1692.6	81.7	2126.3	2089.1	2224.9
Gold	223.7	184.37	22.44	82.4	260.8	27.2	29.0
Iron and Steel Scrap	381.9	293.99	511.64	77.0	359.4	664.7	707.9
Iron and Steel	1191.2	990.10	1039.63	83.1	1308.8	1250.8	1332.1
Aluminium Wrought & Worked	183.3	148.82	118.86	81.2	197.3	146.4	155.9
H. Miscellaneous Group	659.5	552.3	596.8	83.8	729.3	713.5	759.9
Rubber Crude Incl. Synth/Reclaimed	114.8	93.02	114.80	81.1	122.6	141.6	150.8
Rubber Tyres & Tubes	151.3	128.81	129.96	85.1	167.6	152.7	162.6
Wood & Cork	46.2	37.90	41.14	82.1	46.1	50.1	53.4
Jute	48.8	42.33	41.58	86.7	52.6	48.0	51.1
Paper & Paper Board & Manuf. Thereof	298.5	250.28	269.32	83.9	340.3	321.2	342.0
I. All Others	6547.4	6601.7	7700.0	100.8	8563.6	8449.9	7512.1
Total Imports(A-I)	28951.0	24993.0	32061.1	86.3	32302.0	38033.0	40505.0
Imports (fob)	26614.0				29552.0	34925.0	37195.0

Source: Federal Bureau of Statistics

* Revised estimates

Annex 2.3

BALANCE OF PAYMENTS

($ Million)

Items	2006-07 Actual	2007-08 Target	2007-08 Estimate*	2008-09 Target
TRADE BALANCE	-9495	-10631	-15180	-14295
Exports (fob)	17119	18921	19745	22900
Imports (fob)	26614	29552	34925	37195
INVISIBLES BALANCE	2134	2521	1059	1608
Services (net)	-7968	-9249	-10300	-11122
Invisibles Receipts	5239	5090	5391	5932
Invisibles Payments	13207	14339	15691	17054
Freight & insurance	2337	2750	3108	3224
Public & Guaranteed Debt	718	729	754	832
Others	10152	10860	11829	12998
Private Transfers	10102	11770	11359	12730
Remittances	5494	5800	6565	7740
F.C.A.(Resident Pakistanis)	196	120	414	523
Others	4412	5850	4380	4467
(Of which purchases)				
CURRENT ACCOUNT BALANCE	-7361	-8110	-14121	-12687
Long term capital (net)	9497	8949	7889	9565
Gross Disbursements	2988	3245	2797	3902
Project Aid	1249	1734	1279	1570
Program /Commodity Aid	1724	1509	1518	2330
Food Aid	12	0	0	0
Afghan Refugees Assistance	3	2	0	2
Grant pledges	284	316	451	150
Other official capital	138	200	2	33
Amortization	1031	1112	1155	1185
Other(Incl. Private long term /Sh. Term capital (net)	7118	6300	5794	6665
Errors & Dmissions (net)	160	0	0	0
BAL. REQ. DFFICIAL FINANCING	2296	839	-6232	-3122
Official assistance & debt relief	2267	2307	1202	3254
Debt relief including pricipal and interest	0	0	0	0
Medium/short term capital (net)	-183	359	201	380
Other short term assets/liabilities	156	30	631	143
FEBC, DBC. &Bonds	2028	937	104	1987
privatization proceeds	266	981	266	744
DVERALL BALANCE/ NET FOREIGN ASSETS	4563	3146	-5030	132
IMF (net)	-120	-166	-166	-197
Purchases/Drawing	0	0	0	0
Repurchases /Repayments	-120	-166	-166	-197
Repayment of deposits	0	0	0	0
Banks foreign currency deposits	11	80	-48	10
Outstanding export bills	-271	-290	-313	-361
CHANGES IN RESERVES (Net)	4183	2770	-5557	-416
RESERVES position inc. FE-25 deposits	15022	17705	10960	11287
RESERVES position excl. FE-25 deposits & swap	13345	16905	10552	10797
Export Growth	4.5	10.5	15.3	16.0
Import Growth	8.1	11.3	31.2	6.5
Current Account as % of GDP	5.1	5.0	8.3	7.2
In months of current year imports (c&f)	6.6	4.9	4.1	3.9

* Revised Estimates

Chapter 3

Fiscal and Monetary Developments

Fiscal and monetary policies of the government support the overall economic development efforts aimed at laying down a solid base for rapid and sustainable economic growth. The Budget 2007-08 emphasized on keeping the fiscal deficit within sustainable limits and adopting a right mix of measures to promote savings, investment and efficient allocation of resources to achieve development targets. Monetary policy was designed to contain inflation while providing adequate credit for promoting economic growth. However, due to internal and external pressures and lax policies, both fiscal and monetary policies could not achieve the desired objectives.

Fiscal Developments

The consolidated budget for the year 2007-08 had anticipated government expenditure at Rs 1,874.7 billion (18.8 percent of GDP) with current expenditure at Rs 1,378.2 billion (13.8 percent of GDP) and development expenditure at Rs 496.5 billion (5.0 percent of GDP) which included net lending of Rs 3.21 billion. The consolidated government revenues were estimated to increase from Rs 1,298.0 billion in 2006-07 to Rs1475.9 billion in 2007-08. The tax revenues were estimated to rise from Rs 891.3 billion to Rs 1,095.5 billion during the same period. Overall fiscal deficit was estimated at Rs 398.8 billion (4.0 percent of GDP).

The current expenditure had been targeted to be reduced from 14.9 percent of GDP in 2006-07 to 13.8 percent of GDP in 2007-08. The development expenditure financed through budget in the last few years had witnessed a healthy increase. The development expenditure including net lending had been projected to expand from 4.2 percent of GDP in 2006-07 to 5.0 percent of GDP in 2007-08, with an increase in the domestic financing component.

Fiscal deficit had been targeted to be reduced from 4.2 percent of GDP in 2006-07 to 4.0 percent of GDP in 2007-08. Due to sharp increase in current expenditure and burden of subsidy on oil and food items, the targeted fiscal deficit will be exceeded significantly.

Tax Collection by FBR

During July-April 2007-08, taxes collected by FBR have witnessed an increase of 16.3 percent (Rs 763.6 billion) as against Rs 656.5 billion during the corresponding period last year. It constitutes 74.5 percent of the full year target of Rs 1025.0 billion. The direct taxes collected at Rs 284.6 billion during July-April 2007-08 against Rs 252.9 billion collected during the same period last year, shows an increase of 12.5 percent. The indirect taxes have witnessed a growth of 18.7 percent to Rs 479.0 billion as against Rs 403.6 billion collected in the same period last year. Within the indirect taxes, the main increase is witnessed in federal excise (28.9 percent) followed by sales tax (19.5 percent). FBR has estimated tax collection around Rs 990 billion during 2007-08 against budget estimates of Rs 1025 billion. Details are given in the Table 3.1 below.

Table: 3.1 Tax Collection Performance of Federal Board of Revenue (FBR)

(Rs Billion)

Heads	2007-08 (Target)	Collection (July-April)			Collection as % of full year target
		2007-08	2006-07	% Change	
Direct Taxes	405	284.6	252.9	12.5	70.3
Indirect Taxes	620	479.0	403.6	18.7	77.3
Sales Tax	382	293.7	245.8	19.5	76.9
Federal Tax	98	70.6	54.7	28.9	72.0
Customs	140	114.8	103.1	11.4	82.0
Total	1025	763.6	656.5	16.3	74.5

Source: Federal Board of Revenue (FBR)

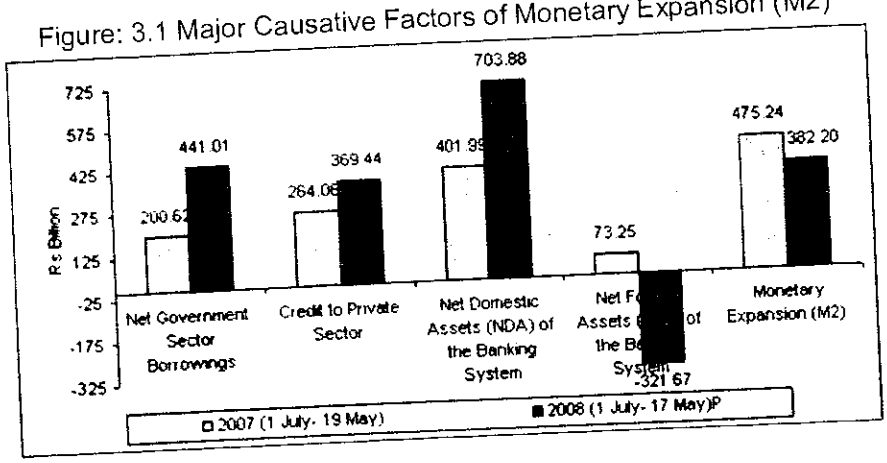
Monetary Developments

The monetary policy framework for 2007-08 envisaged broad money supply to grow by 13.7 percent, in line with the real GDP growth target of 7.2 percent and inflation target of 6.5 percent.

Monetary policy during 2007-08 was unhinged due to large government borrowings for budgetary support and lack of monetary discipline to keep this in check. A much larger than expected foreign outflows to finance the current account deficit dampened monetary expansion, which during July 1, 2007 to May 17, 2008 stood at Rs 382.20 billion as against an expansion of Rs 475.24 billion during the corresponding period last year. The growth rate of monetary aggregates at 9.40 percent during July 1, 2007 to May 17, 2008 were thus lower as compared with 13.95 percent during the corresponding period of last year. The money supply growth stemmed entirely from sharp rise in Net Domestic Assets (NDA) of the banking system due to large government borrowings for budgetary support as mentioned earlier and credit to private sector. Details of monetary sector indicators are given in Figure 3.1 and Table 3.2 below.

The private sector credit during July 1, 2007 to May 17, 2008 increased to Rs 369.44 billion from Rs 264.06 billion in the corresponding period last year.

Figure: 3.1 Major Causative Factors of Monetary Expansion (M2)



To stabilize a worsening monetary situation, the State Bank introduced a number of measures in May 2008. These included an increase in the discount rate from 10.5 percent to 12.0 percent. In addition, a minimum deposit rate of 5.0 percent was introduced to encourage savings and reduce the banking spread.

Table: 3.2 Causative Factors of Monetary Expansion (M2)

(Rs. Billion)

	Monetary Impact during	
	2008 (1 July-17 May)*	2007 (1 July-19 May)
I. Net Government Sector Borrowings (a+b+c)	441.01	200.62
a) Net Budgetary Borrowing	362.64	217.44
b) Commodity Operations	78.26	-16.72
c) Others	0.11	-0.10
II. Credit to Non-Government Sector (a+b+c+d)	429.86	276.05
a) Credit to Private Sector	369.44	264.06
b) Credit to Public Sector Enterprises (PSEs)	60.16	11.92
c) PSEs Special Account-Debt Repayment with SBP	-0.03	-0.23
d) Other Financial Institutions (SBP Credit to NBFIs)	0.30	0.30
III. Other Items (Net)	-167.00	-74.68
A. Net Domestic Assets (NDA) of the Banking System (I+II+III)	703.88	401.99
Growth Rate of NDA (%)	22.85	14.91
B. Net Foreign Assets (NFA) of the Banking System	-321.67	73.25
Monetary Expansion (M2) {A+B}	382.20	475.24
Growth Rate of M2 (%)	9.40	13.95

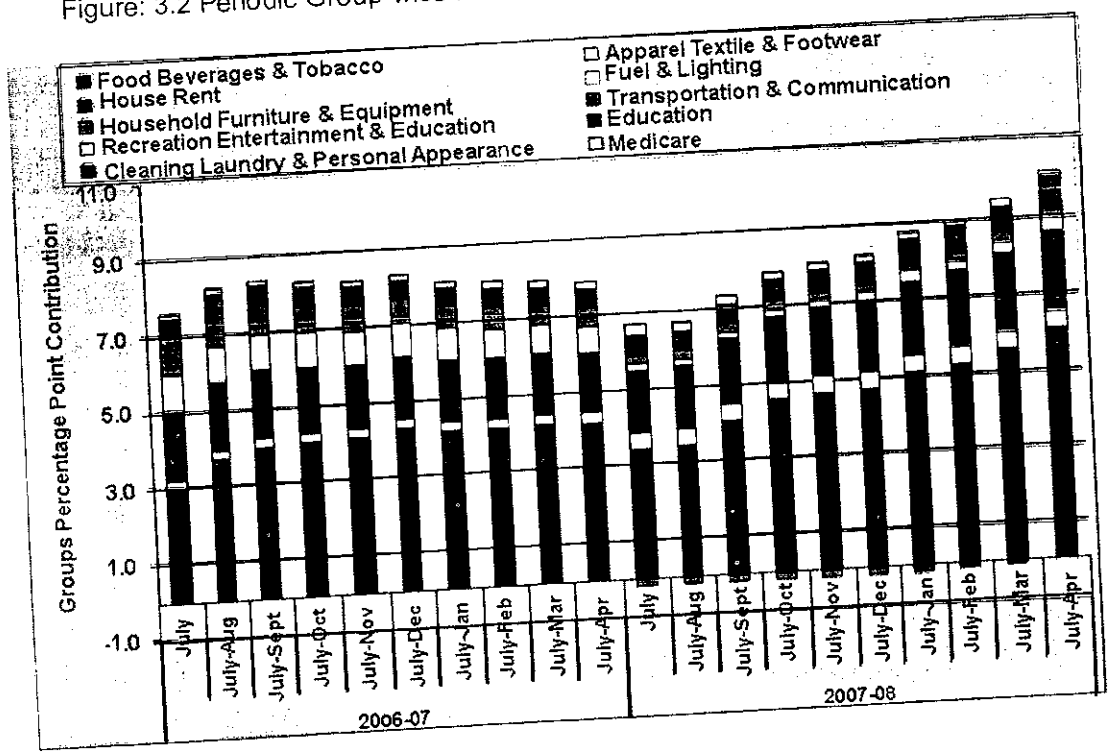
Source: State Bank of Pakistan
**Provisional*

Inflation

The inflation target of 6.5 percent set for the period 2007-08 will be significantly exceeded because of rising food and energy prices. During July-April 2007-08, the CPI inflation registered an increase of 10.3 percent against 7.9 percent in the corresponding period last year. Food inflation was 15.0 percent against 10.2 percent in the corresponding period last year and the non-food inflation was 6.8 percent as compared to 6.2 percent during the corresponding period last year. More worry was the rise in the core inflation (non-food and non-energy) to 7.5 percent against 6.0 percent during the same period last year. The Wholesale Price Index during July-April 2007-08 has also risen by 13.7 percent against 6.9 percent during the corresponding period last year. Similarly, Sensitive Price Indicator during July-April 2007-08 recorded

at 11.8 percent against 9.7 percent during the corresponding period last year. Group-wise periodic contribution in the overall CPI is depicted in Figure 3.2.

Figure: 3.2 Periodic Group-wise Percentage-Point Contribution in CPI inflation



Source: Federal Bureau of Statistics

A sharp upsurge was observed in the prices of essential food items including wheat, ghee, cooking oil, rice, vegetables and fruits, etc. Apart from the food group, the house rent increased by 8.8 percent against 6.7 percent, cleaning & laundry increased by 9.8 percent against 4.3 percent, household furniture & equipment increased by 6.6 percent against 6.8 percent, fuel & lightening increased by 5.2 percent against 9.7 percent, education increased by 5.5 percent against 7.2 percent and medicare 8.4 percent against 9.1 percent respectively over the same period last year.

The sharp jump in headline food inflation is due to a combination of domestic and external factors. Continued supply shortages of the staple food items are the key domestic factors having upward pressures on food prices. On the international front, the prices of food items continued to remain strong due to growing demand of key food crops for conversion into bio-fuel. While diverting food crops for the production of bio-fuel will directly raise prices of corn, edible oil and possibly sugar, the wheat prices will be affected indirectly. Rise in corn prices due to growing demand for bio-fuel production, would result in substitution of corn with other staple crops like wheat (Table 3.3).

Table:3.3 Global Commodity Prices
Indices of Selected Items
(Base Year 2005)

Commodities	2007 (2nd Qtr.)	April 2008*	% change Apr 07 to Apr 08
Wheat	134.9	237.6	82.7
Maize	160.4	250.7	61.7
Rice	112.2	352.7	215.0
Barley	176.4	249.5	51.0
Soybean oil	151.5	260.6	80.9
Palm oil	193.5	294.7	67.9
Sunflower oil	58.8	190.2	223.5
Groundnuts	134.7	216.6	66.6
Iron Ore	130.3	216.3	66.0
Energy	122.8	201.6	66.8
Spot Crude	123.9	204.4	67.5
Natural Gas	115.1	164.7	44.8
Coal	120.1	241.7	107.3

Source: IMF Primary Commodity Prices
**Provisional*

These domestic and international developments are likely to persist and continue pushing up food prices during the rest of 2007-08.

Annual Plan 2008-09

Fiscal Policy

The main thrust of fiscal policy during the year 2008-09 would be to keep the fiscal deficit within a sustainable limit by furthering reforms in tax system, broadening the tax base, improving the tax compliance and minimizing tax evasion. The main objective of policy would be to allocate adequate resources for development activities particularly for pro-poor expenditure in conformity with the Fiscal Responsibility and Debt Limitation Act, 2005 to achieve projected economic growth of 5.5 percent and further reduce unemployment and poverty and improve social indicators.

Monetary Policy

The monetary expansion for the year 2008-09 will be in line with the projected GDP growth of 5.5 percent and CPI inflation of 11.0 percent. To keep M2 growth rate in the vicinity of the targeted level and to encourage private sector credit, it is imperative that government borrowings be limited to a safe level. This will also help in bringing down the CPI inflation and strengthening the growth prospects of the economy. In order to curb the consistent upsurge in the inflationary pressures, current account deficit and to stabilize Pak rupee, State Bank of Pakistan has announced Interim Monetary Policy Measures, May, 2008. Its salient features are as follows:

- Policy discount rate has been increased by 150 basis points from 10.5 percent to 12.0 percent effective from 23-05-2008.
- Cash Reserve Requirement (CRR) has been increased by 100 basis points from 8.0 percent to 9.0 percent.
- Statutory Liquidity Requirement (SLR) has been increased by 100 basis point from 18.0 percent to 19.0 percent of the total time and demand liabilities.
- All banks have been directed to give minimum 5.0 percent profit on Saving/PLS saving products w.e.f. June 1, 2008.
- The L/C margin on all imports except oil and selected food items has been imposed at 35 percent w.e.f. 23-05-2008.

Inflation

The target rate of inflation (CPI) for 2008-09 is set at 11.0 percent as against 10.3 percent during July-April 2007-08. This projection has been made keeping in view the likely movements in international oil and commodity prices.

Chapter 4

Public Sector Development Program

The Public Sector Development Program (PSDP) is the main instrument for providing budgetary resources for development projects and programs. As such, its allocation across sectors reflects the priorities of the government. The size and composition of the PSDP has a major influence on the level and quality of economic growth. Through consistent increase in the PSDP in recent years, a level of 4.6% of GDP has been achieved in the year 2007-08. The PSDP 2008-09 marks a major shift in Government priorities towards pro-poor and inclusive economic growth.

Review of the PSDP 2007-08

The PSDP for 2007-08 was approved at Rs 485.0 billion (4.6% of GDP) with a Federal Program of Rs 335 billion (including foreign assistance component of Rs 32.5 billion) with an operational shortfall of Rs 35 billion. The provincial ADPs were assessed at Rs 150.0 billion. In addition Rs 35.0 billion were allocated to ERRA for the reconstruction and rehabilitation of earthquake affected areas.

The allocations for the Federal program of Rs 335.0 billion included Rs166.5 billion (49.7%) for **infrastructure** development sectors i.e highways, railways and ports (Rs 60.8 billion), energy i.e. power and fuel (Rs 31.9 billion) and (augmentation of) water resources (Rs 73.7 billion).

Social sectors were allocated Rs 156.5 billion (46.7%) including Rs 34.4 billion for Special Development Programs (KPP-1, KPP-II, KP Fund) and Rs 21.2 billion for Special Areas Development Program (AJ & K., Northern Areas and FATA). The main sectors include Physical Planning and Housing (Rs 15.0 billion), Education and Training (Rs 6.5 billion), Higher Education (Rs 18.0 billion), Health and Nutrition (Rs 15.9 billion), Population Welfare (Rs 4.3 billion), Information Technology (Rs 4.7 billion), Science and Technology (Rs 4.8 billion), Governance / Research / Statistics / Planning (Rs 12.7 billion), Environment (Rs 8.7 billion) etc.

Production sectors (agriculture and industry) were allocated Rs 12.3 billion (3.7%).

Realizing the development needs of the provinces, it was assessed that the provinces would spend Rs 150 billion through their ADPs. However, in view of additional resource availability with provinces, the actual size of their ADPs stands at the level of Rs 248 billion.

In pursuance of the NEC's decision to undertake quarterly reviews, the Planning Commission undertook quarterly reviews of the development projects included in the PSDP 2007-08, with the Principal Accounting Officers (PAOs) of all the Ministries/Divisions. It was emphasized in these meetings that the Ministries / Divisions and executing agencies must ensure that projects are completed on time, within the approved cost and project objectives are fulfilled. The idea is to ensure economy, efficiency and effectiveness of the expenditure incurred.

The system of releases linked with the approved cash plan introduced during 2004-05 resulted in speedy utilization of allocated / released amount and pro-active

involvement of PAOs in the development process. The allocations were re-adjusted from the slower to comparatively fast moving projects after each quarterly review. The sectoral allocations, however, remained more or less the same because as a matter of policy, readjustments were invariably made to the fast moving projects within the same sector.

The releases / expenditure during July-April 2007-08 were Rs 227 billion (75.6%) of the total net federal allocation which is higher than the development expenditure of Rs 170.0 billion (68.0%) incurred during the same period last year (2006-07). It is, however, still less than expected expenditure because releases by Finance Division have fallen short of expectations due to the financial crunch in the 2nd half of the financial year 2007-08. To ensure uninterrupted availability of funds to the important and fast moving mega projects, the Planning Commission rationalized the development budget 2007-08 in consultation with all stakeholders to ensure maximum return of each rupee spent. The rationalization measures include:

- No formal cut to be imposed on federal/provincial development outlays, rather maximum savings be achieved through careful review and monitoring.
- No new project to be initiated till June, 2008 and release of funds for projects, where the staff has not been recruited so far, to be stopped.
- Strategic fast moving and near completion projects are to be accorded priority for the release of funds.
- Strategic fast moving projects to be shifted from May/June to July/August, 2008.
- Public Private Partnership (PPP) projects to be identified with a view to reduce burden on PSDP.

As a result of the above measures, it is estimated that against the net availability of Rs 300 billion during 2007-08, after accounting for the operational shortfall, an amount of Rs 250-260 billion is expected to be spent during 2007-08. The Provinces are likely to perform better and their expenditure may exceed Rs 150 billion.

Public Sector Development Program 2008-09

The PSDP 2008-09 marks an important shift in Government priorities by laying emphasis on poverty alleviation while maintaining the momentum of growth. The five major priority areas are:

- comprehensive support program for poor and vulnerable groups;
- overcoming water and energy crises;
- uplift of Balochistan, NWFP and Special Areas;
- reviving growth in agriculture and manufacturing; and
- building up human resources to compete in the global economy.

Following guiding principles will be used for allocation of funds across sectors/projects:

- Maximum allocation to those on-going projects which are at advance stage of implementation and accommodating all other ongoing portfolio during 2009-10;
- Initiation of high priority new important approved projects which are conducive to create environment of knowledge economy;
- Enhancing social sector allocations especially Education and Health;

- Bricks and mortar projects should be discouraged;
- The projects with less than 40% expenditure be slowed down until their usefulness and relevance to the present realities are ascertained;
- Un-approved important projects be financed with token allocation.

Total Size of the PSDP 2008-09 is at Rs 541 billion 4.4% of GDP (including foreign loans of Rs 67 billion) with an increase of 11% over 2007-08. The main features of this program are presented in Table 4.1.

Table 4.1: PSDP Allocation 2008-09

(Rs Billion)

Federal PSDP	371
• Federal Ministries	233
• Special Areas *(AJK, FATA, Northern Areas)*	26
• Special Programs *(PWP plus others)*	61
• Corporations *(WAPDA, NHA)*	51
(Operational shortfall)	(25)
Provinces	170
(Operational shortfall)	(20)
PSDP size (Federal + Provincial)	541*
Earthquake Reconstruction	26**

*Inclusive of total operational shortfall of Rs 25 billion in Federal Program and Rs 20 billion in the Provincial Program.
**Not counted in total size being adhoc expenditure.

The broad sectoral distribution of Federal PSDP is presented in Table 4.2.

Table 4.2: Sectoral Distribution of Federal PSDP 2008-09

Sector	Allocation	% share
Infrastructure	165	44.5
Social sectors	188	50.7
Others (Agri, Industry)	18	4.8
Total:	371	100.0
Operational shortfall	(25)	
Net financing (Federal)	346	

Sectoral Priorities / Salient Features

The Sectoral priorities / Salient features of the PSDP 2008-09 are outlined as under:

Infrastructure

- Water sector continues to receive Government's attention as highest allocation of Rs 75 billion has been proposed which comes to 20% of the total federal program. Of this amount, Rs 10 billion are being proposed for Hydel Projects, Rs 9.8 billion for National Program for Improvement of Water Courses, Rs 13 billion to canals and Rs 2.2 billion for canal lining. This will help reduce poverty, accelerate agricultural growth and create construction-related additional jobs.

- To complete Mangla Dam Raising Project by December, 2008, Rs 18 billion have been allocated. The WAPDA will be able to store 2.88 MAF additional water during next monsoon season.

- Six new Hydel projects, four in AJK and two in Northern Areas being launched at a total cost of Rs 21 billion.

- The work on 959 MW Neelum Jhelum project would be speeded up during 2008-09 on which WAPDA will spend Rs 7.5 billion from its own resources.

- The NHA has been allocated Rs 36.5 billion against Rs 29 billion during 2007-08 showing an increase of 26%. With this allocation, the NHA should be able to complete projects on time. This would not only help to open up new areas but also reduce cost of doing business.

- Railways have been directed to modernize its fleet to get additional freight share. For its programs, Rs 11.3 billion have been allocated. Rs 2 billion have also been allocated for repair of damages as a result of December, 2007 riots.

- Feasibility studies of Ketti Bunder, Karachi and Lahore Mass Transit will be initiated.

- Adequate funds (Rs 1 billion) have been provided to develop basic infrastructure at Gwadar which will contribute to a better investment climate and trade in the area. Similarly, sufficient provision has been made to develop export processing zones in Balochistan.

- Thar Coal Infrastructure will be developed for which Rs 500 million have been allocated. The Government of Sindh will match this grant.

- Satellite program being expanded/fully protected with an allocation of Rs 2 billion.

Social and other sectors

- Under the Prime Minister Special Initiatives programs to reduce poverty, provide employment, better quality of life, promoting good governance, skill development, a few special initiatives will be launched during 2008-09. The special initiatives include, Income Support Fund involving social protection initiatives (Rs 34 billion), Hunarmand Pakistan (Rs 2 billion), Housing Fund for the poor as well as housing for the Civil Government Servants (Rs 2 billion), White Revolution (Rs 500 million), Expansion and Up-gradation of BHUs (Rs 500 million), Village Product Specialization (Rs 500 million), Video

Conferences Facilities in the Federal Secretariat and Provincial Headquarters (Rs 100 million) and Promoting Paperless Governance (Rs 100 million).

- In order to alleviate poverty, generate employment and undertake quick maturing projects, Rs 22 billion would be spent under Khushhal Pakistan Program (KPP) with the involvement of Provincial and District level Government.

- Allocation for the health sector has been increased by 32% from Rs 16 billion to Rs 21 billion, reflecting overall continuous emphasis on improving the productivity of human capital and general quality of life. Major programs include EPI (Rs 6 billion), MCH (Rs 2.5 billion) and Primary Health Care (Rs 5.5 billion). The number of Lady Health Workers (LHW) will be increased from 100000 to 200000 to provide health facilities at the door step in rural areas.

- Allocation for education and training has been increased from Rs 26.3 billion to Rs 27.3 billion (4%) so as to ensure availability of qualified human resources to match the highly competitive world market.

- School of Fashion Design at Karachi will be established on the pattern of Lahore.

- Productivity of Pakistani labour is very low as compared to other countries. To sharpen the skills of the labour force, an Hunarmand Pakistan Program with an allocation of Rs 2 billion against Rs 1.5 billion during 2007-08 is being financed. This program will help to improve skill of the labour which will create more demand for them both at home and abroad.

- Reconstruction Opportunity Zones (ROZs) at Hattar, Khushal Garh being financed. In addition, allocation has been made for infrastructure development in Industrial Estates of NWFP with an allocation of Rs 160 million.

- Allocation for Special Areas (AJK, NA & FATA) has been enhanced from Rs 21.2 billion to 23.3 billion by 10% with a view to accelerating development in less developed areas.

The details of PSDP 2008-09 allocation (Ministry/Division wise) are presented at Annex 4.1.

National Development Programme 2007-08 & 2008-09
(Ministry/Division-wise Summary)

(Million Rupees)

Sl No	Ministry/Division	Allocation for 2007-08			Allocation for 2008-09		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
A.	**Federal**						
	Infrastructure Development	**24308.3**	**115415.3**	**139723.6**	**30414.6**	**111275.2**	**141689.8**
1	Water & Power Division (Water Sector)	1275.0	62274.9	63549.9	250.0	62170.0	62420.0
2	Water & Power Division (Power Sector)	7207.8	13394.5	20602.3	13332.0	825.3	14157.3
3	Pakistan Atomic Energy Commission	3770.0	6440.3	12210.3	2989.0	12341.9	15330.9
4	Pakistan Nuclear Regulatory Authority	0.0	421.0	421.0	0.0	457.5	457.5
5	Petroleum & Natural Resources Division	39.0	689.1	928.1	3.0	847.4	850.4
6	Communications Division (Including NHA)	8672.5	20940.3	29612.8	10065.6	26756.0	36821.6
7	Ports & Shipping Division	30.0	727.0	757.0	0.0	372.1	372.1
8	Railways Division	3314.0	8328.2	11642.2	3775.0	7505.0	11280.0
	Social Development	**7582.7**	**161366.9**	**168949.6**	**10176.2**	**187389.7**	**197565.9**
9	Special Programmes	0.0	34420.0	34420.0	0.0	24420.0	24420.0
10	Finance Division	1570.0	15392.9	16962.9	3076.1	47674.4	50752.5
11	Education Division	195.0	6313.8	6508.8	43.9	6225.8	6269.7
12	Higher Education Commission	265.4	17734.6	18000.0	72.3	17927.7	18000.0
13	Health Division	1584.0	12688.7	14272.7	1517.2	17493.2	19010.4
14	Information Technology & Telecommunications Division	0.0	3214.3	3214.3	0.0	1976.0	1976.0
15	Science & Technological Research Division	189.9	3410.8	3600.7	27.0	2988.4	3015.4
16	Population Welfare Division	204.2	4123.4	4327.6	0.0	4315.0	4315.0
17	Women Development Division	0.0	163.1	163.1	0.0	334.6	334.6
18	Social Welfare & Special Education Division	0.0	428.4	428.4	0.0	509.5	509.5
19	Labour & Manpower Division	0.0	196.4	198.4	0.0	123.8	123.8
20	Overseas Pakistanis Division	0.0	5.0	5.0	0.0	3.0	3.0
21	KA & NA Division	978.0	12744.1	13722.1	800.0	16815.1	17615.1
22	States & Frontier Regions Division	100.0	7400.0	7500.0	0.0	8662.0	8662.0
23	Environment Division	193.6	1425.3	1618.8	59.0	2193.9	2252.9
24	Local Government & Rural Development Division	0.0	127.9	127.9	0.0	108.1	108.1
25	Culture Division	0.0	378.1	378.1	0.0	413.2	413.2
26	Sports Division	0.0	522.8	522.8	0.0	350.4	350.4
27	Youth Affairs Division	0.0	152.1	152.1	0.0	33.9	33.9
28	Tourism Division	0.0	167.4	167.4	0.0	18.9	18.9
29	Statistics Division	0.0	263.0	263.0	0.0	175.1	175.1
30	Planning and Development Division	513.0	13924.3	14437.3	1186.1	9928.9	11115.0
31	Interior Division	340.0	9171.1	9511.1	0.0	6942.5	6942.5

Annex 4.1

National Development Programme 2007-08 & 2008-09
(Ministry/Division-wise Summary)

(Million Rupees)

Sl No.	Ministry/Division	Allocation for 2007-08			Allocation for 2008-09		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
32	Defence Division	172.0	4962.7	5134.7	927.9	4011.3	4939.2
33	Cabinet Division	0.0	494.8	494.8	0.0	2879.5	2879.5
34	Commerce Division	1.0	1576.0	1579.0	60.0	403.0	463.0
35	Housing & Works Division	0.0	1206.2	1206.2	0.0	4070.1	4070.1
36	Ministry of Foreign Affairs	0.0	579.3	579.3	0.0	407.3	407.3
37	Narcotics Control Division	106.7	170.4	277.1	429.7	338.4	768.0
38	Information & Broadcasting Division	0.0	1537.9	1537.9	0.0	1038.4	1038.4
39	Establishment Division	0.0	503.4	503.4	0.0	292.8	292.8
40	Law, Justice & Human Rights Division	495.0	3526.0	4021.0	350.0	2031.0	2381.0
41	Revenue Division	625.0	1901.8	2526.8	1625.0	745.7	2370.7
42	Defence Production Division	0.0	526.9	526.9	0.0	1450.0	1450.0
43	National Reconstruction Bureau	50.0	0.0	50.0	0.0	76.7	76.7
44	Economic Affairs Division	0.0	10.0	10.0	0.0	12.0	12.0
	Others	**623.3**	**25703.5**	**26326.8**	**700.0**	**31044.3**	**31744.3**
45	Food, Agriculture & Livestock Division	587.3	15211.9	15799.2	700.0	19815.9	20515.9
46	Industries, Production & Special Initiatives Division	36.0	9462.9	9498.9	0.0	10458.8	10458.8
47	Textile Industry Division	0.0	1026.7	1026.7	0.0	769.6	769.6
	Total (Federal)	**32514.3**	**302485.7**	**335000.0** **	**41290.8**	**329709.2**	**371000.0** @
B.	**Provinces**	**26093.0**	**123907.0**	**150000.0**	**25503.4**	**144496.6**	**170000.0** *
	Total (PSDP)	**58607.3**	**426392.7**	**485000.0**	**66794.2**	**474205.8**	**541000.0**
C.	**Earthquake Reconstruction and Rehabilitation Programme**	**0.0**	**35000.0**	**35000.0**	**10000.0**	**16719.0**	**26719.0**
	Grand Total:	**58607.3**	**461392.7**	**520000.0**	**76794.2**	**490924.8**	**567719.0**

** **The Federal programme for 2007-08 included an operational shortfall of Rs 35 billion.**

@ **The Federal programme for 2008-09 includes an operational shortfall of Rs 25 billion.**

* **The Provincial programme for 2008-09 includes an operational shortfall of Rs 20 billion.**

NOTE: Public Sector Corporations such as WAPDA, CAA, PNSC, PQA, KPT, CDA and Gas Companies are likely to make investment of Rs. 206 billion from their own resources outside PSDP during 2008-09.

Chapter 5

Poverty Reduction and Human Development

Reducing poverty by providing support to the poor is the overarching objective of the new Government. The poverty reduction strategy of the Government provides a comprehensive support package for the poor, especially marginalized and vulnerable segment of the population. It aims at providing relief against rising inflation, unemployment, ill health and illiteracy, lack of skills and poor housing. A comprehensive plan has been prepared to protect and empower the poor which will allow them to earn a decent standard of living. The Public Sector Development Programme 2008-09 focuses on providing immediate relief to the poor and on developing physical and social infrastructure projects to provide the base for sustainable and equitable growth.

During 2007-08, mainly as a result of high inflation, especially food inflation at 15% during July-April 2007-08 and slowing down of economic growth in major sectors, poverty levels are expected to increase.

Key Programs and Initiatives

Major poverty reduction initiatives include:

- Providing comprehensive safety net against severe hardship faced by the poor and vulnerable groups
- Accelerating employment generation by building up the human resource at all levels of education including technical education
- Special focus on less developed areas for their uplift
- Reviving growth in agriculture as poverty is pervasive in rural Pakistan

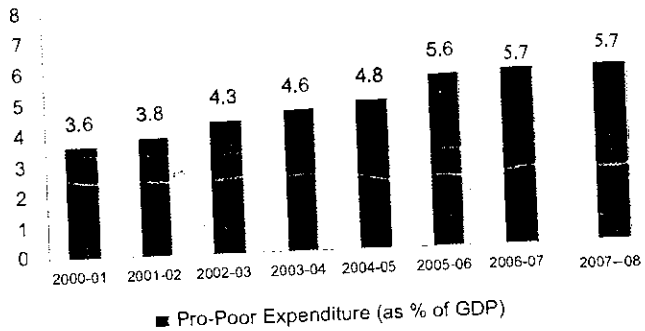
At the core of the Prime Minister's Special Initiatives during 2008-09 are poverty reduction and employment generation measures. These initiatives include Income Support Fund involving social protection initiatives, Hunarmand Pakistan, Placement Bureaus, Housing Fund for the poor, White Revolution, Expansion and Up-gradation of Basic Health Units (BHUs), Village Product Specialization and doubling Lady Health Workers. In order to alleviate poverty, generate employment and undertake quick maturing projects, Rs 22 billion would be spent under Khushhal Pakistan Programme (KPP) with the involvement of Provincial and District Governments.

Major programmes in Health Sector include EPI, MCH and Primary Health Care. The number of Lady Health Workers (LHW) will be increased from 100,000 to 200,000 to provide health facilities at the door step in rural areas. Higher allocation for education and training are made to develop demand driven skills and to ensure availability of qualified human resources to match the highly competitive world market. A major initiative in this sector includes establishing Idara Hunarmand Pakistan Programme for enhancing productivity and skills of the labour force, to find employment in the domestic and international markets.

Pro-poor Public Expenditures

To ensure focus on poor and vulnerable segments of the population, government identified 17 sectors such as education, health, population welfare for pro-poor public expenditures. The pro-poor expenditure during 2007-08 are projected to have increased to Rs. 597.5 billion (5.7 percent of GDP) from Rs. 497.5 billion (5.7 percent of GDP) in 2006-07, showing a 20 percent increase in nominal terms. The sector-wise analysis of the pro-poor expenditure indicates that expenditures on social sectors (education, health & nutrition, population welfare) are projected to increase by over 36 percent, expenditure on social safety nets by 32 percent, while expenditure on rural development and community services show marginal increase. (Annex 5.1).

Figure 5.1: Pro-Poor Expenditure



The Government will continue to increase allocations for pro-poor sectors. Moreover, to ensure continuity of developing social sectors, the Government is committed to the Fiscal Responsibility and Debt Limitation Act 2005 which obligates that above 4.5 percent of GDP is allocated for social sectors. Apart from allocating larger resources, institutional reforms and effective monitoring mechanisms have been introduced for attaining efficiency in expenditure. The year-wise details of pro-poor public expenditure are given in Figure 5.1.

Human Development

A comparison of the Pakistan Social and Living Standards Measurement (PSLM) Survey in 2005-06 with 2006-07 shows that progress attained earlier in key indicators have improved moderately. The gross enrolment rate (age 5-9) has increased from 87 in 2005-06 to 91 in 2006-07. Net enrolment rate of the same age group has increased from 53 in 2005-06 to 56 in 2006-07. The overall literacy rate of population 10 years and above was at 55 percent in 2006-07 and for the population 15 years and above at 52 percent shows no significant improvement over 2005-06.

The health indicators, during the period 2005-06 and 2006-07 also improved. Immunization coverage of children aged 12-23 months in the rural and urban areas show improvement from 71 percent in 2005-06 to 76 percent in 2006-07. Incidence of Diarrhea in children under 5 years of age improved from 12 percent in 2005-06 to 11 percent in 2006-07 and overall cases where ORS was given to child increased from 71 percent in 2005-06 to 76 percent in 2006-07. In urban areas, cases where ORS was given have marginally improved, while in rural areas such cases have improved from 69 percent in 2005-06 to 75 percent in 2006-07.

The indicators relating to water supply coverage show slight improvement while the sanitation coverage indicators remained almost at the 2005-06 level. The share of households living in one room housing unit at 24.3 percent in 2006-07 remained almost at the same level as in 2004-05 (24.2 percent), while the share of households

living in 5 and more rooms housing units declined from 7.1 percent in 2004-05 to 6.6 percent in 2006-07. Population owning housing units has also declined from 86.6 in 2004-05 to 85.9 percent in 2006-07. (Annex 5.2)

Safety Net Programmes

In addition to pro-poor public expenditures, poor and vulnerable segments of the population are assisted through safety net programs. These include zakat disbursements, food and child support programs, individual financial assistance, worker's welfare fund, employees old-age benefit institutions (EOBI), employees social security institutions, social care services for disabled and vulnerable men, women and children and other welfare programs.

For 2008-09, the Government is finalizing a comprehensive social protection programme. The key emphasis is on maintaining macro-economic stability by reducing fiscal and balance of payments deficits and tackling inflation. The strategic thrust is on:

- Enhancing public spending on the sectors having greater potential for employment generation e.g. agriculture, SMEs, housing construction, information technology;
- Improving social service delivery in health, education, water supply & sanitation and population welfare sectors;
- Enhancing allocation of resources in human resource development;
- Empowering the people at the grass roots;
- Literacy program focusing on female literacy and technical skills;
- Associating private sector and civil society in meeting social sector goals.

Table 5.1: Programmes of Pakistan Baitul Mal

Programme	2006-07		2007-08	
	Amount Disbursed (Mill. Rs.)	Households Benefited (000)	Amount Disbursed (Mill. Rs.)	Households Benefited (000)
Food Support Programme	3,081	1,460	3,548	1,460
Individual Financial Assistance	450	27.2	382	20.2
National Centres for Rehabilitation of Child Labour	139	13.4	204	15
Vocational Training Centres	71	13.2	51	193.9
Institutional Rehabilitation (Grant-in-Aid to NGOs)	97	1,615.9	94	17.5
Total Disbursement Under All Programmes	3,838	3,129.7	4,279	1,706.7

Source: Ministry of Social Welfare and Special Education.

Government's social protection strategy so far, was limited to enhance financial allocations. The new social protection program, additionally will aim at improving targeting system, initiating new pilots, moving to conditional cash transfers and effective institutional and monitoring mechanism. At present, the two major safety net programs being implemented through zakat and Pakistan Bait-ul-Mal (Table 5.1) are benefiting annually around 3 million poor households by disbursing about Rs 9 billion. The overall objective is to move towards a well-integrated social protection system to provide social security to the poor and vulnerable.

In view of the growing concern over the governance issues in the distribution of Zakat system, the Government has constituted a Committee to look into the system and suggest measures for improvement. A statement showing the performance under various Zakat Programs is given in Table 5.2.

Table 5.2: Zakat Programmes 2007-08

	Disbursement (Mill. Rs.)	Beneficiaries ('000)
Guzara Allowance	2,072.0	849
Educational Stipends	1,551.7	667
Health	525.4	475.1
Social Welfare	118.3	27.1
Marriage Grant	131.1	13.1
Eid Grant	202.3	404.9
Zakat Administration	246.3	
Totals	4,847.0	2436.8

Micro-Finance

Micro-finance has emerged as a viable instrument for self-employment, social mobilization and reducing poverty. Specialized micro-finance institutions like Pakistan Poverty Alleviation Fund and Khushhali Bank have been set up to outreach to the poor households and provide credit. As a result, the outreach to the relatively poor households has improved. The system is efficient and the processes are simple. The recovery rate is also satisfactory. The details of the disbursements and number of beneficiaries of some of the leading institutions are described in Annex 5.3.

Employment Generation

The creation of productive, remunerative and decent employment is vital for sustained poverty reduction. The labour force grew by 3.1 percent per annum while employment went up by 3.4 percent per annum during last six years. However, it is difficult to say that the fall in unemployment led to improved incomes and living conditions. Of the 8.01 million additional employment generated during 2001-07, 4.73 million (59 percent) is in the category of unpaid family workers resulting in reduction in unemployment from 8.27 percent in 2001-02 to 5.3 percent in 2006-07. The total unemployed in 2006-07 was 2.67 million which in the face of non-existent social protection, is a high number for a developing country like Pakistan.

Progress on MDGs

MDGs represent Pakistan's commitment to social development and poverty reduction at the international level. To monitor the progress of MDGs, the international community has identified 18 targets and 48 indicators. Poverty reduction strategy of the Government is aligned with MDGs. Against the 34 indicators adopted by Pakistan for monitoring progress of MDGs, Pakistan is ahead in 7 indicators, on track in 16 indicators and lagging in 11 indicators. The status in respect of each MDG is described in Table 5.3.

Pakistan has made progress in moving towards achieving the MDGs and has the potential to achieve the MDG target of reducing poverty to 13 percent by 2015. However, the most critical lagging indicators relate to achieving of universal primary education, reducing child mortality, improving maternal health and ensuring environmental sustainability. The key challenge, therefore, is to continuously improve the social status of our people, especially in the education (increase in the net primary enrolment) and health sectors (reduction in infant, child and maternal mortality rates).

Table 5.3 Status of MDG Indicators

#	MDGs	Ahead	On Track	Lag
1.	Eradicate Extreme Poverty and Hunger	1	2	-
2.	Achieve Universal Primary Education	1	-	2
3.	Promote Gender Equality and Women Empowerment	1	3	-
4.	Reduce Child Mortality	1	3	2
5.	Improve Maternal Health	-	1	4
6.	Combat HIV/AIDS, Malaria and other Diseases	1	4	-
7.	Ensure Environmental Sustainability	2	3	3
		7	16	11

Source: CPRSPD, Planning Commission

Developing Public-Private Partnership for Social Development

Pro-poor policies can be effectively implemented only by creating ownership in the public. The citizens of Pakistan are socially conscience and motivated for collective action for social development. This commitment, if properly tapped, can make a significant contribution in social sector development. The Pakistan Poverty Alleviation Fund (PPAF) and the network of Rural Support Programmes (RSPs) are successfully implementing microfinance programmes while a number of organizations are contributing in education and health sectors including the Agha Khan Development Network and National Commission for Human Development. If the political will, infrastructure, legitimacy and resources exist, the community based organizations (CBOs) have the capacity, acceptability and reach to benefit the poor households through flexibility and innovative approaches. The government is benefiting from the contribution of CBOs in tackling the development challenges of basic services delivery. However, there is still a need to institutionalize the arrangements and develop principles for strategic partnership framework for social development.

A demographic transition is currently underway in Pakistan. The proportion of population in the working age between 15 to 59 years has increased from 54 percent in 1985 to 57 percent in 2005. It could go upto 70 percent by 2030. This provides a unique opportunity to transform this demographic transition into demographic dividend by putting the people at the centre of national development strategy. The close relationship among skills development, employment opportunities and restructuring of the labour force with emphasis on promoting female labour force will help reduce poverty. A skilled Pakistan will sustain the momentum of progress. It will be major move towards "Knowledge Based Economy".

Effective governance and management mechanisms are critical to ensure that investment in the social sectors is cost-effective and output-oriented. Strengthening institutions, promoting transparency in economic policy-making, consolidating and reforming the devolutionary mechanisms, building the capacity in areas of planning, budgeting, monitoring and auditing are some of the key challenges to be addressed in context of institutional efforts to reduce poverty and promote sustainable human development.

Rural Development

Development of urban centers for creating opportunities for economic development for those areas will help create employment opportunities. At the same time, investment in infrastructure in rural and urban areas is imperative for creating enabling environment for economic development. The *Rural Development Strategy* of the Government aiming at rural development envisages improved quality of life of the rural population. Improving rural economy and living conditions there by developing agricultural sector activities, water availability, developing rural infrastructure and providing social services. The north-south 'National Trade Corridor' envisaging an investment of around US $ 6 billion during 2005-10 is an important initiative in this regard as it will link numerous villages and towns with the main trade route.

Annex 5.1

Pro Poor Expenditures

(Rs Billion)

Sectors	2005-06 Actual	2006-07 Actual	2007-08 Projected
Community Services	**63.6**	**76.6**	**82.5**
Roads highways, & Bridges	53.3	60.0	69.1
Water Supply & Sanitation	10.3	16.6	13.4
Human Development	**217.9**	**231.8**	**316.3**
Education	141.7	162.1	224.7
Health	39.2	53.2	62.3
Population Planning	10.2	7.0	13.3
Social Security & Social Welfare	7.6	4.5	9.8
Natural Calamities/ Disasters	19.2	5.0	6.2
Rural Development	**78.5**	**101.8**	**101.9**
Irrigation	59.8	74.8	77.6
Land Reclamation	2.7	2.3	3.5
Rural Development	15.0	22.2	19.5
Village Electrification	1.0	2.5	1.3
Safety Nets	**9.4**	**9.2**	**12.2**
Food Subsidies	6.0	5.5	7.8
Food Support Program	3.1	3.5	4.0
Low Cost Housing	0.3	0.3	0.4
Governance	**65.2**	**78.1**	**84.6**
Law and Order	59.6	73.0	77.3
Administration of Justice	5.6	5.1	7.3
Total:	**434.6**	**497.5**	**597.5**
As % of GDP	5.7	5.7	5.7

Source: Ministry of Finance

Annex 5.2

Achievements in Education, Health and Population Sectors

Indicator	PSLM 2004-05	PSLM 2005-06	PSLM 2006-07
Education			
Gross Enrolment Ratio (Age 5–9)	83	94	99
Boys	61	80	81
Girls	72	87	91
Total			
Gross Enrolment Ratio (Age 6–10)	81	95	97
Boys	60	79	80
Girls	71	87	89
Total			
Net Enrolment Ratio (Age 5–9)	46	56	60
Boys	38	48	51
Girls	42	53	56
Total			
Net Enrolment Ratio (Age 6–10)	57	64	70
Boys	45	55	59
Girls	51	60	65
Total			
Literacy rate (Age 10+)	58	65	67
Male	32	42	42
Female	45	54	55
Total	50	51	52
Literacy rate (Age 15+) Total			
Health			
Immunization (Children 12-23 months) Based on Recall and Record	53	72	77
Male	52	71	75
Female	53	71	76
Total			
Diarrhoea (Children under 5 years suffering from Diarrhoea during last 30 days)	14	13	11
Male	13	12	11
Female	14	12	11
Total			
Housing			
Households living in one room housing unit	24.2	-	24.3
Households living in 2-4 rooms housing unit	68.7	-	69.1
Households living in 5 or more rooms housing unit	7.1	-	6.6
Housing units having flush toilet	30	42	41
Rural	86	93	92
Urban	54	60	58
Overall			
Housing units having tap water	21	21	22
Rural	60	59	62
Urban	34	34	36
Overall			

Source: Federal Bureau of Statistics

Annex 5.3

Micro-finance Disbursements

Organization	Disbursement (Million Rupees)	Beneficiaries (000's)	
		Male	Female
Pakistan Poverty Alleviation Fund			
2006-07	6,228	302	267
2007-08	8,000	410	382
2008-09 (Targets)	8,500	473	437
Khushhali Bank			51
2006-07	3,611	286	59
2007-08	3,673	285	89
2008-09 (Targets)	4,387	356	
National Rural Support Programme			
2006-07	5,407.3	250.9	386.6
2007-08	10,094.1	417.6	662.2
2008-09 (Targets)	20,762.0	1,201	1,879
First Women Bank			
2006-07	9.834	-	830
2007-08	13.495	-	1,208
2008-09 (Targets)	21.500	-	1881
First MicroFinance Bank Ltd.			
2006-07 29	1,335	46	33
2007-08 45	1,601	60	41
2008-09 (Targets) 95	3,658	88	162
Rozgar Micro Finance Bank			
2006-07	58.204	565	9,222
2007-08	76.393	290	6,992
2008-09 (Targets)	120.00	500	10,000

Source: PPAF, KB, NRSP, FWB, FMFB & FRMFB

Chapter 6

Agriculture Development

Agriculture and Livestock remain the largest contributors to the livelihood of 75 percent of the world's poor living in rural areas. Agricultural development is, therefore, of vital importance for alleviating poverty of farming community especially in the developing world. There are many crucial factors of agricultural development but most important are availability of affordable basic inputs, improved production technologies and efficient market linkages which require careful addressal.

> Agriculture is the engine that stimulates change in rural development. A farmer's neighbors come to see the results of using new methods, and a village is transformed very quickly."
>
> *Dr. Norman Borlaug, father of green revolution and 1970 Nobel laureate*

In the present scenario of price hikes and food security, it has to be realized that agricultural development is more important than any other sector as it provides fuel to life. About 65 percent of people in Pakistan live in rural areas, and depend on agriculture and non-farm rural enterprises for their livelihood and are increasingly unable to meet their basic needs. Population pressure on land is growing and land and water resources are becoming scarce and agricultural productivity is generally stagnating. Until the incidence of poverty is brought down, the import bill is reduced by raising the output of farm produce / products and exports are enhanced, it will be difficult to achieve the high rates of economic growth to which MTDF aspires. Program on agriculture development must remain amenable to continuous improvement. This chapter, therefore, reviews previous year's performance and depicts strategies and programs for 2008-09.

Review of 2007-08

PSDP Allocation

A target of 4.8 percent of agriculture growth was fixed for 2007-08. To achieve it, beside provincial ADP spending, an amount of Rs15.8 billion was allocated in Public Sector Development Program (PSDP) 2007-08 for different development projects sponsored by Ministry of Food, Agriculture and Livestock. Against the allocated amount, about 85 percent is expected to be utilized during 2007-08.

Physical Growth and Output

Materializing the agriculture growth target (4.8%) is fading in elusion during the period under review (2007-08). Overall performance of sector was below the expectations. Against the target of 4.8 percent growth, 1.5 percent is expected during 2007-08. Production targets of major crops like wheat, rice, cotton, maize, gram and onion were not achieved (Table 6.1). However, the production of sugarcane surpassed the target, owing to increase in its area at the expense of cotton whose production remained below targets, showing unhealthy sign for cotton based economy. World grain prices have increased many folds due to widening supply-demand gap. This situation had created a global food crisis which also plagued Pakistan. In the situation, agriculture based countries like Pakistan were expected to produce more grains for domestic use

and for exports. Gloomy picture of performance of our agriculture demands in-depth and detailed review of our policies towards agriculture to face the future challenges.

Medium Term Development Framework (MTDF) document has identified great scope for development of livestock, dairy, poultry & fisheries. Foreseeing the potential of livestock sector, despite some bottlenecks identified as poor health coverage, poor quality feed and poor breed management practices etc, the government had given due attention towards this sector which is now working well. All indicators of its development are positive (Table 6.2).

Brief analysis of crops, livestock, poultry, and fishery sub-sectors is presented below:

a) **Crop sub-Sector**

i) ***Wheat:*** Being the staple food of the people, wheat occupies central position in government policies and is the single largest crop in our cropping pattern. Ever highest production of 23,295 thousand tons of wheat was achieved in 2006-07. However, in 2007-08, wheat production could not perform well and dwindled by 9.1 percent against target of 24,000 thousand tons and 6.3 percent against 2006-07 achievement (Table 6.1). The major limiting factors were imbalanced fertilizer use due to high phosphatic and potassic fertilizer prices, unfavorable weather conditions, low water availability during Rabi season and above all delayed announcement of support price, which led to two percent decrease in area and also low per acre productivity in 2007-08. Best solution lies in abundant availability of phosphatic fertilizers and quality wheat seed for enhancing per unit productivity and discovering wheat area depletion by sugarcane.

ii) ***Cotton:*** Pakistan has a cotton based economy as it has significant contribution in our foreign exchange earnings. The cotton crop, with production of 11.7 million bales in 2007-08 again fell short of the target by 17.0 percent (Table 6.1). This is the third consecutive year when the crop suffered heavily due to the menaces likes Bollworms, cotton leave curl virus and particularly cotton mealy bug. Final estimates of its area showed declining trend due to shift for more profit earning in sugarcane cultivation. Sowing of spurious Bt Cotton, non availability of sufficient irrigation water, bad weather and comparatively less area sown are some of the limiting factors for not achieving the targets. The government is very keenly considering promotion of Bt cotton cultivation in the country and to tackle the problems of mealy bug and cotton leaf curl virus through development projects under implementation.

iii) ***Rice:*** Rice has become highly valued cash crop that earns substantial foreign exchange each year. In the current year (2007-08), export earnings are expected to be at highest level due to three time increase in its prices in international market. Rice production in 2007-08 (5,561 thousand tones) surpassed production of 2006-07 by 2.3 percent but was unable to achieve the target of 5,721 thousand tones in 2007-08 and a shortfall of 2.8 percent was witnessed (Table 6.1). Bacterial Leaf Blight disease is becoming a permanent limiting factor against fine varieties of rice crops. Being a water loving plant, rice requires lot of irrigation water which, as a matter of fact is depleting in Pakistan and could not be made abundantly available during 2007-08. Fuel prices (Diesel) has gone up which is necessary input for pumping water through tube-wells. Therefore, along-with improving water resources and economizing the water wastage, a review of rice production

system / technology is very much required by scientists to sustain our yield in future.

iv) ***Sugarcane:*** Against the policy of government, sugarcane production area is increasing in the country which definitely affects the competing crops such as cotton and wheat. Previous sugar crisis of 2005-06 in the country has made it more profitable crop from farmers' point of view. Thus, despite decrease in average yield a record sugarcane production of 62,499 thousand tones which is 11.8 percent more than its target of 55,876 thousand tones is expected to be achieved in 2007-08 (Table 6.1). This situation necessitates efforts for vertical increase in its production rather than horizontal.

v) ***Maize:*** Although maize is not a staple food in country but has its own significance due to its use in variety of food / feed items. It is important ingredient of poultry feed. Like other grain crops, maize with production of 3,109 thousand tones in 2007-08, was unable to achieve the target of 3,279 thousand tones (5.2 % shortfall). However, its production was 0.7 percent up compared to year 2006-07 (Table 6.1).

vi) ***Other Crops:*** Potato production in the country is performing very well for couple of years. An increase of 26.4 percent was observed over the target of 2007-08. Value addition in potato by its processing has stabilized market prices which are contributing in its yield stability. Gram crop is very much sensitive to frost which has greatly affected the crop grown during 2007-08 with the end production of 569 thousand tones which is 33.0 percent short of its target. The production of onion also suffered in 2007-08 and could not achieve its target (Table 6.1).

TABLE 6.1. Physical Achievements and Targets (Crops)

(000 tons)

Item/ Crop	Actual 2006-07	Target 2007-08	Achieve-ments 2007-08	% change over		Target 2008-09
				2006-07 Actual	2007-08 Target	
1	2	3	4	5	6	7
Wheat	23,295	24,000	21,830	-6.3	-9.1	24,000
Rice	5,439	5,721	5,561	2.3	-2.8	5,720
Basmati	*2,494*	*2,667*	*2,451*	*-1.7*	*-8.1*	*2,666*
IRRI/Others	*2945*	*3,054*	*3,110*	*5.6*	*1.8*	*3,054*
Maize	3,088	3,279	3,109	0.7	-5.2	3,279
Sugarcane	54,742	55,876	62,499	14.2	11.8	56,516
Cotton*	12.9	14.1	11.7	-9.3	-17.0	14.1
Gram	838	848	569	-32.1	-33.0	843
Potato	2,582	2,148	2,919	13.1	26.4	NA
Onion	1,817	1,925	1,902	4.7	-1.2	NA

Source: Ministry of Food Agriculture and Livestock (MINFAL) **Million bales*
NA=Not available

b) Livestock sub-Sector

The production of meat and milk during 2007-08 was 34,058 and 2,727 thousand tons respectively, depicting a growth of 3.2 and 4.2 percent over the achievements of 2006-07 respectively (Table 6.2). Similar trend was observed in poultry showing a healthy growth of 8.5 percent over 2006-07 achievement. Poultry has always compensated any shortfall in beef / mutton production. Other products of livestock and poultry such as eggs, hides, skins and wool were also up to the mark. The main contributing factors were increase in number of milch animals, improvement in veterinary coverage through on-going development projects and higher milk and meat prices adding to farmer's income. To increase the meat and milk production, there is a need for greater emphasis on productivity than number, better management, breed improvement and veterinary coverage, and this need is being addressed through various development projects on board and establishment of Livestock and Dairy Development Board in the country.

c) Fisheries sub-sector

Government has taken keen interests to explore the potential of fishery and its improvement in Pakistan. Resultantly, fisheries growth indicators are depicting good picture (Table 6.2). The achievements in overall fish production during 2007-08 were 2.4 percent up to 640.1 million tones against the target of 625.0 million tones. Both segments of fisheries i.e., marine and inland has plus contribution (2.6% and 2.0%, respectively) in achieving the targets. Punjab Fisheries Department has played a vital role in enhancing inland fisheries production. Obsolete fishing vessels, poor marketing infrastructure and European Union ban on fish imports are the major obstacles in marine fish production which are being addressed properly through various development projects in hand.

Table 6.2. Physical Achievements and Targets (Livestock)

(000 tons)

Item/ Crop	Actual 2006-07	Target 2007-08	Achievements 2007-08	% change over 2006-07 Actual	% change over 2007-08 Target	Target 2008-09
1	2	3	4	5	6	7
Livestock						
Milk*	32,991	34,058	34,058	3.2	N.A.	35,160
Meat	2,618	2,727	2,727	4.2	N.A.	2,842
Mutton	566	578	578	2.1	N.A.	590
Beef	1,498	1,548	1,548	3.3	N.A.	1,601
Poultry	554	601	601	8.5	N.A.	651
Eggs (Mln. Nos.)	10,197	10,711	10,711	5.0	N.A.	11,258
Hides (000 Nos.)	11,800	12,199	12,199	3.4	N.A.	12,612
Skins (000 Nos.)	44,325	45,325	45,325	2.3	N.A.	46,351
Wool	40.57	41.05	41.05	1.2	N.A.	41.54
Fisheries						
Marine	350,000	380,000	390,140	11.5	2.6	400,000
Inland	240,000	245,000	250,000	4.2	2.0	250,000
Total	590,000	625,000	640,140	8.5	2.4	650,000

Source: Ministry of Food Agriculture and Livestock (MINFAL) *NA = Not Available*

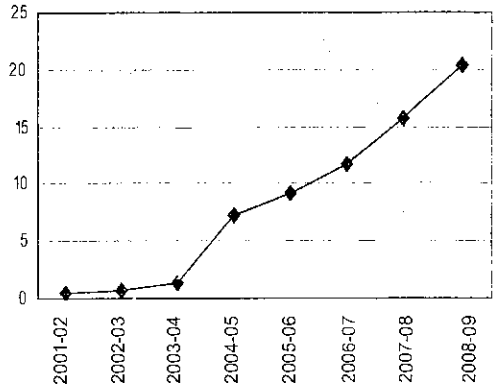
** Human Consumption*

Program for 2008-09

PSDP Allocation

Despite financial crisis and economic pressures in the country, an amount of Rs 20.3 billion has been allocated for different on-going and new development projects sponsored by Ministry of Food, Agriculture and Livestock in Federal PSDP: 2008-09 (Fig. 6.1). Of this, Rs 12.0 billion is earmarked for irrigation related projects and 8.3 billion for agriculture / food / Livestock / fisheries related projects. Additionally, PSDP funds would also be provided for the agricultural projects sponsored by Ministry of Science and Technology and Islamabad Capital Territory (ICT) for their respective programs during 2008-09.

Fig. 6.1: PSDP Agriculture Allocation (Rs Billion)

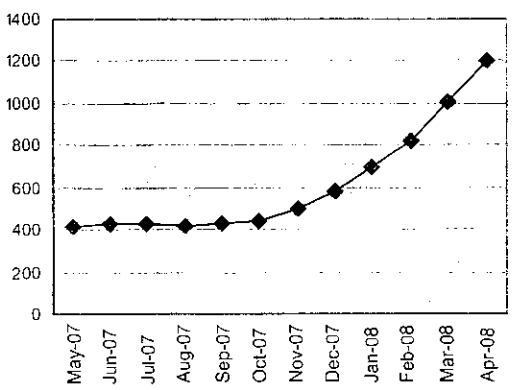


Planned Interventions

MTDF-2005-10 gives complete policy package for all sectors of the economy. Physical targets fixed in MTDF have, however, not been completely achieved. Therefore, keeping in view the performance of previous year (2007-08), the production targets for important agriculture development components for the year 2008-09 were revised by the Federal Committee on Agriculture (FCA) and are given in Table-6.1 and 6.2. All efforts will be focused to achieve these targets to ensure food security, economic growth and stability in the country by timely and abundant availability of all inputs/credit facilities, water and technologies to the farmers.

Fertilizer is the most important and expensive input. Unprecedented increase in fertilizer prices (Fig. 6.2) necessitated attention of the government as contribution of balanced fertilization towards increased yield is 30 to 60 percent in different crop production regions of the country. To achieve the crop production targets fixed for 2008-09, there would be a demand of 4030 thousand nutrient tons. The balance of the nutrients must be as: nitrogen = 3000, phosphate = 980, potash = 50 thousand tons. An increase in amount of the subsidy would be a useful policy decision to narrow down the N:P for better crop productivity.

Fig. 6.2: International DAP Prices (US$ per ton)



Adequate and timely availability of certified seed is vital for enhancing crop production. However, certified seed coverage for cotton, rice, maize, wheat, oilseed, and fodder

was 45.0, 31.0, 33.0, 21.5, 18.9, and 10.3 percent respectively, and can not be regarded as satisfactory. Government is supporting biotechnology institutes to develop genetically modified crops. Bio-safety guidelines have been approved and being complied. Efforts are underway to avail latest traits of Bt developed by multinational companies. The seed multiplication and disbursement system in the country will be revamped on priority basis.

Agriculture credit disbursement is increasing every year. An inadequate amount of Rs 200 billion was fixed for 2007-08, against which during first ten months an amount of Rs 157.6 billion has been disbursed. Input prices particularly those of phosphatic fertilizers, diesel and labour have increased significantly. Government is very well aware of credit's contribution towards agricultural productivity and efforts are underway to improve credit allocations and it's out reach to small farmers.

Our agriculture is dependent on irrigation water. Without timely availability of irrigation water, the dream of self sufficiency in food can not come true. Our existing water reservoirs have depleted due to silting and extent of water storage is only 9 percent compared with 40 percent world average. Our cropping intensity is increasing and irrigation water scarcity is being experienced. To deal with this situation the measures taken by the Government include: 1) reducing conveyance losses by water course improvement, 2) increasing storage capacity by making new reservoirs or raising the capacity of existing dams, and 3) increasing water use efficiency by promoting drip / sprinkler irrigation systems and raised bed technology.

Poor plant protection is another important area which had very badly affected our crops productivity. Its impact is more significant on cotton crop, especially cotton mealy bug which has become a menace and is least affected by any pesticide. Now government is planning / launching programs to tackle the insect pest's problem by employing biological techniques.

The world experienced food crisis during 2007-08, due to depletion of stocks, diversion of grains to livestock feed to meet growing demand of meat and milk created by rising incomes as well as for biofuel production. Relatively low investment in agriculture particularly neglect of agricultural research also contributed. Pakistan was also affected and high food inflation was observed. Steps to face food crisis in brief in presented in Box 6.1.

Box: 6.1 Steps to tackle food crisis

- Bridging the yield gap through increasing productivity.
- Increasing investment in agricultural research.
- Increasing credit outreach.
- Promoting water use efficiency
- Rationalize prices of wheat, edible oil, and pulses.
- Subsidize the inputs like fertilizers and diesel oil or electricity. Alternatively the market price be given to the farmers and subsidy provided to the vulnerable poor segment of the society to compensate for the increase in food prices.
- Enhance food storage capacity.
- Proper monitoring of movement of wheat / wheat flour and other essential commodities with the ultimate objective of curbing smuggling.

Agriculture development efforts would also focus towards increase in animal productivity. Domestic animal and fishery performance will be enhanced by breed and feed quality improvement, better animal husbandry practices, and improving health coverage.

Important Ongoing Programs / Initiatives

Important and crucial programs / initiatives in hand are described below:

A) Crops

i. **Special Program for Food Security and Productivity Enhancement of Small Farmers in 1012 Villages (Rs 8013.5 million)**

This project also known as Crop Maximization project-II (CMP-II) has been launched in 1012 villages in continuation of CMP-I (109 villages in 15 districts) for increasing the agricultural productivity of rural areas on sustainable basis, enhancing food security and reducing poverty. It will establish collective institutions, i.e. Village Organizations (VO's) one each in 1012 villages of 27 districts of all provinces/AJK/ Northern Areas to be owned/managed by the farmers themselves for procurement / management of critical inputs / services, marketing of outputs and diversification of income generation activities, especially by the small land holders.

ii. **Establishment of Facilitation Unit for Participatory Vegetable Seed and Nursery Program (Rs 497.5 million)**

The project is meant for production of hybrid vegetable seeds on public-private partnership basis. It envisages creation of enabling environment for growth of vegetable seed industry and transfer of advance technologies with participation of all stakeholders. Under the project, 20 participatory seed and nursery production units are to be established. The main focus of the project is on seed production of vegetable crops like tomato, onion, chilies, okra, peas, carrot and cauliflower.

iii. **Agribusiness Development and Diversification Project (Rs 4066.0 million)**

Agribusiness Development and Diversification Project is in operation. The project envisaged to create an environment for promotion of agribusiness/ horti-business activities in the country. Livestock & Dairy Development Board has been established and Horticulture Project Unit within Pakistan Horticulture Development and Export Board (PHDEB) have been established. Technical assistance, training and capacity building of the participating financial institution concerned with advancing credit for agribusiness activities is in progress. Technical, managerial and business capabilities of the agro enterprises will be strengthened.

iv. **National Agricultural Research Program (Rs 2963.0 million)**

It is a mega program to strengthen the research systems and technology development of Pakistan Agricultural Research Council through implementation of 22 priority research themes and 119 research activities covering crops, horticulture, natural resources, animal and social sciences.

v. **National Program for Improvement of Watercourses (Rs 66373.5 million)**

The most significant project under MINFAL is the "National Program for Improvement of Watercourses in Pakistan", which aims at increasing the agriculture production by efficient and effective utilization of irrigation water

through improvement / lining of watercourses on participatory basis with water users. About 49,343 (57%) out of 86,000 watercourses have been improved since the inception of this project. A Third Party Mid Term evaluation of the project is recommended at this stage.

vi. Water Conservation and Productivity Enhancement Through High Efficiency Irrigation (Rs 18000.0 million)

This project aims at increasing irrigation efficiency in barani as well as canal command areas through installation of sprinkler and drip irrigation system. It has been launched recently.

vii. Land and Water Resources Development Project for Poverty Reduction (Rs 3400.0 million)

Federal Government has approved a mega project for procurement of 300 bulldozers, 200 for Balochistan and 100 for NWFP. These machineries will be deployed for development of 219,375 hectares of cultivable waste land. About 80,000 hectares of salt affected land will be rehabilitated. Agricultural Engineering workshops are to be upgraded and strengthened to meet the need of repair and maintenance of agricultural machineries used for land development. These bulldozers will be available for operational activities very soon.

viii. Agriculture Sector Development Loan Project (Phase-II) (Rs10029.5 million)

This project is ADB assisted and being implemented from US $ 348.0 million loan proceeds with cost of Rs10.266 million for Phase-I of the project which is completing by the end of June, 2009. Loan proceeds are to be used to support the agriculture sector in general and reforms to be implemented under the programming in particular. The MINFAL is preparing to launch second phase of the project to complete unfinished activities and reforms agenda.

ix. Monitoring of Crops Through Satellite Technology (Phase-II)

Government has approved this project for utilizing remote sensing techniques for crop estimates employing SUPARCO viz-a-viz existing system of crop reporting in the provinces. In its first phase SUPARCO has developed system of crop estimation (area/production). To refine the technologies developed in first phase, a second phase of the project is under consideration which is designed to develop satellite labs under the control of Crop Reporting System of each province and a nucleolus lab under SUPARCO for crop appraisal.

x. Managing Burewala Strain of Cotton Leaf Curl Virus and Up-gradation of Cotton Research Institutes (Rs 149.1 million)

This project is to conduct research / extension on a new virus strains i.e., Burewala Strain of Cotton Leaf Curl Virus. It is progressing well and research has revealed that a number of lines are resistant to CLCV disease. The genetic material developed through mutation breeding for development of Burewala strain and genetically engineered cotton germplasm for virus resistance have shown consistent resistance against CLCV-B. These transgenic lines have been introgressed into local elite cultivars. Central Cotton Research Institute,

Multan is also being upgraded/strengthened to the level of International Cotton Research Institute.

xi. Restructuring and Strengthening of Agricultural Research System, Balochistan (Rs 723.9 million)

Mega project on revitalizing agricultural research system of Balochistan is underway since July 2005, however it has recently been revised for improving/expanding basic infrastructure for research. It is to strengthen 4 existing research stations/institutes and establish 5 new ones at various ecological sites. Almost 80 percent of the project activities have been completed.

xii. National Biosaline Agriculture Program (Rs 859.0 million)

Salinization of soils and ground water is a major soil degradation problem that is growing steadily. Nearly 6 million hectares of potential arable land is saline; 1.25 million falling in the canal commanded area while the rest is outside it. A "National Biosaline" project covering 11 salinity affected districts of the country has been recently started. Demonstration blocks of biosaline technologies will be established on 5000-10000 acres and demonstration sites of 100-200 acres at one selected village in each district. Farmers' Community Organizations will also be organized.

xiii. Production of Bioenergy from Plant Biomass (Rs 260.3 million)

This project envisages to develop economically feasible production of biofuels from biomass and conduct research and development studies to convert plant residues (wheat straw, rice husk, cotton sticks, corn cobs, kallar grass) and other salt tolerant plants into ethanol / biogas so as to use it as alternate source of energy.

xiv. National Pesticide Residues Monitoring System in Pakistan

The project objective is to establish/strengthen a well coordinated network of pesticide residue analysis/testing laboratories. Pakistan is importer as well as exporter of a variety of agricultural commodities. It has to compete with the world in the open market under WTO scenario for pesticide residues standards which will act as reference points for Sanitary/Phyto-Sanitary (SPS) measures. Due to insufficient research back-up and lack of regular pesticide residues monitoring system, the developing countries like Pakistan would be in a difficult position to keep up with the changing world trade requirement. To comply with WTO/SPS agreement (to which Pakistan is a signatory), we need to have accredited laboratories with trained/skilled manpower, which will be established under this project.

xv. Biological Control of Major Cotton Pests in PAKISTAN with Emphasis on Mealy Bug

The project, which is likely to start this year (2008-09) envisages biological control of cotton pests with emphasis on mealy bug using insect parasites and predators, establish model farms to demonstrate the biological control of IPM of cotton pests using all techniques and approaches including entomopathogenic nematodes, biopesticides development, their introduction and promotion at farm level.

B) Livestock, Poultry & Fisheries

Keeping in view the significance of the livestock and fisheries and prevailing state of affairs, the federal government has launched following major development projects for the development of the sector.

i. Strengthening of Livestock Services for Livestock Disease Control in Pakistan (Rs 1714.8 million)

Theme of this project is, enhancing productivity through livestock disease control and disease diagnostic facilities, eradication of Rinderpest and control of Foot and Mouth Disease. Other components of the project include enhancing the efficiency of veterinary health services and improving animal nutrition through farmer education. Biggest achievement of the project is that Pakistan has been declared free from Rinderpest.

ii. Prime Minister's Special Initiative for Livestock (Rs 1696.4 million)

Main thrust of this project is aiming at provision of self sustainable net work of vet. Services to the farmers at their door step for better animal health hence enhanced production. Up-till now 209 vet. doctors, 17 district livestock officers, 194 clinical assistants, 504 community livestock extension workers (CLEW) had been put in place.

iii. Livestock Production and Development of Meat Production (Rs 1500.0 million)

Farmer response to Meat production project was overwhelming and has resulted in registration of more than 5000 meat production farmers in the country and establishment of 290 fattening farms. First cycle of incentive oriented fattening is reportedly over producing 69,917 tons of quality beef and mutton. It has been able to establish 8 slaughter houses and 24 butcheries in private sector, undertake capacity building of 500 farmers, 70 butchers and 37 professionals.

iv. Milk Collection, Processing and Dairy Production (Rs 1600.0 million)

Milk Collection, Processing, Dairy Production and Development Program's main thrust is installation of 300 cooling tanks in milk producing pockets through farmer organizations. Up-till now, few farmer organizations have been established enabling placement of 25 milk cooling tanks out of 50 purchased. It is also supporting free vaccination and deworming of the animals belonging to member farmers who may also be provided with subsidized concentrate rations and good quality fodder seed.

v. The White Revolution "Dhoodh Darya" (Rs 2654.4 million as federal share)

This project has ten components with main thrusts being on: community farms, developments of milk pockets and establishment of milk pasteurization plants; infrastructure development of military farms; bulk vending of milk, training and extension, and PDDC's breeding program.

vi. **Improving Reproductive Efficiency of Cattle and Buffaloes in Small Holders Production System (Rs 489.9 million)**

This project is focused on the improvement of reproductive efficiency of cattle and buffaloes by increasing semen production as well as through embryo transfer technology. It is expected that at the end of the project, 40,000 embryos and one million doses of semen will be produced.

vii. **National Program for the Control and Prevention of Avian Influenza (Rs 1184.1 million)**

The project is designed to develop national capacity to combat any future outbreak of bird flu through effective surveillance and disease response mechanism. It will establish national/provincial surveillance networks and referral diagnostics for control of Avian Influenza (AI) in the country, through 10 provincial coordinating units and 40 regional surveillance units besides strengthening and upgradation of National Reference Laboratory for Poultry Diseases (NRLPD) and National Veterinary Laboratory (NVL) at Islamabad.

viii. **Aquaculture and Shrimp Farming (Rs 1997.0 million)**

This project aims to strengthen aquaculture industry of Pakistan. The project is designed to enhance the domestic production of fish and shrimp by establishing four new hatcheries, renovation of four existing hatcheries, setting up eleven model fish farms in Sindh/ Balochistan, six model fish markets in all four provinces and cage culture at five sites.

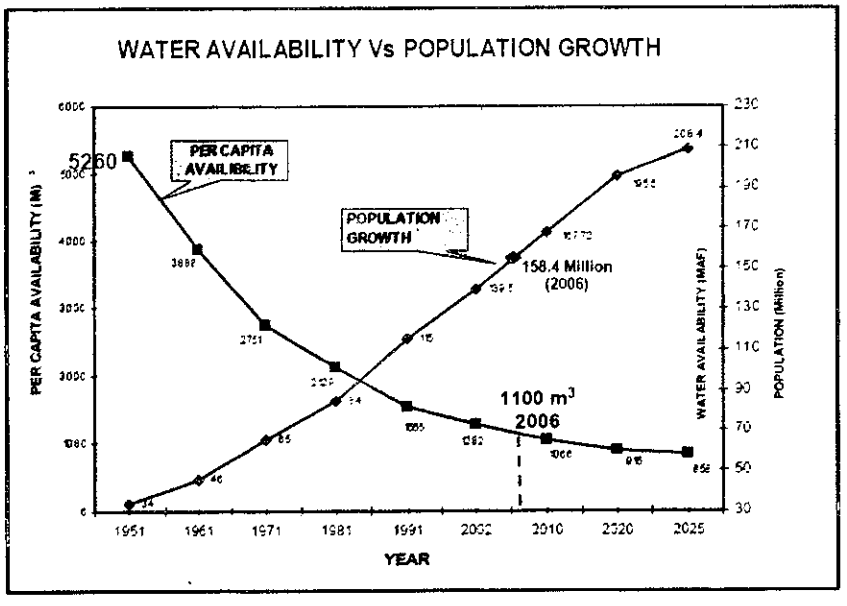
Chapter 7

Water Resources Development

The Government of Pakistan associates high priority to the welfare and well being of people through GDP enhancement and poverty alleviation. Water is a mean for GDP enhancement and poverty alleviation; therefore, the water sector allocations have gradually increased from Rs. 15.7 billion to Rs. 63.1 billion over the last 5 years. The water availability has increased from 134.5 MAF to 147.7 MAF. However, per capita water availability is diminishing as Pakistan's population is increasing (Figure 7.1). Some of the issues faced by water sector are briefly outlined as under:

- **Natural and Man Made Water Shortage:** Pakistan is one of the world's most arid countries, with an average rainfall of under 240 mm a year. The water shortage scenario in Pakistan is further aggravated with high variability of rainfall. Climate change and global warming may also affect adversely the availability of water with respect to space and time. Indus Water Treaty caused the loss of 3 major rivers, Ravi, Sutlej and Beas. Water stored in Pakistan is much less than the world's average, 40%. The storage capacity of Colorado is 497%, Nile 347%, India 33%, while Pakistan just 9%.

Figure 7.1



Low Water Productivity: Whatever water is available it is utilized in an inefficient manner. Water production in Pakistan is less than 0.1 kg/m^3 as compared to 0.39 kg/m^3 in India.

- **Aging and Outdated Infrastructure:** Pakistan is blessed with one of the largest irrigation infrastructure. However, it was designed for water requirements of the 20th century and not for the 21st century. The design of system was for 60% cropping intensity and now the cropping intensity has crossed over 120%. Further the cropping pattern on which water demands and withdrawals were worked out was not supposed to cater crops such as sugar cane and rice which requires high water delta. The system maintenance also requires a lot more attention due to deferred maintenance over the last 100 years.

- **Innovative Knowledge Based Management:** Challenges of the 21st century requires the frontiers of knowledge and innovative approaches rather than the historic practices. The institutions need redefining of their roles and to develop their capacities according to new responsibilities.

- **Ownership, Reforms and Joint Management:** The irrigation infrastructure operation and on-farm practices needs ownership of the stakeholders such as farmers, professionals and revenue collectors. A joint management mode needs to be devised as area water boards and farmers organization's success needs validation.

Solutions - MTDF (2005-10)

The key issues that have been addressed in Medium Term Development Framework (MTDF) 2005-10 include (i) the absence of a holistic, integrated and sustained approach in water resources management, (ii) sub-optimal use and low productivity of water, (iii) inadequate storage capacity with water escapages to sea, (iv) extensive seepage losses in the irrigation system, (v) inadequate operation and maintenance and poor cost recovery, (vi) excessive groundwater pumpage without groundwater recharge (mining of groundwater), (vii) absence of measures for rainfall harvesting, (viii) unsafe disposal of drainage effluent to the sea, (ix) inadequate protection of infrastructure from floods, (x) lack of private sector participation, (xi) deteriorating institutional capacities of key water sector institutions, (xii) increased poverty in backward irrigated areas, and (xiii) poor linkage among water, agriculture and rural development projects and related research.

The water sector strategy in relation to water augmentation, water conservation and efficient water use is being implemented through a comprehensive set of measures for the development and management of water resources. The strategy is implemented through programs and projects including the development of additional medium and large-size reservoirs, integrated resource use, the introduction of water efficient techniques, containment of environmental degradation, institutional strengthening, capacity building and human resource development. Three new priority water storage dams i.e. Akohri, Basha and Munda dams to be completed up to 2016, in addition to on-going water storages projects such as Mangla Raising, Gomal, Satpara and Kurram Tangi Dams. Besides multi-purpose dams, small and medium dams are also to be constructed.

Output

During the first three years of MTDF maximum resources were allocated to dams, canals and on-farm water management projects. Against the MTDF allocation of Rs 147.8 billion for first two years, an amount of Rs 199.3 billion, 35% higher than the MTDF allocation has been allocated for water sector projects. The major landmarks of the first three years of MTDF are:

- Completion of Mirani Dam, Balochistan
- Completion of Sabakzai Dam, Balochistan
- Substantial completion of Raising of Mangla Dam
- Substantial completion of Satpara Dam
- Improvement of 53,239 watercourses all over Pakistan
- Completion of National Drainage Program all over Pakistan
- Completion of Second Flood Protection Project all over Pakistan
- Completion of 43 new minors and remodel of existing 49 minor canals in Balochistan
- Completion of Left Bank Out-fall Drain (LBOD) Sindh
- Substantial completion of Greater Thal Canal, Kachhi and Rainee canal
- Substantial completion of RBOD-I, II and III
- Completion of number of small dams/check dams and delay action dams in NWFP, Balochistan and Sindh
- A sum of Rs. 3.85 billion has been expended for lining of irrigation channels in Punjab, Sindh and NWFP
- More than 13.0 billion has been expended for the improvement/remodeling of existing irrigating system

Physical progress of all other on-going water sector projects remained satisfactory except Kurram Tangi Dam, where the physical works delayed due to law and order situation.

Review of 2007-08

During 2007-08, against an allocation of Rs 71.3 billion, over 90% i.e. Rs 65 billion are likely to be utilized (Table 7.2). The program for 2007-08, the third year of MDTF 2005-10, focused on the irrigation, drainage, On-farm Water Management, Research/Investigation and flood control sub-sectors. The maximum resources were allocated to complete the on-going projects and high priority water storages, drainage and canal projects in an effort to overcome the scarcity of water through augmentation. The overall implementation remained satisfactory and the planned targets were generally achieved, especially in case of dams, canals and improvement of irrigation infrastructure, national program for watercourse improvement, lining of irrigation channels in NWFP, Right Bank Outfall Drain (RBOD-I, II & III) projects. However in some programs/projects, the lining of irrigation channels (Punjab and Sindh) and new projects started during 2007-08 (Sindh and NWFP), achievement was lower than the planned targets due to a late release of allocated funds.

It is expected that the revised financial allocation of Rs 71.3 billion for the year 2007-08 would be fully utilized by the end of June 2008.The overall water availability of 16.99 Mhm (137.80 MAF) in 2006-07 is expected to have increased to 18.21 Mhm (147.65 MAF) during 2007-08. Out of the total water availability during 2007-08, about 12.00 Mhm (97.33 MAF) was from surface water supplies and 6.21 Mhm (50.32 MAF) from underground water.

Under Irrigation sub-sector, the overall physical progress of fast track (high priority) projects namely Raising of Mangla, Sabakzai, Satpara and Gomal Zam Dams, Greater Thal canal, Kachhi canal, Rainee canal and Extension of Pat Feeder Canals, Lining of irrigation channels and improvement of irrigation infrastructure in Punjab, Sindh and NWFP remained satisfactory in addition to completion of Mirani dam and Sabakzai dam. An amount of Rs 725 million, Rs 250 million and Rs 750 million were allocated

(revised) to Punjab, Sindh and NWFP for lining of irrigation channels. Under this program, the planned targets were not achieved due to late releases. And Rs 1.5 billion have to surrender against the original allocation of Rs 3.2 million.

Under drainage sub-sector, the progress of RBOD-I, II and III remained satisfactory and it is expected that all three stages would be completed by 2008. During 2007-08, a sum of Rs. 8,200 million was allocated to continue the on-going activities of the RBOD-I, II & III.

The national program for water-course improvement continued in 2007-08 to achieve the revised target of 11,300 watercourses in all the four provinces. A sum of Rs 7.0 billion was allocated to achieve the planned target.

Under the normal flood protection program, the allocation of Rs 1.5 billion is expected to be utilized to complete the priority schemes of all provinces. The sector-wise physical achievements are given in Table 7.1.

Table 7.1 Key Physical Targets (2007-08 & 2008-09) and Achievements (2007-08)

Item Targets	Unit	2007-08	Achievements 2007-08		Target 2008-09
			Physical	%age	
Irrigation					
i) Water Availability (Cumulative)	Mhm	18.2	18.2	100	18.4
	MAF	147.6	147.6		149.4
ii) Earthwork for dams & canals	MCM	80.0	145.8	182	130.3
iii) Concrete work for dams & canal	MCM	13.0	2.8	22	2.6
iv) Land Acquisition	Ha	9,000	7,550	84	9,000
Drainage & Reclamation					
i) Disastrous area protected	Mha	0.24	0.10	42	0.24
ii) Surface Drains (Earthwork) (Extension, rehab. & remodelling of canals)	MCM	26.0	51.0	196	50.0
Flood Control Program Under Normal Flood Program (flood scheme)	No	25	35	140	25
OFWM Program Watercourse Improvement	No	9,000	11,300	125	23,329

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

Program for 2008- 09

Inspite of financial crunch, Water Sector has been given the highest priority in the resource allocation for 2008-09 with an allocation of Rs 73.7 billion (including On-farm Water Management Program); 11.5 percent less than the last year allocation of Rs 71.3 billion (revised). Maximum resources have been given to the timely completion of on-going projects, including water storages and canal. The main strategy adopted in water sector is to achieve the planned target under MTDF. The comparison of the budgetary allocation and utilization for the water sector for the year 2003-04 to 2007-08 is given in Table 7.2.

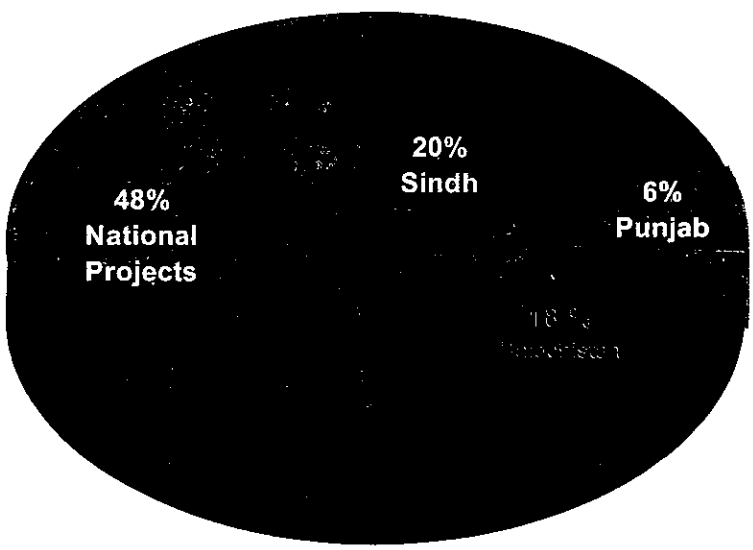
Table 7.2 Water Sector Budget Allocation vs Utilization

(Rs. Billion)

Years	Allocation	Utilization
2003-04	15.3	12.4
2004-05	25.4	22.9
2005-06	40.1	36.8
2006-07	53.8	47.0
2007-08	71.3	65.0
2008-09	73.7	-

Out of total allocation of water sector at Rs 73.7 billion in PSDP 2008-09, the respective shares of Federal, Punjab, Sindh, NWFP and Balochistan respectively, stand at 48, 6, 20, 8 and 18 percent (Figure 7.2).

Figure 7.2: Provincial Shares in Federal PSDP 2008-09



It is expected that the overall water availability will increase from 18.2 Mhm (147.6 MAF) in 2007-08 to about 18.43 Mhm (149.4 MAF) in 2008-09. This would include about 12.2 Mhm (99.1 MAF) from surface water supplies through canal withdrawals, watercourse improvement, canal lining/remodelling, irrigation system rehabilitation program and small irrigation schemes, and the remaining 6.2 Mhm (50.32 MAF) from underground fresh water aquifer mainly by private tubewells. The water availability will be improved through a major emphasis on water conservation measures such as remodelling/rehabilitation of existing irrigation system, lining of irrigation channels/ watercourses and completion of on-going mega projects being implemented on fast track basis.

In the drainage sub-sector and improvement of irrigation infrastructure, in line with the MTDF target, 0.24 Mha of disastrous area is planned to be reclaimed from water logging and salinity through excavation of 50 MCM of earth work for surface drains, 1017 Km of concrete canal lining, more than 120 MCM earthwork (384 Km rehab. of existing channels

and 1017 Km of drainage channels) for irrigation infrastructure/system improvement and construction of about 2,354 major /minor structures.

Under National On-Farm Water Management Program, more than 23,000 watercourses will be improved. A sum of Rs 9.5 billion has been proposed to this program for the financial year 2008-09.

Under Normal/Emergency Flood schemes, it is planned to spend an amount of Rs 1.0 billion to complete the emergent flood schemes in Pakistan. The main programs/projects to be implemented during 2008-2009 are discussed below:

i) Irrigation

An amount of Rs 43.1 billion (68 percent of the total water sector's allocation) has been allocated for irrigation projects (dams, canals, lining and improvement of Provincial irrigation infrastructure). Under this sub-sector, eight on-going dams/canals projects (Gomal Zam, Raising of Mangla, Satpara and Kurram Tangi dams, Greater Thal, Kachhi, Rainee, and Khirther canals) have been protected for timely completion whereas adequate funds have also been provided for revamping/rehabilitation of irrigation system of Sindh, Punjab and NWFP, Lining of Irrigation Channels in Punjab, Sindh and NWFP and extension of Pat Feeder canal in Balochistan. The major irrigation projects are as under:

Major On-going Projects

- **Raising of Mangla Dam.** The construction of main dam raising, land acquisition/ compensation, infrastructure development in new city and Dhanghali bridge works would continue during 2008-09. An amount of Rs 18.0 billion would be utilized for timely completion of these works.

- **Satpara Dam.** The dam would have a storage capacity of 0.045 MAF and would irrigate 19,920 acres of land in Skardu Valley. An amount of Rs 100 million has been proposed during 2008-09 to undertake works on irrigation system, main dams, structures, powerhouse and spillway.

- **Gomal Zam Dam.** An amount of Rs 2.0 billion would be expended during 2008-09 for irrigation, drainage and hydropower works and land acquisition of 2,000 acres.

- **Greater Thal Canal.** A sum of Rs 1.50 billion has been proposed for 2008-09 for 19 MCM of earthwork, 0.156 MCM of concrete lining, about 4,000 acres of land acquisition and construction of about 600 structures.

- **Kachhi Canal *(Punjab Portion 300 km lined contract No. KC-I to KC-V).*** An amount of Rs 8.5 billion has been allocated during the year 2008-09 for land acquisition of 6,000 acres, 17 MCM of earthwork, 0.2 MCM of concrete work and construction of about 263 structures. Phase-I of the project will be completed by December 2008.

- **Rainee Canal.** The total length of canal is 164 km. RC-I, II, III and IV are almost completed. Work on RC-V to RC-VII is in progress. An amount of Rs. 3.0 billion has been allocated for construction of 9 MCM of earthwork, 0.22 MCM of concrete work of main canal/distributaries & land acquisition of 1,600 acres for phase-II.

- **Revamping/rehabilitation of Irrigation & Drainage System in Sindh.** The project costing Rs. 12.9 billion 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. During the year 2008-09 a sum of Rs. 2.0 billion has been proposed to complete the on-going works.

- **Punjab Irrigation System Rehabilitation Punjab.** The project includes strengthening of 1000 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/remodeling of 17,500 modules. An amount of Rs 1.00 billion has been allocated for this program for the year 2008-09.

- **Lining of Irrigation Channels in Punjab, Sindh and NWFP.** Lining of irrigation channels in saline zones are being undertaken in three Provinces to save the seepage and other losses. A sum of Rs 2.3 billion has been proposed to this program for lining of about 1500 Km of irrigation channels during the next fiscal year 2008-09.

- **Extension of Pat Feeder Canal.** A sum of Rs 500 million has been recommended for this project during 2008-09 for remodeling and remaining extension works.

- **Lower Indus Right Bank Irrigation & Drainage Project (RBOD-I).** The project has been revised at a cost of Rs 14.7 billion. The main components of the project include extension/widening of RBOD-I, rehabilitation of Miro Khan and Rehabilitation of Shahdad Kot. An amount of Rs 2.5 billion has been proposed to complete the on going works.

- **Right Bank Outfall Drain from Sehwan to Sea (RBOD-II).** The revised project costing Rs 29.0 billion has been approved. It includes construction of 273 km of drains for disposal of 3,525 cusecs of drainage effluent into sea. The project has been delayed by two years. About 29 MCM of earthwork and 0.57 MCM of stone/concrete work for the main drain and construction of 64 structures are expected to have been completed by June 2009. An amount of Rs 4.0 billion has been allocated during 2008-09 to complete the on-going contracts.

- **Balochistan Effluent Disposal into RBOD (RBOD-III).** The project is revised at a cost of Rs 6.5 billion. During the year 2008-09, an amount of Rs 1.2 billion has been earmarked for earthwork of 9.54 MCM, construction of 222 structures and land acquisition of about 900 acres.

ii) Conservation and Efficient Use of Water

The OFWM program aims at reducing conveyance losses and field losses by improving watercourses, precision land levelling and organization of water user associations and establishing demonstration plots. In addition, water storage tanks are to be constructed and lifting devices installed on streams so as to provide irrigation water to barani agricultural land. The watercourse improvement would be accelerated to save water, minimize water loss and alleviate poverty. The remaining 86,500 watercourses have been proposed to be improved during the MTDF resulting in saving of about 8 MAF of water. A sum of Rs 9.5 billion has been proposed to meet the target of improvement of 23,329

watercourses under the National On-Farm Water Management program costing Rs 66.4 billion (federal share Rs 50.6 billion).

A new initiative costing Rs 18.00 billion is being launched on efficient use of water at farmland to enhance farm irrigation efficiency from 60 to 80 percent within an allocation of Rs 1.5 billion by encouraging farmers to use modern trickle and sprinkler irrigation system.

iii) Flood Protection Program

Under this program emergent type of flood schemes are being implemented in all provinces including FATA, AJK and N.A. An amount of Rs 1.0 billion has been allocated for the completion of 38 schemes (on-going/new) in Punjab, 10 schemes (on-going/new) in Sindh, 16 schemes (on-going/new) in NWFP and 151 schemes (on-going/new) in Balochistan during the year 2008-09.

vi) Survey, Investigation and Research

Survey, Investigation and Research is a continuing program being carried out by WAPDA. During 2008-2009, the work will continue on a number of important schemes such as International Water logging & Salinity Research Institute, Mona Reclamation & Experimental Project, Lower Indus Water Management & Reclamation Research Project, WAPDA's engineering studies for small dams (Hingol, Naulong, Winder, Sukleji dams), feasibility study for construction of new small dams in Balochistan & NWFP, Hydrological Investigation in Noshera, Land & water Monitoring of Indus Plains, Establishment of Micro seismic Network in Northern areas of Pakistan and Master Planning study for integrated development for Chitral, Swat and Kabul rivers. A sum of Rs 128.3 million has been proposed for this program during 2008-09.

Chapter 8

Energy Security

Overview

Energy in all its forms is closely linked to economic prosperity of a country. The fact that Pakistan's per capita energy consumption is well below the world average testifies to the weakness of Pakistan's economy and low standards of living of its people. Energy demand is expected to grow rapidly over the next few years all over the world, particularly in the developing countries. During the last few years, world oil prices have quadrupled ($28/barrel in 2003 and $137/ barrel in May 2008). Pakistan needs huge amount of energy supplies for its economic growth to enhance the standards of living of its people.

The country is facing shortage of energy supplies and lack of infrastructure historically, which requires long term strategic decisions. As energy sector development plan carries long lead time spanning decades, therefore, it requires due diligence and reliable data. Efforts are consistently being made to exploit indigenous resources like oil, gas, coal and hydro with special emphasis to increase the share of coal in the overall energy mix. Simultaneously, energy supply options are diversified to induct nuclear power, energy from alternate sources and through import options including LNG and import of gas from Iran and Turkmenistan.

Extreme power shortage was experienced during the year and a shortfall of more than 4,000 MW was recorded at peak hours in May 2008. Immediate measures are being taken to address power shortages and arrangements are being made to add 2,200 MW power capacity within one year to overcome current power shortages. A comprehensive National Energy Strategy is being devised by the government on long term basis. The energy conservation and efficiency improvement measures have also been taken to reduce energy shortfalls.

Pakistan has huge coal reserves and yet share of coal in electricity generation is only 0.1%. A strategy is being developed for extensive use of Thar coal-fired power plants, coupled with carbon capture and sequestration to reduce GHG emissions. Further, mini, medium and mega hydropower projects are being encouraged along with increase in share of nuclear power capacity.

Like coal, Pakistan has a huge wind corridor, which has the potential to provide more than 40,000 MW and it is actively being pursued to exploit to available wind energy potential. Alternative Energy Development Board (AEDB) has introduced a Policy for Development of Renewable Energy for Power Generation - 2006. This Policy provides investment opportunities to the private sector in development of alternative/ renewable energy resources in Pakistan.

In view of rapidly increasing prices of oil, the exploration of oil and gas resources has been given high priority, therefore target of exploratory and development wells have been increased to 100 wells per year during the period of MTDF 2005-2010. The

establishment of National Drilling Company is underway to overcome the shortages of drilling rigs.

In the fiscal year 2007-08, crude oil production was 70,165 barrels per day (BPD) against the target of 72,000 BPD, while gas production was 3,965 MMCFD against 4,200 MMCFD. A total of 75 wells were dr illed against a target of 100 wells. The Liquefied Petroleum Gas (LPG) supply was 1,670 tonnes per day against the target of 1,730 tonnes per day. Pakistan has become the largest user of the CNG in the World having 1,950 operational CNG stations with more than 1.6 million CNG vehicles.

During 2007-08, installed power generating capacity increased marginally from 19,626 MW (actual) in 2006-07 to 20,097 MW in 2007-08 (expected). However, the peak demand (WAPDA+KESC) of the national grid system increased from 17,492 MW in 2006-07 to 19,014 MW in 2007-08 and the total energy generation is expected to increase from 102,698 GWh in 2006-07 to 109,021 GWh in 2007-08.

Sui Southern Gas Company Limited (SSGCL) is establishing LNG terminal in the public sector and 3.5 million tones per annum (500 MMCFD) of the gas will be available by 2010-11 in the first phase, which will be doubled in the second phase by 2012-13. Further, an offshore LNG Import Terminal at Port Qasim, with a capacity of 3 million tonnes per annum (400 MMCFD gas), is being established in the private sector. The agreements for establishing Khalifa Point Refinery have been executed and will add 9.0 million tonnes to its existing capacity of 12.87 million tonnes per annum by December 2012.

Coal, which has major shares in power generation mix in China, USA, India etc., has been totally ignored in the past. Vigorous efforts are being made for development of indigenous coal. The work to formulate National Coal Policy is underway and is expected to be completed by end 2008. The techno-economic viability of Thar coal gasification has shown positive results and further detailed studies are underway. To understand the ability to mine and utilization potential of Thar coal, a pilot project on open test pit is in pipeline for final approval. The imported coal is also being encouraged in the short term for use along with local coal for industrial purposes particularly for power generation.

Nuclear power development is another important area for energy security. Progress of construction of 325 MW Chashma nuclear power project Unit 2 is ahead of its schedule and will be commissioned by 2011. Pakistan Nuclear Power Fuel Complex (PNPFC) Project has been approved by ECNEC for indigenization of nuclear power generation.

Review of 2007-08

Power

For the year 2007-08, an allocation of Rs 99.7 billion (including foreign aid of Rs. 10.9 billion) was made for the power sector, including budgetary allocations for corporations. Against the above allocations, the revised estimates are Rs 112.3 billion (including foreign aid of Rs. 7.7 billion) or increase of 12% above the allocation.

Power Generation

During 2007-08, installed power generating capacity increased marginally from 19,626 MW (actual) in 2006-07 to 20,097 MW in 2007-08 (expected) through addition of 135 MW rental power, 65 MW Multan Steam, 18 MW Sepcol and 81 MW Malakand-III hydropower project in the WAPDA/ PEPCO system whereas 80 MW DHA-Cogen and 96 MW Korangi Thermal Power Station in KESC system. However, the peak demand (WAPDA+KESC) of the national grid system increased from 17,492 MW in 2006-07 to 19,014 MW in 2007-08 and the total energy generation is expected to increase from 103,698 GWh in 2006-07 to 109,021 GWh in 2007-08. It is also estimated that the system losses in both WAPDA and KESC would decrease from 25.16% in the year 2006-07 to 24.8 % by the end of 2007-08.

During the year, 1.6 million new connections are estimated to be provided by WAPDA and KESC. It is also planned that WAPDA will electrify 15,000 villages/ abadies during the year.

969 MW Neelum – Jhelum hydropower project and 500 MW thermal power project at Chichoki Mallian have recently been inaugurated by the President of Pakistan.

GOP has also announced "The National Policy for Power Co-Generation by Sugar Industries" (the Co-Gen Policy). Co-Generation is a high efficiency energy system that produces both electricity (or mechanical power) and valuable heat from a single fuel source. It is estimated that Pakistan has a potential of generating more that 3,000 MW of electricity through co-generation from its existing sugar industry.

The government has accorded priority to enhance the power generation by harnessing more indigenous resources such as hydro, coal and gas. In order to increase the share of hydropower in energy supply as well as to augment the existing water storage facilities. In the public sector, work on six medium hydropower projects of total 675 MW capacity is underway and are expected to be completed by 2012-13 as detailed below:

- Khan Khwar, 72 MW by 2008-09
- Duber Khwar, 130 MW by 2009-10
- Jinnah, 96 MW by 2009-10
- Allai Khwar, 121 MW by 2010-11
- Golan Gol, 106 MW by 2012-13
- Patrind, 150 MW by 2012-13

Construction of second nuclear power unit of 300 MW (CHASNUPP-2) at Chashma, District Mianwali is proceeding well with 1st concrete pour on 28th December 2005 and scheduled to be completed in 2011. Project proposal for construction of two more nuclear power projects of 300 MW each has also been envisaged and is currently under process for approval. Feasibility study for installation of two nuclear power projects at Karachi (KANUPP-2 & 3) has also been completed. In order to develop human resource to meet the target of developing nuclear power capacity of 8,800 MW by 2030, the projects for upgradation of human resource development facilities at KANUPP Institute of Nuclear Power Engineering (KINPOE) and CHASNUPP Center of Nuclear Training (CHASCENT) have been approved. Similarly, a site selection study of six other sites for nuclear power generation is underway. Implementation of nuclear power projects will not only contribute to alleviate the electricity shortage but will also contribute indirectly towards the socio

economic development of the country.

A total of 2000-2500 MW of thermal Power projects at Chichoki Mallian, Nandipur, Guddu, Dadu and Faisalabad are under various stages of implementation. In addition, to the ongoing secondary transmission and grid program, construction of several new 500 kV & 220 kV primary transmission lines and grid stations has also been initiated. Construction of transmission lines for import of 100 MW of power from Iran to Gwadar is being taken up by WAPDA/ NTDC. Further, four projects for construction of 132 kv Grid stations at different places of Gwadar have also been approved.

A number of proposals from international and local investors for establishment of multi-fuel power projects at various locations of the country were received by the Private Power & Infrastructure Board (PPIB). PPIB is currently processing fifty one (51) power projects based on Oil, Coal, Gas and Hydels with a cumulative capacity of 13,335 MW. These projects are expected to be commissioned during 2008 to 2016. Eight IPPs with 1,667 MW capacity have achieved Financial Close. It is expected that 3,853 MW capacity from eighteen projects will be available to the national grid by the year 2010. Out of this 390 MW is expected to be commissioned in 2008, 1,454 MW in 2009 and 2,009 MW in 2010.

Currently, four projects with total capacity of 1,550 MW based on local coal are being processed as follows:

- Hassan Associates at Thar, 1000 MW by 2014
- Habibullah Energy at Ghotki, 150 MW by 2012
- Dadabhoy Sonda Jherruk, 200 MW by 2012
- Fateh Group at Lakhra, 200 MW by 2012

In addition, two more projects based on imported coal of 1000 MW each (AES and Mitsui) located near Karachi are also under consideration by PPIB.

AEDB has electrified 1,762 remote off-grid homes in 31 villages in all the four provinces by renewable energy technologies. These households have been provided electricity and drinking water, resulting in socio-economic uplift of these villagers. Another 3,000 remote off-grid homes in District Tharparker, Sindh are in process of electrification using solar energy.

Fuel

An allocation of Rs. 1.8 billion was made for Fuel Sector during 2007-08 excluding non-budgetary corporations program. Against the above allocation, the revised estimates are Rs.1.7 billion, showing 95% utilization (Table 8.1).

Table 8.1: Fuel PSDP 2007-08 and 2008-09

(Rs Million)

Name of Agency	Allocation 2007-08	Revised Estimate 2007-08	Proposed Allocation 2008-09
PAEC	1210.2	1210.2	4072.5
HDIP	79.8	44.9	26.3
GSP	15.9	14.1	14.9
DG (PC)	313.4	313.4	0.0
DG (Mineral)	123.0	86.4	126.7
Development Wing (MPNR)	63.9	55.9	18.0
Total	1806.3	1725.0	4258.5

Oil and Gas Exploration / Production

Crude oil production during 2007-08 has been about 70165 barrels per day (BPD) against the target of 72000 BPD showing an achievement of 97.5% and gas production of about 3965 MMCFD against the target of 4200 MMCFD, showing 94.4% achievement. A total of 75 wells both in public and private sectors (27 exploratory and 48 development/appraisal wells) have been drilled / completed during 2007-08 against the target of 100 wells showing 75% achievement (Table 8.2). The Petroleum Policy has been revised to accelerate the exploration and production activities by encouraging the foreign investment.

Table 8.2: Fuel Physical Achievements and Targets

Items	Target 2007-08	Estimated Achievement 2007-08	Targets 2008-09
1	2	3	4
Crude Oil Production (BPD)	72000	70165	72000
Gas Production (MMCFD)	4200	3965	4100
Wells drilled (Nos.)	100	75	100
- Exploratory (Nos.)	46	20	46
OGDCL	25	05	25
Private	21	15	21
- Appraisal / Development (Nos.)	54	55	54
OGDCL	26	21	23
Private	28	34	31
LPG Supply (Tonnes/day)	1730	1670	1730
Coal Production (Mln Tonnes / Annum)	5.2	3.54	5.2

LPG and CNG

During the year 2007-08, an investment was made in private sector to the tune of Rs 13 billion for the CNG and LPG sectors which resulted in direct / indirect employment of about 21,000 persons. Pakistan has become the largest user of the CNG in the World having 1,950 operational CNG stations and more than 1.6 million CNG vehicles. The Liquefied Petroleum Gas (LPG) supply is expected to be 1,670 tonnes per day against the target of 1730 tonnes per day showing 97% achievement.

Import of Gas

The gas demand and supply projections indicate a widening gap starting 2009-10 as there is declining trend in gas production. Any commitment of additional gas supplies to various sectors of economy i.e. industries, power or fertilizer plants on sustainable basis will be met through imported gas. The Government has to import natural gas from the neighboring countries to supplement the local supplies. The estimated capital cost of each pipeline option is in the range of $ 5-7 billion. The Iran–Pakistan-India (IPI) pipeline is being finalized with the expectation that first imported volume would be available by the year 2012. Import of gas from Iran with initial capacity for Pakistan is 1.5 billion cubic feet per day (BCFD), will be increased to 2.1 BCFD subsequently. Significant progress has been made on IPI project during 2007-08. A major milestone in negotiations with Iran was achieved, with the initialing of the Gas Sale and Purchase Agreement (GSPA), Inter-Governmental Framework Declaration (IGFD) and two side letters to the GSPA. The Government has approved the initialed GSPA to be signed between Inter State Gas Systems (Pvt.) (ISGS) and National Iranian Oil Company (NIOC).

LNG

Augmenting gas supply through LNG import is an important element of the Government's energy security strategy. The government is encouraging LNG import by both public and private sectors. M/s Sui Southern Gas Company Limited (SSGCL) has launched "Pakistan Mashal LNG Project" to import 3.5 MTOE (500 MMCFD) in Phase-I (2010-11) and to almost double this capacity import by Phase-II (2012-13).

In addition, M/s Pakistan Gas Port Limited (PGPL), a private company, is also pursuing their LNG import project at their own cost and risk without any off take commitment from the government. M/s PGPL has signed an implementation agreement with Port Qasim Authority for establishment of an offshore LNG import terminal at Port Qasim, Karachi with a capacity of 3.0 million tonnes/annum (400 MMCFD).

Gas Storages

A feasibility study on the development of underground gas storages was undertaken by SOFREGAZ, France, a well known Consultant in 2004 with ADB assistance. The Consultant submitted Final Report in November 2007 and recommended two potential sites in the Sindh province for conversion into gas storages. The project is being developed as a public / private project. As per initial estimates the capital cost of the project is estimated at around US $ 2 billion.

Supply of Gas to New Towns/Areas

The gas will be supplied to about 424 villages / abadies by the gas utilities. About 0.313 million consumers are expected to be added to the system during the year. About 457 km of transmission pipelines and 7,790 km of distribution pipelines would be completed during 2007-08.

Oil Refinery

A project on Coastal Oil Refinery at Khalifa Point by IPIC of Abu Dhabi has been approved to establish a refinery with capacity of 9.0 million tonnes per annum by the year December 2012. It will be in addition to the existing refining capacity of the country i.e. 12.87 million tonnes per year. Following incentives have been offered to the proposed refinery project:

- 20 years income tax holiday.
- Waiver of 5% WPPF subject to the condition that the entire proceeds will be exclusively spent for the benefit of the local labour and their welfare, through a board of trustees, to be specially established for this purpose.
- Waiver of development surcharge @ 0.5% of the value of exports under the EPZA Rules, 1981.
- The above incentives would be applicable to all the new mega projects with minimum 100,000 barrels per day production capacity to be installed along the coastal belt of Balochistan, particularly Gawadar.

Nuclear Power Fuel Complex

Keeping in view the present energy security scenario, self-reliance in nuclear fuel is an important factor. Therefore, Pakistan Nuclear Power Fuel Complex (PNPFC) is being established including Fuel Fabrication Plant (FFP), Chemical Processing Plant (CPP), Seamless Tube Plant-1 (ST)-1) & Nuclear Power Fuel - Testing project (NPF-TP) facilities.

Coal

Coal which has major contributes in power generation in almost all of the countries in our region, have been totally ignored and no efforts have so far been made to introduce mechanized coal mine system. The estimated production of coal during 2007-08 is 3.52 million tonnes per annum. To enhance the share of coal in primary energy mix, vigorous efforts are being made to develop Thar Coalfield with the prime objective to develop state-of-art, 5-6 million tonnes per annum coal mining facility with the help of well-reputed international firms/ consultants.

Further, the initial results of techno-economic viability of Thar coal for gasification and extraction of chemicals has shown positive results. Phase 1-A (Laboratory study of Thar coal) has been completed by the international consultant M/s Lurgi-Sasol, a South African firm and has proved Thar coal suitable for gasification. The company has initiated work on Phase 1-B (Conceptual Study) which is expected to be completed in current financial year.

Regional Cooperation

Serious efforts are underway for enhancing regional cooperation with China and USA and accordingly, Energy Cooperation Forums have been established with these countries. An energy corridor is also envisaged under the planned National Trade Corridor, with Gwadar as a hub for energy storages and transportation to regional countries.

Program for 2008-09

Power

An allocation of Rs 76.2 billion (including Foreign aid of Rs 16.3 billion) has been made for the power sector during 2008-09, including budgetary corporations (Table 8.3).

Table 8.3: Power Allocation 2008-09

(Rs Million)

Name of Agency	2008-09	
	Total	Foreign Aid
Water & Power Development Authority	67,049.0	13,331.9
Alternative Energy Development Board	7.5	0.0
Pakistan Atomic Energy Commission	8,781.3	2,989.0
Pakistan Nuclear Regulatory Authority	367.5	0.0
Consultancy Services of Pakistan Engineering Council.	5.0	0.0
Total:	76,210.0	16,320.9

The installed power generation capacity is expected to increase from 20,097 MW in 2007-08 to 22,297 MW in 2008-09 with addition of 2,200 MW (Annex 8.1). This includes 1,297 MW of rental plants, and 615 MW of IPP's to be added in the WAPDA/ PEPCO system, whereas 205 MW of Korangi Thermal Power Station (KTPS) and 200 MW of IPP are expected to be added in the KESC system. The target set for the total electricity generation is 117,023 GWh in 2008-09 with an increase of 7.3% over the energy generated in 2007-08.

In addition to already operating 300 MW Chashma Nuclear Power Plant (C-1) since 2001 and under construction unit C-2 of same capacity, two more units (C-3 and C-4) of 300 MW each are planned at Chashma and are expected to be commissioned by 2014 and 2015 respectively. Furthermore, 1000 MW unit at Karachi has already been conceptually cleared.

The detailed engineering and design of Diamer Basha Dam project has been completed and is under final review by WAPDA. Tenders for construction of the dam are expected to be floated in the national / international newspapers in the start of FY 2008-09, whereas construction of the dam is expected to be started in the middle of the year 2009.

To overcome the power shortages and reduce the extent of load shedding, a total of 1500 MW thermal power projects at Dadu, Guddu and Faisalabad have also been envisaged during 2008-09 with average capacity of 500 MW each.

Two hydropower projects of Northern Areas, include Naltar-III (16 MW) and Naltar-V (14 MW) have also been envisaged in 2008-09.

In respect of AJK, two hydropower projects namely, Battar (3.2 MW) and Dhannan (1.7 MW) are also under active consideration by the government.

To cater the growing demand of power in the country, to increase the efficiency of system network and to reduce power congestion in the power system, multiple projects for construction of transmission lines and grid stations, extension of feeder lines and installation of capacitors are under consideration by the respective DISCOs. ADB and World Bank have agreed to finance 80% of the total cost of the project.

In addition, 220 kV Chashma-Ludewala transmission line project for dispersal of power from the upcoming CHASHNUPP-2 project is also being implemented.

During the year, 1.6 million new electric connections would be provided by WAPDA and KESC besides electrification of 15,000 new villages/abadies under the Khushal Pakistan Program. In addition, 3,500 homes will be provided lighting in the remote locations during next year with the use of solar and micro windturbines under the program of AEDB. Detail of physical achievements for the years 2006-07 and 2007-08 and targets for the year 2008-09 are presented in Annex 8.1.

Fuel

An allocation of Rs 4258.5 million has been proposed during 2008-09 for the Fuel Sector, excluding the non-budgetary corporations.

Oil and Gas

During 2008-09, the crude oil production is planned to be 72,000 BPD against estimated production of 70,523 BPD in 2007-08 showing 2.1% increase over the previous year. The gas production is planned to be 4,100 MMCFD against the estimated production of 3,948 MMCFD in 2007-08 showing an increase of 3.9%.

OGRA has developed regulatory framework for use of LPG in automotive vehicles. This will open a new avenue for investment in LPG refuelling stations throughout the country.

Pakistan is currently importing about 4.5 million tonnes of diesel (HSD) annually at a cost of about US $ 3.0 billion. The Government has initiated an incentive based program for phasing out the diesel transport from the major urban centers by replacing it with CNG transport in order to mitigate air pollution in the urban areas. This would encourage investment along with transfer of technology for conversion of the existing fleet of more than 300,000 diesel buses / trucks to CNG so as to save valuable foreign exchange on import of HSD and arrest hazardous exhaust emissions.

Exploration of Oil and Gas

Pakistan is endowed with two major sedimentary basins, namely Indus and Balochistan with 830,000 sq. km. area. Despite this vast sedimentary cover, the exploration activities have been restricted to the selected areas, leaving large areas of the country grossly

under-explored. The well density is one exploratory well per 1537 sq. km compared to around one well per 80 sq. km in other parts of the world with similar geological environments. As a result, only 620 exploratory wells were drilled in various sedimentary zones of Indus and Balochistan basins. The drilling targets for drilling and appraisal wells were increased to 100 wells per year but the achievement remained behind the target. The main causes for not meeting the drilling targets are shortages of drilling rigs and law and order situation. In principle, it was agreed to form a National Drilling Company to overcome shortage of drilling rigs.

Supply of Gas to New Towns / Areas

The gas is planned to be supplied to 430 villages/abadies by the gas utilities. During the year about 0.313 million consumers are expected to be added to the system About 614 km of transmission pipelines and 8500 km of distribution pipelines are planned to be completed.

Import of Gas

To facilitate fast track and successful implementation of the IPI Gas Pipeline Project, ISGS has selected ILF of Germany as technical consultant will cover the project feasibility in Stage–I. In Stage–II the consultant will provide project / construction management and commissioning assistance. The project is expected to be completed over a 54 month period to achieve first flow of gas by 2012.

Under the Turkmenistan-Afghanistan-Pakistan, Gas Pipeline (TAP) Project, a detailed road map for future negotiations will be developed during the year. It is planned that the Feasibility study of the project will be competed, along with an agreement on gas price.

Regarding the Underground Gas Storages (UGS) Project it is planned that project concept will be formally approved by the Government. The feasibility study undertaken by SOFREGAZ would be updated to include latest capital and operating cost estimates. The project will be offered to the private sector for investment on a public private partnership basis. The project is expected to be completed by 2014.

Nuclear Power Fuel Complex

In order to meet the target of installing 8,800 MW nuclear power capacities by 2030, a program for local fabrication of nuclear power fuel has been initiated. The major activities proposed for the year 2008-09 under this program consist of development of infrastructure, plants layout design, preparation of equipment specifications, procurement of equipments / machinery, manpower recruitment and training.

Coal

Preparation of National Coal Policy is underway to bring foreign investment in coal sector. A project captioned "Development and Operation of Test Pit in Block-II of Thar coal field" with an estimated cost of US$ 20 million in order to understand the mine ability and utilization potential of Thar lignite resources, is also under way. With completion of this pilot project, various challenges including hydrology and complexity of overburden will be

effectively addressed.

As a part of promotional activities to increase share of coal, Govt. of Sindh has leased out a coal block in Lakhra Coalfields to M/s Fateh Group of Hyderabad to commission a coal-based power plant of 250 MW. Government of Sindh has signed an agreement with Chinese company M/s China National Chemical Engineering Group Corporation (CNCEC) to conduct feasibility study on a coal block in Sonda Jherruk coalfields in Sindh province for integrated mining project of 1.0 million tonne per annum and installation of 200 MW coal based power plant.

Annex 8.1

Power Sector: Physical Achievements and Targets

Items	2006-07	2007-08	2008-09
	Actual	Estimates	Targets
Additional Installed Capacity (MW)*	131	471	2,200
Total Installed Capacity (MW)	19,626	20,097	22,297
Growth Rate (%)	0.38	2.4	10.0
Maximum Demand (MW)	17,492	19,014	20,618
Growth Rate (%)	14.4	8.7	8.4
Energy Generation (GWh)	102,689	109,021	117,023
Growth Rate (%)	10.5	6.1	7.3
Energy Sales (GWh)	76,847	81,915	90,734
Growth Rate (%)	14.7	6.5	10.7
System Losses (%)	25.16	24.80	22.50
Consumers Cumulative (Million)	17.793	19.393	20.993
Consumers Added (Million)	1.8	1.6	1.6
Electrification of Villages/Abadies (Nos.)	118,045	133,045	148,045
Addition (Nos.)	14,226	15,000	15,000

* 2006-07

WAPDA/ PEPCO

Rental Plant at Lahore =150 MW

Jabban HPP (Retired) =19 MW

Total = 131 MW

KESC

* 2007-08

WAPDA/ PEPCO

Rental Plant at Bhikki	=135 MW
Malakand-III HPP	= 81 MW
Multan Steam	= 65 MW
Sepcol (IPP)	= 17 MW
Shahdara (Retired one unit)	= 4 MW
Sub-total	= 294 MW
DHA Cogen	= 80 MW
Korangi Thermal Power Station	= 97 MW
Sub-total	=177 MW
Grand Total	= 471 MW

*2008-09
An addition of 2,200 MW would be added in the system (WAPDA+KESC).

Chapter 9

Manufacturing and Minerals

9.1 Manufacturing

Review of 2007-08

Growth Performance: The overall manufacturing is the second largest sector of the economy accounting for 18.9% of GDP. There has been a decline in growth in the manufacturing due to multiple reasons like reduced production of cotton crop, sugar shortage, steel and iron problems, rocket high oil prices, political uncertainty, transport bottlenecks and power supply shortage. The manufacturing sector as a whole grew by 5.4 per cent during 2007-08 with Large Scale Manufacturing (LSM) growing at 4.8% and the Small Scale Manufacturing at 7.5%. The details of the large scale industrial production compared with targets as well as previous year (2006-07) are given at Annex 1.3.

Prospects for 2007-08

Objectives and Priorities

Diversifying the manufacturing sector, developing SMEs and enhancing productivity are the major objectives to be achieved in the manufacturing sector. Pakistan has to make important strategic choices to ensure sustainable growth in the manufacturing sector in a rapidly changing and challenging international competitive environment. This requires massive structural changes a shift in the production paradigm to technology and knowledge based industrialization, with a focus on the quantitative and the qualitative growth of an integrated and competitive industry in the private sector. The inefficiencies of import substitution must give way to an export led strategy. The share of knowledge and technology intensive engineering, electronics, pharmaceutical, chemical and non-metallic mineral products, would be strengthened and enabled through fiscal and tariff means as well as building of alliances with international partners. Sectors and products with comparative advantage such as textiles, food and agro-processing would similarly be fostered

Public Sector Investment 2007-08

Industry Sector: An expenditure of Rs 14.7 billion has been incurred during FY2007-08 in the industry sector against an allocation of Rs 10.0 billion. The major projects initiated during the year under review include Aik Hunar Aik Nagar, Five (05) Advanced CAD/CAM Training Centres, Technical up-gradation of Garment Industry, Agro-food Processing Facilities at Multan, Sports Industries Development Centre, Sialkot, Gujranwala Business Centre, Gujranwal a Tools, Dies and Moulds and Water Desalination Project Gawadar, Balochistan, Expansion of Utility Stores and Development of Marble and Granite sector.

Textile Sector: In view of anticipated competition with countries like China and India in the global markets particularly in the backdrop of opening of Chinese export of textile and clothing in European Union and USA in 2008, efforts are being made to make the textile/ garment sector to be more and more dynamic and competitive. To

achieve this objective, a separate Textile Industry Ministry was created and a number of projects including Lahore Garment, Faisalabad Garment, Karachi Garment Cities and Karachi Textile City projects were planned in the public sector with an investment of Rs 997 million during 2007-08 out of which Rs 181 million has been utilized.

Commerce Sector: An expenditure of Rs 603.8 million has been utilized in 2007-08 against an allocation of Rs 498.8 million in the commerce sector and a number of projects including Social Accountability SA-8000, Expo Center Lahore, Pakistan School of Fashion Design, Lahore and Trade and Transport Facilitation projects were initiated during the year under review Two major projects of Pakistan School of Fashion Design Lahore and Expo Center, Lahore are expected to be completed by June, 2008.

Policies, Strategies and Measures

Achieving accelerated industrialization is the foremost goal by capitalizing upon national strengths and mitigation of weaknesses. The challenge for Pakistan is not to rediscover industrial policy, but to re-deploy it in a more effective manner in the national, regional, and global context. The policy framework will be based upon the advance industrial economies, where focus is on the entire value chain. The provision of facilities for public testing laboratories and public R&D, vocational and technical training, infrastructure and communications, are all necessary inputs which are regarded as a public good for the manufacturing sector. Value addition in products and processes will be strengthened through backward and forward linkages, productivity levels will be increased through human resource development, technical and vocational training, and strengthening research and development.

All sectors have been opened for private sector investment, and equal treatment is available to foreign and local investors. The basic thrust of the Plan will remain manufacturing and technology driven growth within a framework, which encourages economy of scale, value addition and diversification of products and processes.

Growth and Investment Targets for 2008-09

The manufacturing sector is targeted to grow by 6.1% based on the growth rate of Large-Scale Manufacturing sector (5.5%) and Small Scale Manufacturing Sector (7.4%). The main growing industries would be Cement, Cotton Yarn, Paints and Varnish, Sugar, Buses, LCVs, Air conditioners, TV Sets, Power looms and Soda Ash, Phosphatic Fertilizer, Motor Tyres and Tubes, Electronic Motors and Jeeps and Cars. An allocation of Rs 4.6 billion has been earmarked for manufacturing sector. Major projects to be carried out in Industry Sector during 2008-09 include: Agro-food Processing Facilities at Multan (Rs 11.9 million), Clean Drinking Water initiatives (Rs 219 million), Gujranwala Business Centre, Gujranwala, (Rs 15.6 million), Sports Industries Development Centre Sialkot (Rs 22.7 million), Gujranwala Tools, Dies and Moulds Centre (Rs 500 million), 2MGD Water Desalination Project Gawadar Balochistan (Rs 133.9 million), expansion of Utility Stores (Rs 600 million), Establishment of Eight (08) Advanced CAD/CAM Centres (Rs 42.9 million), Development Project Gems and Jewelry (Rs 500 million) and Development of Marble and Granite Sector (Rs 500.0 million). An amount of Rs 739.6 million is allocated for major projects of Commerce Sector include: SA-8000, Pakistan School of Fashion Design, Lahore, Trade and Facilitation Project and Expo Centre, Lahore and Rs 746.5 million is allocated for the Textile Sector's ongoing projects include: Garment Cities at Lahore, Faisalabad and Karachi, Implementation of Export Plan and establishment of 02 Fibre Testing Laboratories.

9.2 Minerals (Non-fuel)

Review of 2007-08

Mineral potential of Pakistan widely recognized to be excellent but the sector is inadequately developed. This is evident from the fact that its contribution to GNP remained 0.5% to 1.0%, unchanged over the last many decades. Although many efforts have been and are still being made in developing geological products, institutional, academic and R&D infrastructure, enough remains to be done to enable the sector to take full advantage of its endowment. As a result of these toils, devoted for the development of mineral sector, resources of several minerals have been discovered over the last many decades, including WORLD CLASS RESOURCES of lignite coal deposits at Thar; Sindh, porphyry copper gold in Chagai and lead-zinc deposits in Lasbella, Balochistan have been discovered and/or are being evaluated and developed. There are many other mineral projects in various stages of implementation from grassroots through exploration, evaluation to development and utilization stages. MTDF 2005-10 covers the full spectrum of minerals industry i.e. objectives and targets, issues, operational strategy for the development of mineral sector giving emphasis to geological mapping, capacity building of institutions, setting up of geological database centers, technology upgradation and BIM to mining units, facilitation for the development of small scale mining operations. The policies, programs, strategies as contained in MTDF 2005-10 were followed during the year 2007-08.

The mineral production has recorded a mixed trend in the production of limestone 30.82(MT), Coal 3.5 (MT), Marble 1.7 (MT) and Silica Sand 0.3 (MT) during the year 2007-08. Detail of estimated major mineral production during the year 2007-08 as compared to 2006-07 is given at Table 9.2.1.

Table 9.2.1: MINERAL PRODUCTION

Items	Units	2006-07	2007-08		2008-09	% Change	
		Final	Target	Provisional	Target	2007-08 (P)	2008-09 (T)
Coal	000 MT	3,702	4,183	3,482	4,013	-5.9	15.2
Limestone	000 MT	25,512	18,500	30,825	31,890	20.8	3.5
Rock Salt	000 MT	1,872	2,090	1,872	2,003	0.0	7.0
Gypsum	000 MT	624	660	682	700	9.3	2.6
Dolomite	000 MT	336	200	367	400	9.2	9.0
Argonite / Marble	000 MT	1,980	2,594	1,704	2,506	-13.9	47.1
Iron Ore	000 MT	126	108	254	300	101.6	18.1
Silica Sand	000 MT	402	444	346	400	-13.9	15.6

Source: FBS & 2006-07 Mineral Wing, Ministry of Petroleum & Natural Resources

Constraints and strategy action taken during 2007-08 are briefly outlined as under:

- Uncertainties in the law and order situation in certain mineral potential areas that are being addressed through political process.
- Insufficient detailed surveying and geological/geophysical mapping (only 37% of the country's area is geologically mapped to a scale of 1:50,000

while geophysical surveys (gravity and magnetic) have even less coverage, at 21% of the total area. This activity has now been accelerated by setting up Remote sensing centers in GSP.

- Lack of vision in taking advantages of advancement in geological knowledge, exploration techniques, mining and processing technologies and changing commodity prices. This situation is being addressed by fully utilizing the available physical (institutions and R&D centers) and human infrastructure (trained and highly qualified geo-scientists, technologists and academia).

- Inadequate skill levels in the industry, with little opportunity for training, skill development or career progression because of outdated administrative structures. Training and capacity building of personnel in the federal and provincial mineral departments are major programs. Value addition of gems and other precious stones is receiving special attention by setting up gems and gemological institute for training of cutting and polishing of gemstone to worker in Peshawar, NWFP. Further proposals are being designed to set up school of Mines at Quetta; Balochistan, Peshawar; NWFP and Sindh provinces to produce middle line supervisors.

- The private sector has shown little interest in moving up the value addition chain, and has relied on low cost & in some cases primitive methods of extraction. This situation is being addressed by setting up mine equipment shops in coal mining areas. The health and safety of miners remains an area of concern, which is being tackled through better education and training to mine workers in Mine Rescue Centers already set up in all the provinces.

Prospects for 2008-09

Because of favorable geological environment, Pakistan is blessed with rich and diversified mineral potential. Government of Pakistan has been and is still nurturing environment to build the mineral sector as a potent factor in the national economy. Considering that its development is inadequate and slow because of the nature of mineral industry being extra-ordinarily complex and complicated and other technical, financial and organizational problems, necessary steps would be taken for their resolution and rectification. In this context, Government is convinced that:

- Mineral Potential of Pakistan is widely recognized as excellent but the sector is poorly developed;

- The Government of Pakistan made the development of the mining industry as 'Priority Sector' in various Five years Plans, but remained slow in monitoring and implementation;

- Adequate institutional, human, R&D and other relevant infrastructure have been established but remained underutilized; and

- National Mineral Policy announced in 1995 is adequate but requires improvements with a view to making it more investment friendly.

A mega project near Saindak Project of Balochistan namely Reko Dik Copper-gold project would be launched by world largest copper and gold producing company with an investment of US$ 1 billion by 2010 to produce 0.3 million tons of copper annually,

thus bringing Pakistan for the first time on the major copper producing country of the world map. In the same vein, Duddar lead-zinc deposits in Balochistan are being developed and expected to come in production by end 2008 to produce 100,000 tons of zinc concentrates and 33,000 tons of lead concentrates for export. Similarly, development of Thar Coal field in Sindh containing 175 billion tons, one of the largest good quality lignite deposits in the world, on completion would be used for power generation and gasification. Similarly all the non-glamorous minerals, having immense socio-economic benefits would be fully utilized such as abundantly available gypsum deposits would be utilized for producing gypsum plaster to partially replace cement in housing sector, reclamation of saline-sodic soils and treatment of low quality tube wells water through the application of gypsum would bring spectular and durable socio-economic impacts in rural areas, generate gainful employment, improve crop yield and in turn prosperity and political stability. Phosphate rocks of NWFP evaluated by spending colossal amount of money and tireless efforts by international organizations and national institutions would be exploited to set up Phosphatic fertilizer industries, Dimension stones, precious and semi precious stones industries and other mineral based industries would be developed to meet the ever increasing demand of various sector of economy.

An allocation of Rs 221.9 million has been earmarked for minerals (non-fuel) sector. Major projects to be carried out during 2008-09 include:

- Feasibility Study Gasification of Thar Coal (104.0 million)
- National Coal Policy (Rs 22.7 million)
- Exploration and Evaluation of Coal fields of Chamlang-Bala Dhaka, Bahlol and Parts of Ghazi Basin in Balochistan (Rs 10.9 million) and Establishment of Project Monitoring and Evaluation cell (Rs 18.0 million)

Chapter 10

Transport and Communications

Review of 2007-08

The PSDP for 2007-08 provided an outlay of Rs 56 billion for the federal public sector program comprising Rs 22 billion for the budgetary program and Rs 34 billion for the budgetary corporation program (NHA). Against this, an expenditure of Rs 52 billion has been incurred giving an overall utilization of 94 percent of the total outlay. An expenditure of Rs 18.7 billion has been incurred under the budgetary program and Rs 33.6 billion under the budgetary corporation program (NHA). Salient features of implementation of the program are given below:

Pakistan Railways

The entire allocation of Rs 11.6 billion made for Pakistan Railways has been incurred. The main thrust was aimed at the improvement of infrastructure and procurement of essential material for locomotives, coaches, bogie wagons and track rehabilitation of the railway network. Work on track rehabilitation, doubling of track from Khanewal to Raiwind, procurement of 144 DE locos, 600 passenger coaches, strengthening and rehabilitation of 159 weak bridges and 2300 high capacity wagons continued with further acceleration. To develop indigenization a pilot project for manufacture of 5 DE locos initiated. Work on conversion of meter gauge into broad gauge on Mirpur Khas to Khokhropar section, Feasibility studies for laying new tracks on Havelian to Khunjrab, High speed Track between Rawalpindi and Lahore completed and work on Shahdara–Faisalabad and Shahdara – Lalamusa sections continued. Basic objective of the projects is enhancement in quality of public service, boost in freight & passenger business and to run the Railways on commercial lines keeping in view the national interest.

On the tragic incident of death of ex-Prime Minister Motharma Benazir Bhutto on 27th December 2007, riots within whole country affected the major infrastructure of PR. Especially Sukkur and Karachi divisions were severely affected. Most of infrastructure related to track, signaling, station buildings, locomotives and coaches were burnet and severely damaged causing a major loss to national exchequer and decreasing the operational efficiency. To address the situation on emergent basis, PR prepared a PC-I costing Rs 7.8 billion. Pending approval of ECNEC, funds to the tune of Rs 1.2 billion were provided to PR during the year to commence work on the project.

Ports and Shipping

An allocation of Rs 1.1 billion was made in the Ports and Shipping sub-sector, against which an expenditure of Rs 1.1 billion has been incurred giving a utilization of 100 percent. Major utilization was made for completion of additional dredging of the navigation channel of the Gwadar Deep Sea Port Project to deepen its draught to 14.5 meters. The dredging has since been completed. President of Pakistan inaugurated the Gwadar Port on 20th March 2007. Port of Singapore Authority has been entrusted the Port operations. Land acquisition process continued for east bay expressway road project alongwith work on Civic centre at Gwadar.

National Highways

An allocation of Rs 34 billion was made for the National Highways development program, against which the NHA incurred an expenditure of Rs 34 billion giving a utilization of almost 100 percent. Work on Gwadar–Gabd section of Makran Coastal highway, , Lyari Expressway, Islamabad-Muzaffarabad Road, Mansehra-Naran-Jalkhad Road, Jhalkhad – Chilas Road, Nutal–Sibi–Dhadar sections of N-65, Ratodero-Shahdadkot-Khuzdar, M-8 & improvement of N-70 Qilla Saifullah-Loralai-Bewatta Section was accelerated. Work continued on rehabilitation of National Highway (N-5), Lowari Tunnel, Chenab bridge at Shershah, five bridges on Gilgit–Skardu road, Indus Highway Phase-III, widening of Kararo – Wad Section (N-25), construction / improvement of existing sub-regional roads under NWFP Road Development Sector project and National Highway Development program. Work on Karachi Northern bypass,and Islamabad–Peshawar Motorway (M-1) completed. Work on new projects was initiated. Main objective of the rehabilitation, widening and construction of national highways has been to enhance countrywide mobility, accessibility, safety in travel and productivity, reduction in travel time and costs thereby boosting of trade and economic activities.

National Transport Research Center

An allocation of Rs 9.3 million was made for National Transport Research Center (NTRC), against which an expenditure of Rs 2.9 million could be incurred giving a utilization of 32 percent. Work on the project for Pakistan Transport Plan Study completed and National Transport Policy accelerated. Work on research and on-going studies/projects continued. The NTRC is endeavoring to develop a National Transport Policy which would be a milestone in achieving an integrated and holistic approach towards the improvement of country's transport system and logistics thereby strengthening the economy.

National Highways and Motorways Police

An allocation of Rs 181 million was made for the National Highways and Motorway Police (NH&MP) against which an expenditure of Rs 81 million was incurred for acquisition of land for central police office in Islamabad, Road safety component of NWFP Road Development Sector project, Establishment of Training center at Sheikhupura and construction of NH and MP complex at Rahimyar Khan. The NH and MP is playing a very important role in maintaining discipline and safety on the national highways and motorways. Their contribution has drastically reduced the number of accidents and other mishaps on the national highways.

Finance Division

An allocation of Rs 6.1 billion was made for construction/improvement of 33 provincial and district roads in all the provinces. These roads have been identified under the President / P.M directives. An expenditure of Rs 3.7 billion stands incurred on these ongoing/new schemes giving a utilization of 65 percent.

Karachi Shipyard & Engineering Works (KSEW)

The entire allocation of Rs 5000 million has been incurred on initiation of works for Installation of Ship Lift and Transfer System and Associated Machinery and Equipment to provide docking and repair facilities to Surface Ships, Submarines and Commercial Vessels of upto 4,000 Tonnage at the KSEW.

Planning and Development Division

PC-I on the Project for procurement of 5000 new CNG dedicated buses for Karachi and other mega cities (Hyderabad, Lahore, Faisalabad, Rawalpindi / Islamabad, Gujranwala, Peshawar and Quetta) on Private – Public partnership basis was approved by ECNEC in October 2007. The preparatory works like setting up of a Project Implementation Unit for effective coordination and operation of project in Karachi city initiated. PC-I for Trade and Transport Facilitation Project -2 (TTFP-2) was approved by the ECNEC. The NTC Management Unit in Planning Commission and TTF Unit in the Commerce Division have been established to implement and coordinate the National trade Corridor Improvement Program.

National Trade Corridor (NTC)

The National Trade Corridor (NTC) initiative started in August 2005 and by now marked progress has been achieved. For instance, free time at ports has been reduced from seven days to five days already, increasing port capacity by 50 percent increase through procedural improvements, without spending a single rupee. It has been planned to further reduce this time to 3 days. Similarly, clearance time at new container terminals has been reduced to 4 hours, whereas it used to be 5-7 days previously. The intensity and nature of present & future competition envisages to enhancing Pakistan's share of world trade to grow from the current 0.2 percent to 1.0 percent in 2030, and this corridor initiative would act as catalyst to enhance the trade.

Program for 2008-09

A comprehensive and integrated transport policy will be developed during 2008-09. The Transport development program 2008-09 would be based on a broad strategy that will include establishment of a multi-modal transport system; an emphasis on asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system; enhanced private sector participation in sector development and institutional capacity building, with research and development and use of modern technology, procedures and processes to increase sector efficiency. The strategy also takes into account the regional and domestic dimensions, particularly in relation to rail, road and ports and shipping sub-sectors, enhancing regional connectivity to improve links to the Central Asian States, Iran, Afghanistan and India.

During the period, ways and means to improve the transport planning, prioritization and rationalizing public sector expenditure and mobilization of resources from users and the private sector and other institutions governance reforms would be explored. An integrated and holistic approach would be adopted for making transport system more productive, efficient and reliable, which may lower the transport costs and enhance the productivity in the economy.

It is planned to revitalize the Railway by transforming it into a commercially oriented entity, while retaining the railway network in public ownership. Development of port infrastructure and rationalization of port charges is envisaged to cater to trans-shipment through the landlord port concept with enhanced private sector participation. Likewise rationalization of airport charges and the development of airports through the private sector are also planned. Benchmarking will be carried out and performance indicators would be developed for each of the sub-sectors to assess progress against envisaged targets.

An allocation of Rs 57 billion has been made for the development program of the Transport & Communications Sector. This includes Rs 20.3 billion for the budgetary program and Rs 36.5 billion for the budgetary corporations program (NHA). Salient features of the program are outlined as under:

Pakistan Railways

A major step under the NTC initiative is the restructuring of Pakistan Railways on commercial lines. The Railways would be transformed into a corporate entity making profitable business through its core activities. Railways Business Plan is being prepared and a professional CEO would be appointed to run the Railways. Seven fast freight trains have already been introduced from Karachi to Lahore / Faisalabad and back. The other important initiatives include finalization of track access policy for private sector and outsourcing of container transportation.

An allocation of Rs 11.3 billion has been made for 2008-09. Works on track rehabilitation of Pakistan Railway network, procurement of 69 DE locos, procurement / manufacture of 625 passenger coaches, procurement of 2300 bogie high capacity wagons, rehabilitation of 450 passenger coaches, recommissioning of 55 stabled DE locos, doubling of track on Lodhran - Raiwind sections, Damages to Railway Assets during riots in December 2007, and other on-going projects would continue. Procurement / manufacture of 75 DE locomotives, 150 passenger coaches, construction of railway line and container terminal at Gwadar to provide up-country linkages, setting up of a PMU in the ministry, modern signaling Lodhran -Khanewal to Shahdra would be started.

Ports and Shipping

A Ports master plan study, defining the roles of Karachi Port, Port Qasim and the Gwadar Port would be prepared. The Business Plans of the three ports would be completed. A project monitoring unit which has been established within the Ministry of Ports and Shipping will undertake a study to identify the existing bottlenecks in efficient operation of ports and recommend phase-wise improvements required at the ports. Outsourcing of container and other terminals at the ports is also planned. Land acquisition process for free zone at Gwadar will also be initiated. The closure of Karachi Dockyard Labour Board (KDLB) at the Karachi Port is also envisaged.

An allocation of Rs 372 million has been made to complete the balance works on the Gwadar Deep Sea Port Project, initiate works for acquisition of land for construction of East Bay expressway at Gwadar, land for Free Trade Zone and the Oil City. Work on construction / supply of two floating pontoons for fish harbour will also be started.

National Highway Authority (NHA)

An allocation of Rs 36.5 billion has been made for the national highways program. Main thrust of the program is aimed at the acceleration of work on the rehabilitation and dualization of National Highway (N-5) on different sections, left over work on Islamabad-Peshawar Motorway (M-1), Makran Coastal Road, Layari Expressway, Islamabad-Muzaffarabad Road (N-75), Mansehra Naran-Jalkhad and Jhalkhad – Chilas Road, Nutal–Sibi-Dhadar Section (N-65), Ratodero- Shahdadkot-Khuzdar Road, Qilla Saifullah-Loralai-Bewata Section of (N-70), D.I.Khan-Mughalkot Section (N-50), Realignment of N-65 near Dera Allahyar and Jaccobabad and Bridge on River Jhelum at Azad Pattan, Lowari Tunnel, Gwadar Ratodero Road (Khuzdar-Khori, Ratodero-Quba Saeed Khan & Gwadar- Turbat), Hoshab-Panjgur-Nag-Baseema-

Surab (450 Km long section) and the remaining portion of the Indus Highway (N-55) (Sehwan-Dadu, Dadu-Larkana, Rajanpur-D.G.Khan and Malana Junction-Sarai Gambila Sections). In addition, work will be initiated on the improvement of N-65 from Jaccobabad Bypass to Shikarpur, Quetta-Kalat-Chaman road, the National Highway Development Sector program and NWFP Road Sector program and Rehabilitation / Improvement / Widening of KKH (Raikot – Khunjrab section, 335 km) and designing work on east west road improvement project (34 km Gajj – Bewatta section of N-70) under JBIC Soft loan. Procurement of land is planned for Expressway from Faisalabad to Khanewal (E-4) as well its construction and land for Khanewal to Lodhran on southern side and on northern side land for Hassanabdal – Mansehra Expressway (E-35). Projects on Lodhran - Khanewal section of N-5, Peshawar Northern bypass, Lakpass Tunnel and Rawalpindi By-pass projects would be undertaken on BOT basis. The projects will increase the total kilometrage of national highway network and contribute towards smooth and safe flow of vehicular traffic on the national highways network.

Development of a new expressway corridor in Phase-I being one of the vital components of the National Trade Corridor initiative, the route alignment of expressways would be finalized during the year. Under Phase-II, a new motorway corridor on the west of Indus touching Balochistan would be developed as a long term measure. It is envisaged to develop industrial clusters, oil storage facilities and oil and gas pipelines along the proposed motorway and expressway corridors These initiatives would open up new vistas and avenues of trade with China, Central Asian Republics, India, Iran and even with Western countries.

Planning, Monitoring and Evaluation Cell in M/o Communications

An allocation of Rs 41 million has been made for continuation of work related to Planning, Monitoring and Evaluation Cell in M/o Communications. The Cell would be instrumental in expediting the pace of work in the organizations working under M/o Communications, such as NHA, NH andMP, CMTI, NTRC and Post Offices.

National Transport Research Center (NTRC)

An allocation of Rs 4.5 million has been made for continuation of research program and work on the Pakistan Transport Plan Study and National Transport Policy.

National Highways and Motorway Police (NH and MP)

National Highway and Motorway Police is an effective organization working towards ensuring safety and smooth mobility on the national highways and motorways. An allocation of Rs 100 million has been made for ongoing and new programs.

Planning and Development Division

For T & C Sector, the Planning and Development Division has been allocated an amount of Rs 978 million for continuation of works under the NTC Management Unit and to start work on NTC Business Strategy Study through hiring international consultants and provision of CNG buses for Karachi city and other mega cities of the country on PPP basis.

Commerce Division

An allocation of Rs 80 million has been made for the Trade & Transport Facilitation Unit to be established in the Ministry of Commerce.

Finance Division

An allocation of Rs 4.5 billion has been made for construction/improvement of 46 provincial and district roads in all the provinces including Sheikh Rasheed Expressway. These roads have been identified under the President / P.M directives.

Maritime Security Agency (MSA)

An allocation of Rs 39 million has been made for continuation of work on construction of MSA Headquarters Building at Karachi.

Airport Security Force (ASF)

An allocation of Rs 28 million has been made to complete the balance ongoing works for construction of barrack accommodations at airports i.e. Islamabad, Lahore, Peshawar, Karachi, Gwadar, Quetta, Pasni, and Jaccobabd. Works on shifting of barracks at NIIA and Peshawar due to expansion of airport and Water connection to ASF camp at Karachi would also be undertaken.

Karachi Shipyard & Engineering Works (KSEW)

An allocation of Rs 1.5 billion has been made for Installation of Ship Lift and Transfer System and Associated Machinery and Equipment to provide docking and repair facilities to Surface Ships, Submarines and Commercial Vessels of upto 4,000 Tonnage at the KSEW and setting up of a Project Management Cell for development of Ship Building industry in Pakistan and civil works for up-gradation of KSEW.

Civil Aviation Authority

An allocation of Rs 750 million has been made for construction of New Gwadar International Airport to meet the requirement of wide bodied aircrafts B-747.

Innovative Financing

The current infrastructure programs at average need over Rs 210 billion per year, with only half of the available for investment from the public sector. Public-Private Partnerships would be encouraged to meet the funding gaps and to improve the efficiency of these investments. Capital market, bonds, long-term loaning and securitization of revenue streams would be explored as additional financing vehicles.

Chapter 11

Physical Planning & Housing

The Physical Planning and Housing (PP&H) sector aims at the development of urban areas and cities, housing, drinking water supply and sanitation, besides the construction of government offices and development of Islamabad. Provincial governments undertake the PP&H activities at local level, by preparing the master plans, standards/regulations and monitoring the implementation of projects as well as sharing of financial resources with local governments. The delivery of municipal services is the responsibility of local governments. Major sectoral issues of PP&H are:-

- Inadequate housing finance system, specially for the low and middle income groups;
- Non-development of "Site and Services" schemes, specially for the poor during last 15 years;
- Deteriorating water supply and sanitation systems with deficient recovery of user charges; and
- The unguided urbanization with inadequate management of cities.

To achieve a tangible progress in PP&H sector, the issues, which are being persuaded in the current fiscal year 2007-08, are:

- Development of Federal Capital Islamabad.
- Improve the management of civics services in urban areas as well as rural areas.
- Control further growth of bigger cities by diverting the population migration from natural areas to medium-size towns.
- Narrowing gap between the housing demand and supply.
- To provide water supply and sanitation services to maximum population.
- Regularize and improve Katchi Abadis and slums.
- Encouraging the private sector for investment in housing.
- Research and development in the field of indigenous construction technology.

Urban Development

Currently, over one-third of the population or about 56 million people live in urban areas. By 2030, Pakistan will become predominantly urban with challenge of managing additional 70-80 million more city dwellers. Large cities like Karachi and Lahore will operate under a new set of economic dynamics. This will demand a holistic approach to address the issues of increasing rural non-farm employment, rural-urban complementarities, and the needs to develop balanced hierarchies of settlements. Some of the measures to improve urban development are presented in the Box 11.1.

Box 11.1 Measures to Improve Urban Development

- Formulate & implement National Spatial Strategy, with spatial development action plans at provincial, district and tehsil level.
- Diversify the economic base of smaller towns by establishing resource based industries based on potentials of area.
- Develop sustainable devolved institutional mechanism up to small town's level through close community participation to carry out planned activities effectively.
- Undertaking metropolitan economic planning across entire urban regions enabling all stakeholders to formulate comprehensive development plans and carry out a coordinated set of targeted investments, to link cities with rural suburbs.
- Private sector investment through public-private partnerships and innovative modes of development with incentives.
- Minimizing congestion and environmental hazards in large cities, by promoting urbanization of rural settlements and establishment of new towns along motorways / highways, and new satellite towns around metropolitan areas.

Water Supply and Sanitation

Currently, only 68% of the total population has access to safe drinking water (86% urban and 57% rural). The sanitation facilities are available to 45% of total population (65% urban and 32% rural). Water supply and sanitation situation has marginally approved overtime, and better sources of these facilities have been tapped (Annex 11.1). The main water supply issues relate to diminishing resources due to population growth, contamination of water bodies, extensive system losses due to weak O&M and poor sanitary conditions with unhygienic disposal of wastewater and solid wastes.

A House of One's Own

Currently, about 300,000 housing units are being constructed against an annual demand of 650,000 units, with the backlog of 6.50 million houses, continuing to increase. A much larger shelter construction will be required if the housing backlog is to be reduced. The government will support the launching of mass housing program with enhanced supply of institutional resources and long term affordable rate financing options; increasing the availability of developed land and more small size plots for low income groups; undertake high rise development to utilize land more effectively; improve construction technology including standardization of components for mass production; regularizing notified Katchi Abadis and restraining the emergence of new slums; increase community participation in housing and service delivery; and enact an effective legal and regulatory framework to facilitate development of housing.

Achievement 2007-08

During the financial year 2007-08, an mount of Rs 19.7 billion was allocated in different ministries/division to implement PP&H Program to measure mentioned issues. It is estimated that up to 30th June 2008 total Rs 17.8 billion will be spent on development of 0.103 million residential plots in urban areas, serving an additional population more than 2.27 million water supply in urban and rural areas, provision of sanitation facilities

to an additional 1.30 million population both in urban and rural areas, improved environmental conditions of 0.25 million population living in Katchi Abadis / slums and construction of 0.50 million square feet additional covered area for government servant housing / offices at Federal and Provincial levels.

Programs for 2008-09

To effectively implement the PP&H ongoing & new Programs the following initiatives would be under-taken during 2008-09:

- Priority would be accord to complete mega projects in big cities.
- At Federal level, through PSDP a large number of accommodation projects pertaining to CAF/Police/Judiciary, and essential government offices urban development, housing accommodation, and water supply and sewerage will be undertaken, involving an overall financial outlay of Rs 12 billion. This includes Rs 6 billion for the Clean Drinking Water for All Program, reflected in Environment Sector.
- The federal government under matching grants between federal and provincial governments is providing such supports as Bulk Water Supply and Sewerage projects in Karachi, Hyderabad, Mirpurkhas, Nawabshah, Sukkur, Quetta, Faisalabad, Okara, Peshawar, Malakand, Muzaffergarh, Muzzaffarabad and down town areas of Punjab, Coastal Area Development, urban areas uplifts projects in Multan, Ziarat, Loralai and Gwader.
- Work will be initiated on provision of additional 1 million houses on ownership basis and through Land Bank.
- In case of Federal Capital, the PSDP would continue financing Islamabad's development, water supply & sewerage schemes in ICT, and construction of functional buildings/ structures and residential accommodations. At Islamabad, the CDA's focus will be continue work on developing residential sectors and to provide plots for construction of houses to alleviate acute shelter problem in federal capital.
- Federal Government will continue and expedite to provide houses to federal government employees on ownership basis on their retirement.
- To expedite improvement of Katchi Abadis / slums, the district governments will be activated to ensure participation of end-users in identifying problems and in setting their own priorities, district governments and urban development of respective areas/ cities.
- For efficient delivery of water supply and sewerage services in urban areas efforts will be made to complete the on-going schemes and to recover the full O&M costs; to initiate a phased program of rehabilitating the old water supply and sewerage network; reduce the water losses; and integrate the planning and development of water and sewerage projects.

Urban Development

During 2008-09, it is planned to develop a National Spatial Strategy within the framework of Vision 2030 to safeguard the areas of national interest and provide guidelines aimed at maximizing efficiency of human settlements and other productive efforts and enhancing rural-urban complementarities. The current urban centers, which are already congested and polluted, would not be able to absorb the envisaged enhanced economic activities and trade. Accordingly, as a part of the National Spatial Strategy, it is envisaged to diversify the growth of population and urbanization.

The National Spatial Plan, which was linked to provincial and local plans within a long-term regional planning framework to connect cities with the rural suburbs through the provision of facilities, amenities and other infrastructure and services. This will enhance the thrust towards rural urbanization to minimize the congestion, pollution and other typical environmental hazards in large cities.

A National Trade Corridor (NTC) improvement program has already been launched. During 2008-09, the planning of new cities will commence, particularly on the west of Indus (with bridges across the river), in conjunction with economic activities along the motorways and expressways, complemented by links to rural service and production centers, would enhance competitiveness of trade and efficiencies of upgraded infrastructure. A program of upgrading of infrastructure within the existing urban centres and existing intercity networks will also be undertaken.

The functioning of the mega and large cities will be improved through metropolitan economic planning across the entire urban region, bringing together the national, provincial and local government agencies, business and community leadership to formulate comprehensive plans and carryout coordinated targeted investments. Among other things, investments in urban regions including the centres will be enhanced through public-private partnerships and other innovative modes. This will facilitate private sector involvement in value added services and products, and promote industrialization with intensified marketing and financial mechanisms. A focus will be the provision of local infrastructure including roads, clean drinking water, sanitation, basic health and education and electricity to enhance the quality of life of the residents.

Urban Governance

Major initiatives have been undertaken to improve the infrastructure relating to movement of goods and people. A holistic and multi-nodal approach has been initiated, which will result in a quantum increase in the scale and quality of urban infrastructure. Besides, the recent innovation in governance is likely to affect the future of cities in Pakistan.

Municipal finance has emerged as a core issue in the functioning of cities, which require an increasing proportion of monetary, material and human resources to fulfill civic aspirations. During 2008-09, new approaches would be explored to facilitate the financing of major infrastructure in large cities including financing in part by profits generated by property development. An entrepreneurial approach, with involvement of the private sector, will be adopted on a citywide basis to promote metropolitan cities to potential investors. Accessing the capital markets through municipal or other bond issues, with or without government guarantee, would also need to be considered. This would be complemented by price reforms to meet the cost of efficient service provision, manage demand and generate cash to catalyze new investments.

Water Supply and Sanitation

The development of urban water supply would be based on meeting rapidly increasing demand for household and industrial water, increasing investments in new water delivery systems, upgrading and managing the existing systems more efficiently, ensuring provision of potable water to poor households, recycling of water, where feasible, and enhancing cost recovery. The sanitation improvement options would cover wastewater management and disposal of human wastes through cost efficient and affordable means, including improvement in the management of septic tanks. For solid waste, the strategy would be to develop integrated solid waste management

systems, sanitary landfills, and to minimize waste through refuse recovery and electricity generation.

Housing for All

The needs of urban housing, particularly the low-income residents, will be catered for through implementing the legal and regulatory reforms for better operation of housing markets. Cost recovery would be maximized and subsidies minimized in the financing of low-income housing and slum upgrading. As part of the transition to an enabling role for governments in DMCs, the private sector, NGOs, community groups, and low-income householders should play an increasing role in the provision and maintenance of their own housing. Public housing institutions like the HBFC are in great need of restructuring and should expand their links with NGOs and CBOs active in providing low-income shelter. During 2008-09, the innovative low-income shelter schemes would be launched initially through pilot projects, using combinations of community groups, municipalities, and/or the private sector.

Land supply, especially for housing, has a critical role in supporting quality of life in urban areas. An initiative on urban land management will be commenced to improve the efficiency of urban land markets, through appropriate and affordable land use, building standards and regulations.

Private Sector Involvement

To improve the economic efficiency of the country's large cities, a joint public – private approach is required to improving serviced land supply, improving transport and communication links, ensuring reliability of energy and water supplies, delivering satisfactory waste management and drainage, improving the quality of labour markets, and improving information systems on land, finance and other elements of the mega city economy. A priority will be to make market entry easier for the small business through better security of tenure, access to land, credit, and affordable planning and building standards. New approaches would be required for financing major infrastructure in large cities including financing in part by profits generated by property development. The Federal Government has set up an Infrastructure Project Development Facility (IPDF), which among others will facilitate the PPPs in municipal infrastructure. An Infrastructure Project Training Facility (PTF) has already been operationalized since January 2008, which facilitates the financing in PPP mode. During 2008-09, the federal and provincial governments will continue on the following initiatives:

- Market-based approaches, to allow existing agencies to deliver better and self-financing services. In other cases, the private sector may bid to operate a service, either on a contractual or ownership basis.
- Training and familiarization for local government officials to their new responsibilities as a party to the contract. The contract will bind the private operator to provide services in which payment is by results, while the government retains overall regulatory authority. A national statutory framework would be developed as a starting point for contract negotiations and must cover factors such as minimum quality standards and environmental parameters.
- Regulatory framework at local level to address the quality, price, and required reliability of the service; the investment program; maintenance of assets; and rights of access in the public domain. The skills of Risk Assessment to create an environment conducive to attracting the private sector, and Forging Agreements with private service providers also need to be developed.

During 2008-09, both federal and provincial governments will take necessary measures to facilitate the implementation of above measures. The district governments, according to their respective priorities will implement about 75% of their projects. Under the federal & provincial program, an amount of Rs 18 billion has been allocated for PP&H Sectors. Major PP&H sub-sectoral targets to be achieved during 2008-09 are inserted in Table 11.1:

Table 11.1 Major Programs 2008-09 and Physical Targets

Projects / Program		Targets
Development of Residential Plots		To facilitate development of 1,50,000 small size residential plots in "Site and Services Schemes" in urban and 3-5 Marla Plot schemes in rural areas for construction of houses by the allottees.
Water Supply / Sanitation / Sewerage		
i.	Urban Water Supply	Increase urban population coverage from present 89 % to 91 %.
ii.	Urban Sewerage & Sanitary Drains	Increase urban population coverage from present 64 % to 65 %.
iii.	Rural Water Supply	Increase urban population coverage from present 57 % to 58 %.
iv.	Rural Sanitation	Increase urban population coverage from present 32 % to 35 %.
Katchi Abadis Slums Up-gradation		Improvement of environmental conditions of additional 0.500 million population in Katchi Abadis / Slums.
Government Employees Housing		Provision of additional 1000 houses and flats from Government Employees in Islamabad & Provincial Capitals.
Government Offices & Buildings		Construction of 0.220 million Square feet covered area for Federal / Provincial Government Agencies & Civil Armed Forces.
Housing for Industrial Workers		Construction of 2000 small size plots and houses / flats, by the Workers Welfare Fund.
Houses for Overseas Pakistanis		Implementation of on-going schemes in major cities by the Overseas Pakistanis Foundation.

Annex 11.1

Composition of Water Supply and Sanitation Sources

(Percentage)

Source	PIHS 2001-02			PSLM 2005-06			PSLM 2006-07		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
DRINKING WATER SUPPLY									
Piped Water	58	10	25	59	21	34	62	22	36
Hand pumps	14	56	44	12	42	32	9	41	30
Motor Pump	22	14	17	25	23	24	24	20	21
Dug Wells	2	10	7	2	7	5	1	6	4
Others	3	10	7	3	8	6	4	10	8
Total	100	100	100	100	100	100	100	100	100
SANITATION (TYPE OF TOILET)									
Flush System	89	26	45	93	42	60	92	41	58
Non–Flush System	5	15	12	4	15	11	4	21	15
No Toilet	5	59	43	3	44	30	4	39	27
Total	100	100	100	100	100	100	100	100	100

Source: Federal Bureau of Statistics

Chapter 12

Mass Media, Culture, Sports, Tourism and Youth

12.1 Mass Media

Mass Media sector has expanded enormously during the last 15 years. It has now become an integral part of social life in Pakistan. Electronic Media as well as Print Media has made advancements in terms of financial size, out reach and technological excellence. Pakistan has virtually adopted an open sky policy by all standards. Electronic media is primarily a private sector activity in Pakistan with a part of electronic media owned by the state and operated and financed by the Government of Pakistan. Funds are provided to the three major sub-sectors of Electronic Media i.e. Pakistan Television Corporation (PTVC), Pakistan Broadcasting Corporation (PBC) and Associated Press of Pakistan Corporation (APPC).

Review of PSDP 2007-08

During the last 5 years, the allocation for Mass Media has been gradually increasing and for the year 2007-08, it was virtually 5 times higher compared with the year 2000. The total allocation for the entire Mass Media during 2007-08 was Rs 1587.6 million out of which the share of PTV stood at Rs 974 million and Radio Broadcasting Rs 534 million. The share of APP was Rs 40 million. The total expected utilizations by June, 2008 stands at Rs 922.0 million which is 58% of the allocation.

Television Broadcasting: The expected utilization of TV sub-sector by June 2008 would be Rs 421.0 million out of an allocation of Rs 974 million, mostly for the on-going projects. The major project executed during the year was Replacement of Electronic Equipment costing Rs 2207 million, completed at a lesser cost showing a saving of Rs 570 million. It is unprecedented for the sector and shows a very fine financial and engineering management. Under this project two studios each at 5 TV stations along with Master Control Rooms were digitalized. State of the art cameras for field production were purchased for live coverage, 5 mini OB vans one for each TV station and two main Out Broadcast (OB) Vans were fabricated for TV Stations at Karachi and Islamabad. Earth Stations at all PTV stations were provided for uplinking. The other major projects were installation of Rebroadcast Stations in the earthquake hit areas and in the least developed areas like Shakargarh, Bisham, Bunair, Kund Bangla, Aliabad, Chilas, Gahkuch, Khaplu, Jaglot, astore, Shigar, Kotli Satian, Talhar, Pando etc. These projects were provided funds for their early completion. Another major advancement during year was introduction of a new TV Station at Multan. The station has started transmissions from a temporary building, entire equipment has been purchased and land for permanent building has been acquired.

Radio Broadcasting: The sub-sector has been provided Rs 534 million out of which Rs 431 million are expected to be consumed by June 2008. Funds were provided for the purchase of 100 KW SW transmitters for external services. The equipment has been purchased and installation is in progress. Equipment for Balancing and Modernization activity was also purchased during the year. Civil works have been started on PBC Academy and IT Block at receiving centre Islamabad. Rs 50 million

were provided for setting up 13 FM Stations in various parts of the country. FM Radio Stations at Bhit Shah Sindh, GT Road and Motorway were also installed.

Associated Press of Pakistan Corporation (APPC): Funds for launching Electronic News Gathering service were provided. The service has been initially provided at Islamabad and all provincial capitals. It is expected that Rs 40.0 million will be utilised by June 2008.

Ministry of Information and Broadcasting: Funds were provided for starting the working on Media University in Islamabad. The design competition and collaboration with foreign universities was in progress. Planning and Monitoring Cell has also been set up in the ministry for regular monitoring of projects.

Prospects for 2008-09

An amount of Rs 811.5 million has been allocated by the priorities committee for the year 2008-09. The major thrust during the year will be on speedy completion of ongoing projects and initiation of projects of national importance including installation of RBCs at remote and far flung areas of the country.

Television Broadcasting: A sum of Rs 166.3 million has been allocated for PTVC. An amount of Rs 29.1 million has been proposed for speedy completion of permanent building for TV Station Multan. Rs 32 million have been proposed for civil works and tower of re-broadcast station at Mian Channu. Rs 9.1 million each has been earmarked to RBS Jura, Athmaqam, Karan, Dhudhnial, Sharda and Khel at AJK for completion. Rs 16.4 million have been proposed for completion of RBS at Bar Khan Balochistan.

Radio Broadcasting: Rs 512.9 million have been allocated for PBC. The major recipient of funds during the year is SW Transmitters at Karachi which has been provided Rs 166 million for completion. Other ongoing projects which will receive funds are Balancing and Modernization of Equipment, Pakistan Broadcasting Academy, 100 KWMW Transmitters Chaman and Gwadar. Establishment of Network of FM Radio Stations has been provided Rs 187 million for setting up FM radio stations through out the country.

Associated Press of Pakistan Corporation (APPC): The Corporation has been recommended Rs 123.4 million for completion of Electronic News Gathering Project. Under this project DSNG, Earth Stations, servers and cameras will be procured for Islamabad Head Office and Bureaus at Karachi, Peshawar, Quetta and Lahore.

Ministry of Information and Broadcasting: Planning and Monitoring Cell of the ministry of Information has been allocated Rs 8.9 million for pursuing speedy implementation of the PSDP projects.

The sub-sectoral allocation of Rs 811.5 million for the year 2008-09 and utilization of funds for the year 2007-08 for the Mass Media Sector can be seen in the Table 12.1.

Table 12.1: Mass Media Sector

(Rs Million)

Sub-sector	Allocation 2007-08	Expected Utilization	Allocation 2008-09
M/O Information	39.7	30.0	8.9
PTV	973.9	421.0	166.3
PBC	534.0	431.0	512.9
APPC	40.0	40.0	123.4
Total	1587.6	922.0	811.5

12.2 Culture

Review 2007-08

The allocation for culture increased three times over the last five years. The PSDP allocation for the year 2007-08 was Rs 378.1 million. The expected utilization by June 2008 stands at Rs 275.0 million. The major project "Establishment of Pak-China Friendship Centre" is being constructed through a Chinese grant by the Government of China. The land has been provided by the Government of Pakistan and preliminary works are in progress. Other ongoing projects were Master Plan for Preservation of Rohtas Fort, Restoration of Sites from Taxila to Swat and Preservation and Restoration of Shahdara Complex of Monuments, Lahore. The conservation works of urgent nature were taken in hand and visible progress was shown. Aiwan-e-Quaid at Islamabad, Restoration of Hiran Minar, Sheikhpura and Birth Place of Quaid-e-Azam at Karachi are also major projects. Civil works on these projects continued.

Program 2008-09

Rs 260.6 million have been allocated for the year 2008-09. The priority during the year will be on the completion on ongoing projects. However, funds have also been provided to the new projects of national importance. An amount of Rs 60.0 million has been provided for establishment of Pak-China Friendship Centre. Civil works will start this year. The remaining works of National Art Gallery will be completed and the works on Development and Restoration of Archaeological sites from Taxila to Swat will continue. For attending the restoration and preservation works of urgent nature at Shahdara Complex of Monuments, Lahore, Rs 20 million have been provided. The works on the Development of Hiran Minar and Monuments of Jandiala, Sher Khan will enter into advanced stages. An amount of Rs 32.5 million has been provided to preservation and restoration of Rohtas Fort, Jhelum.

12.3 Sports

Review 2007-08

The Sports sub-sector has been a major area of priority in the PSDP during the last five years. Funds have been provided for the construction of Sports Stadia, Boxing Gymnasia and Laying of Synthetic Turfs at various places of the country. The objective has been to create sports infrastructure with public funds and hand over their management and operation to the Sports bodies and District Government. The Sports sector was provided Rs 438.8 million during the year 2007-08 and the expected

utilization by June 2008 is Rs 253.0 million. Funds were provided to the tune of Rs 50.0 million for construction of Boxing Gymnasia at Islamabad, Lahore, Quetta, Peshawar and Karachi. Synthetic Hockey Turfs at Swat, Sargodha, Sibi, Gilgit and Sukkur were provided funds. The turfs have been ordered. The remaining funds were provided for completion of sports stadia and complexes throughout the country.

Program 2008-09

A sum of Rs 190.7 million has been allocated for the year 2008-09. Funds have been provided for completion of civil works and import of steel roof structures for boxing gymnasia at Islamabad and four provincial capitals. Synthetic Turfs at Swat, Sibi, Gilgit and Sukkur have been recommended funds for laying of turfs. Gymnasium Hall at Sialkot and Bahawalnagar will be completed during the year. Rs 14.5 million have been proposed for equipment and civil works of sports medicine centre at Islamabad. Players hostel at Lahore, sports stadium at Nankana Sahib, external services network at sports complex Islamabad, sports stadium at Bori, district Loaralai, renovation of squash courts at Karachi and Rawlapindi, sports stadiuym at Zhob and football ground at Qilla Saifullah have been recommended funds for civil works.

12.4 Tourism

Review 2007-08

An amount of Rs167.4 million was allocated while the expected utilization by the end of the year is Rs 63.0 million. Work on the tourism research studies and website of the ministry continued and made progress. Land for ther bus terminal at Nankana Sahib has been acquired and civil works are in progress. Sixteen Tourist Information Centres in variouis cities are being revamped and upgraded. Tourist Facilitation Centres at Peshawar and Quetta are also being established.

Program 2008-09

Rs 18.9 million have been allocated for the year 2008-09. The website and research studies projects have been provided funding for completion. Final survey reports will be printed. The bus terminal at Nankana Sahib has been provided Rs 8.7 million for completion of civil works. The office building of Aiwan-e-Sayyahat has been earmarked Rs 7.0 million for design competition and preliminary works.

12.5 Youth

Review 2007-08

An amount of Rs.152.1 million was allocated for the sub-sector but the expected utilization is Rs 21.0 million. Youth Development Centre at Peshawar has been completed. Land has been acquired for Youth Development Center at Giligit and preliminary works are in progress.

Program 2008-09

An amount of Rs 25.2 million has been allocated for the year 2008-09. Youth Development Centre at Karachi, Sukkur, Gwadar and Gilgit have been proposed Rs 5.0 million each for taking off. Rs 3.5 million have also been recommended for mobile youth literacy awareness program.

The sub-sectoral allocation of Rs 495 million for the year 2008-09 and utilization of funds for the year 2007-08 for culture, sports, tourism and youth activities is given in the Table 12.2.

Table 12.2: Culture Sports Tourism & Youth

(Rs. Million)

Sub-sector	Allocation 2007-08	Expected Utilization	Allocation 2008-09
CULTURE	378.1	275.0	260.6
SPORTS	438.8	253.0	190.7
TOURISM	167.5	63.0	18.9
YOUTH	152.1	21.0	25.2
Total:	1136.5	612.0	495.4

Chapter 13

Education for the Knowledge Society

13.1 School and College Education

The Medium Term Development Framework (MTDF-2005-10) lays emphasis on human resource development as the same plays pivotal role in the socio economic development of the country. Elementary education and literacy have been allocated sufficient resources to achieve the targets of Universal Primary Education (UPE) and to improve Gender Parity Index (GPI). Specific Programs "Education Sector Reforms" (ESR) and establishment of new Cadet Colleges in the country have been launched for the qualitative improvement of Education. Facilities related to computer, technical and science education are being provided under various projects.

Policy

Under Education for All (EFA) program, comprehensive activities for the improvement of literacy in the country are under taken at all levels of the governments. The National Commission for Human Development (NCHD), National and Provincial Education Foundations are establishing primary schools in various localities, where such facilities were not earlier available. The MTDF emphasizes that access to quality education at all levels under EFA will be provided up to 2015 to meet Dakar goals and MDGs.

Strategy

MTDF 2005-10, makes sub-sector allocations for the expansion and development of education. The action plan prepared in the light of MTDF has been translated into specific programs and projects. The Federal and Provincial/ Area governments are actively involved in the implementation process. The following innovative approaches have been adopted for development of the education sector:

- Community involvement in literacy, basic education especially through National Education Foundation (NEF), Provincial Education Foundations and the National Commission for Human Development (NCHD);
- Promotion of Public-Private-Partnership (PPP) and active encouragement of private entrepreneurs and NGOs;
- Adopting measures to encourage girls education like provision of food items and targeted cash transfers by Pakistan Bait-ul-Mall. Free text books have been provided to students up to Secondary School level.

Review of PSDP 2007-08

Financial

During the fiscal year 2007-08, an amount of Rs 6546.9 million was provided in Federal PSDP for expansion and development of Basic and College Education. This included allocation of Rs 6508.8 million for projects of Ministry of Education, Rs 22.9

million under Ministry of Defence for school / college education in Cantonments & Garrisons and Rs 15.2 million under Cabinet Division.

Major programs

Various new initiatives were taken during the year under review. Education Sector Reforms (ESR) program was provided Rs 1273 million. This amount was transferred to the provinces/districts for implementation of Education for All (EFA). Activities of the program cover: Provision of missing facilities to Primary and Middle schools, Adult Literacy Program, Revamping of Science Education at Secondary Level and establishment of Polytechnic Institutes at districts level specially in under developed areas of Balochistan at Muslim Bagh, Khanozai for boys and at Turbat for girls and at Gilgit in Northern Areas for boys. Madrassa Reforms project continued for introduction of formal subjects including Computer Education in 460 Madaris. Other major programs include National Education Assessment System (NEAS), Science Education Project, establishment of Cadet Colleges, Basic Education Community Schools, and introduction of M.Ed classes in Federal College of Education Islamabad. Provision was also made for new schools / colleges in Islamabad, consolidating existing schools by providing additional classrooms, scholarships, science education facilities in secondary schools. National Education Foundation established skill based literacy centers and community schools in the country at places where primary schools were not available within reachable distance. Video films were also developed on technical and vocational subjects.

Physical Achievements

- Missing facilities in 994 primary/ middle schools were provided through Military Operations Directorate, GHQ at a cost of Rs 2358 million.
- Federal Directorate of Education, Islamabad completed projects of up-gradation of 5 Primary Schools to middle level, 4 girls Middle Schools to Secondary level. Transport facilities were provided to 6 Islamabad Model Colleges and 4 F.G. schools. Administration Block, Laboratories and library were provided to Islamabad College for Girls F-6/2. Repairs of Boundary wall of ICG and Girls College F-7/2.
- A number of scholarships provided to needy & talented students at all levels. Under a project 200 students of Balochistan and FATA were enrolled in quality institutions and provided scholarships. Science laboratories and science equipment was provided to Secondary schools under Science Education Project. Work remained in progress on 4 Polytechnic Institutes. To provide quality education 13 Cadet Colleges at different localities remained under construction.
- Under Madrassa Reform Project, 460 Madaris were provided grants for books and salary of teachers. National Institute of Science and Technical Education (NISTE) conducted 13 teachers training programs and trained 495 Science Teachers. The Institute had also conducted 18 teachers training programs and trained 348 Technical Teachers of the country in different technologies.
- Under Basic Education Community Schools project NEF in a short period of 11 months has added 4,032 schools and in 3 months, 1,154 literacy & skill development centers with total strength of 35,000 learners have been established. It is a very cost effective project.

- National Education Assessment System (NEAS) has been established to measure learning achievement of students at Grade-IV and VIII levels in the subjects of Languages, Mathematics, Science and Social Studies and to develop capacity in education assessment related activities. NEAS has conducted a round of National Assessment in public and private schools.

Prospects 2008-09

Financial

An allocation of Rs 6308.0 million has been made for the financial year 2008-09 for Basic and College Education projects. This includes Rs 6269.6 million for projects of Ministry of Education, Rs 23.2 million for projects of School/ college education in Cantonments & Garrisons under Ministry of Defence and Rs 15.2 million under Cabinet Division for Center of Excellence for Urdu Informatics and production of reading material in national language.

Major programs

- An allocation of Rs 1275.0 million has been made for Education Sector Reforms (ESR) specific programs which include Education for All (EFA), Adult literacy program, Revamping of Science Education at secondary level and establishment of Polytechnic Institutes at district level. This allocation will be transferred to the provinces/ districts and will help the districts to formulate need-based projects.

- 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 shifted from development side to recurring side. The process of evaluation of the project is underway.

- An allocation of Rs 416.6 million under Canadian Debt Swap has been made for capacity building of teacher training institutes and training of elementary school teachers all over the country.

- Under German Debt Swap Rs 417.0 million has been provided for improvement of Punjab School Libraries and Rs 244.8 million under German Debt Swap-II for education for earthquake affected areas in NWFP for rehabilitation of existing Middle and Secondary schools.

- A scheme for providing quality education to the students belonging to Balochistan and FATA for studying in quality institutions of other provinces is under implementation.

- National Education Foundation (NEF) is establishing community schools and skill based literacy centers in the country for which an allocation of Rs 1500.0 million has been made.

- Funds have been allocated for training of science and technical teachers of the country. NISTE will train 600 Science Teachers of Secondary & Elementary level and 500 Technical Teachers of different technologies belonging to Polytechnic/ Government Colleges of Technology of the country in collaboration with National Vocational and Technical Education Commission (NAVTEC).

13.2 Higher Education

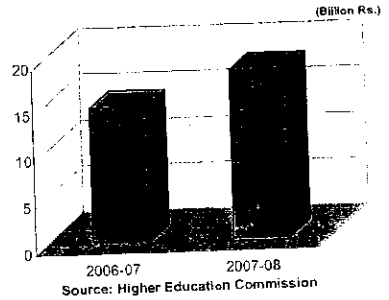
Introduction

Today, knowledge differentiates between developed and developing economies. In developed economies, R&D activities and production are horizontally integrated in the form of networks, covering production sites and laboratories in a number of countries, making it possible to outsource knowledge, labor and other factors of production globally, which results in the emergence of a worldwide labor market. In such a perspective, the focus of the Higher Education; is to train a work force, well acquainted with the latest scientific and technological advances and capable of making analyses and decisions on a broad scale. The Medium Term Development Framework (2005-10) envisaged to provide infrastructure, human resources development, research enhancement and access to information for conducive learning environment in the institutions of higher learning.

Review of 2007-08

Financial

Fig 13.2.1: Public Sector Development Program (2006-08)



Source: Higher Education Commission

In the year 2007-08, an amount of Rs 18.0 billion was allocated to Higher Education Commission (HEC) for development projects. There was an increase of about 25% over the allocation of previous year PSDP 2006-07(Fig 13.2.1). The portfolio of the HEC during this period consisted of 334 development projects of which funding of 76 projects have been successfully completed with the remaining in various stages of implementation. It is expected that 80% of allocation would be utilized by the end of current financial year.

Physical Achievement

Infrastructure Development

In order to bridge the gap between the existing set up in Pakistan and the internationally accredited standards of education, HEC has undertaken initiatives to establish new universities and up-gradation of existing facilities. During the last few years, the main thrust after has been to expand the base of education by developing infrastructure to accommodate a higher number of students in the education institutions. HEC is establishing 04 Universities of Engineering Sciences and Technology in collaboration with consortia of universities from Italy, Austria, Germany, and China. The aim is to establish world class engineering educational institutions having quality of education and research at par with their counterpart institutions in the foreign counties.

The HEC has adopted a proactive policy of encouraging the sponsors in the private sector to establish/strengthen universities/institutions to make them high quality seats Of learning. Under the public-private partnership program, School of Engineering Sciences is being established at Lahore University of Management Sciences.

Access to Education

Provision of the quality education at the doorstep of the masses remained the priority of the HEC. For this, new universities and sub-campuses of the existing universities

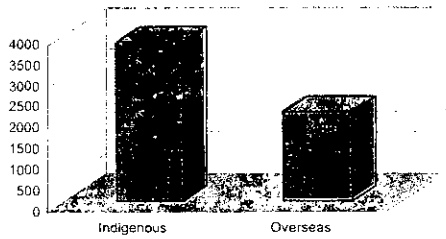
were established in remote and far-flung areas of the country. These include Institute of Business Administration, Sukkur, Lasbela University of Agriculture, Water and Marine Sciences, Uthal, Sub-Campus of Islamia University at Bahawalnagar and Rahim Yar Khan, Sub-Campus of Bahauddin Zakariya University at D.G. Khan, Sub-Campus of Sindh University at Mirpur Khas, Up gradation of King Edward Medical College, Lahore and Khyber Medical College, Peshawar to University.

Moreover, to bring the students from remote areas at par with the rest of the country, HEC has initiated a financial support program at a cost of Rs 981.5 million to provide an equal opportunity for the talented students of FATA and Balochistan province in the top ranking institutions within the country.

Human Resource Development

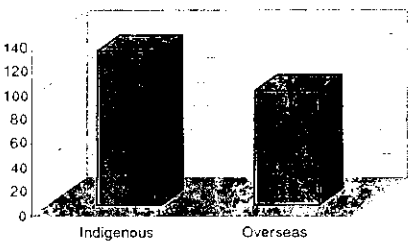
To meet the shortage of trained faculty requirement in the universities, a number of HRD development programs were designed by HEC, particularly focused on emerging technologies. As a result of successful implementation of various HRD programs, HEC has so far placed a total of 2139 scholars, in industrially advanced countries of the world for Masters/ Ph.D. In order to promote a culture of home grown research, a total of 3820 scholars are doing Ph.D. in local universities of Pakistan (Fig 13.2.2). During the year 2007-08, 95 foreign Ph.D. degrees have been awarded to HEC scholars and they have joined R&D and education institutions in Pakistan. Similarly, 128 local Ph.D. degrees have been awarded and the scholars have joined various higher educational and R&D institutions in Pakistan (Fig 13.2.3).

Fig 13.2.2: HEC Scholarship 2007-08



Source: Higher Education Commission

Fig 13.2.3 Ph.D. Completed in 2007-08



Source: Higher Education Commission

Faculty Development/Teachers Training (Short-Term)

HEC is taking strategic initiatives to create an enabling environment for a continuous professional development system for the higher education teaching faculty across Pakistan to generate innovative and creative teachers who are qualitatively developed in a process to enhance the quality of learning at higher level of education in Pakistan.

Supporting University Research

To encourage world-class research and innovation in the universities, HEC has taken multiple steps to encourage the research culture. 107 research projects costing Rs 309.5 million were funded during the FY 2007-08. In addition, 25 academic linkages have been established between Pakistani institutions of higher learning and foreign universities in various fields.

Measures for Quality Education

The HEC has established 10 Quality Enhancement Cells (QEC) in public sector universities/institutions during the FY 2007-08 making all together 30 QECs. Extensive capacity building programs (Trainings/Workshops/Seminars and meetings) have been carried out for the Quality Enhancement Cells to enable the higher education institutions of Pakistan to meet the global challenges of Quality Assurance in higher learning.

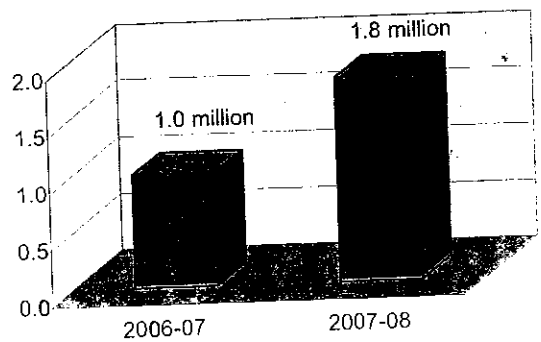
For implementation of Quality Assurance at program level, Professional Councils such as Pakistan Medical and Dental Council, Pakistan Engineering Council, Pakistan Veterinary and Medical Council, Pharmacy Council, and Architects and Town Planners Council were already working in the country. Active coordination with these Councils has been developed for ensuring adherence to the approved quality standards in their respective fields. National Computing Education Accreditation Council (NCEAC), National Agricultural Education Accreditation Council (NAEAC), Accreditation Council for Teachers Education (ACTE) and Pakistan Business Education Accreditation Council (PBEAC) have been established.

Improving Access to Information

Digital Library Program: HEC strategy is to bridge the knowledge gap between Pakistan and developed countries. It is fully addressed by the National Digital Library Program, one of its kind in the Asia.

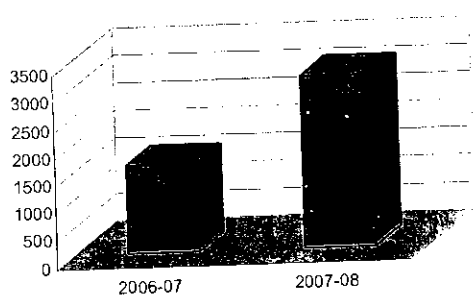
On its part, Digital Library acquired e-journals from world renowned publishers such as Elsevier, Science Direct, JSTOR, Blackwell, Springer Link, etc. as well as e-databases from IEEE, Royal Society of Chemistry, American Institute of Physics, Association of Computing Machinery, American Society of Mechanical Engineers, to name a few. Presently, over 25,000 journals are available through digital library. The response from the end users was equally overwhelming as reflected in number of articles downloaded risen sharply from approximately 1.0 to over 1.8 million in the same period (Fig 13.2.4). The research output originating from Pakistani Institutions has grown from meager a little over 700 articles in year 2004 to over 1600 by the year 2006-07 and 3104 in 2007-08 (Fig 13.2.5).

Fig 13.2.4: **Usage of Digital Library by Pakistani Researchers in 2007-08**



Source: Higher Education Commission

Fig 13.2.5: **Increase in International Publication by Pakistani Researchers in 2007-08**



Source: Higher Education Commission

Pakistan Education Research Network-PERN is an educational and research network aimed at establishing an integral part of the overall education system of the country and is designed to interlink all public/ private sector universities/ degree awarding institutes registered with Higher Education Commission of Pakistan. The

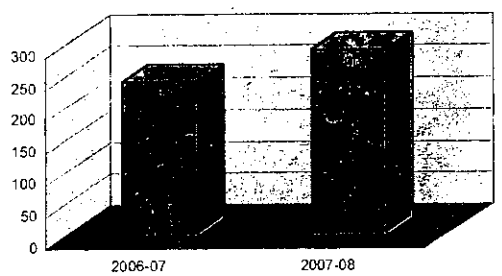
projects commenced in September 2002, and at present, 83 universities/institutes are interconnected across the country through PERN with total bandwidth of 500 MB, terminated through PTCL network.

The up gradation of PERN is PERN 2, which aims to redesign PERN to up-grade core and last mile connectivity. The network is comprised of a high-speed backbone network, connecting main hub locations in Islamabad, Lahore and Karachi cities. Capabilities of the network include video conferencing and centralized scheduling, intra-network data connectivity, and external connection. All PERN connected universities/institutions will be shifted to PERN2 by the end of 2008.

Video Conferencing System: Higher Education Commission initiated video conferencing project, which is aimed at connecting all public sector universities/institutions of higher learning in Pakistan, through IP based Video Conferencing System. HEC provided Video Conferencing Facility to 09 universities in the year 2006-2007, whereas 20 more universities are equipped with this facility in the year 2007-2008 and work at 11 universities/institutions is currently under process. Through this facility the students can interact with high profiled teachers across the globe. 531 video conferencing events of lectures, conference, meetings, etc. were held during the period 2006-08 (Fig 13.2.6).

After the installation of Multipoint Control Unit (MCU) at HEC, it has become a hub for online events. Online lectures/ presentations by eminent scientists, local/ foreign, relayed to universities/institutions aim to develop fundamental concepts, to enhance the critical thinking for under-graduate and graduate students, which would eventually uplift standard of education in Pakistan.

Fig 13.2.6: **Video Conference Events in 2007-08**



Source: Higher Education Commission

Campus Management Solution: The realities of higher education in the 21st century stimulate college and university leaders to pursue new avenues of growth. Initiatives such as online course delivery, satellite campuses, executive education, and corporate seminars present significant challenges to IT. Campus Management provides and supports the nationwide standard framework for the services delivery for the administration, students and faculty members. Campus Management solution will be available 24 hours a day, seven days a week. HEC has taken the initiative to facilitate universities with the standard off-the shelf campus management solution to be customized and implemented. As a pilot project six (06) public sector universities/ degree awarding institutes of different flavors, including medical, engineering and general multiple subject of study from all the regions of country, are selected.

Major achievements of higher education during 2007-08, in brief are presented in Box 13.2.1.

Box 13.2.1 Major Achievements Higher Education 2007-08

- HEC has so far placed a total of 2139 scholars, in industrially advanced countries of the world for Masters/ Ph.D programs.
- 269 master-trainers have been developed through 6-week Faculty Professional Development Program.
- 2265 faculty members of different disciplines across the country have been imparted curriculum based short-term trainings.
- Through open and customized workshops/seminars 411 faculty members have been trained.
- 142 faculty members have benefited from lectures/seminars by eminent foreign and Pakistani scholars.
- 150 senior managers of the national universities (i.e. Registrars, Deans, Controllers of Examination, and Treasurers) have benefited from another program run by a former American Vice Chancellor under the program *'Leading Transformational Change'*.
- 3564 members have been imparted one month in-service training at the doorstep of the universities across the country.
- Through *International Computer Driving License*, HEC has imparted online training to 246 faculty members.
- 25 academic linkages between Pakistani institutions of higher learning and foreign universities in various fields were developed.
- 813 faculty members/researchers were supported for travel grant to participate in international conferences/seminars for presentation of their research work.
- 135 seminars/workshops/conferences were sponsored within the country on various aspects of science, technology and arts.
- HEC has revised 94 curricula since 2003 including 09 curricula in various Engineering disciplines at the levels of BE / B.Sc. / BS and 16 curricula in Basic and Social Sciences at the levels of BS (4 Year), LLB (5 Year) and B.Arch. (3 Year) during the period 2007-08.

Prospects for 2008 - 09

Financial

An amount of Rs18.0 billion has been allocated for development projects of the universities under HEC PSDP for the fiscal year 2008-09. The budgetary increase will enable the HEC to implement the ongoing projects and to fund several new mega initiatives.

Physical

Significant increase in the budgetary allocation for the higher education sector for 2008-09 has been necessary not only to facilitate the on-going implementation of the major HEC programs but to fund several new mega projects. Various activities planned in the fiscal year 2008-09 are presented in the Box 13.2.2:

Box 13.2.2 Major Targets Higher Education 2008-09

Infrastructure

- Establishment of 4 engineering universities in collaboration with foreign countries France, Germany, China, Italy at Karachi, Lahore and Islamabad.
- MS/ M.Phil. leading to PhD program for 4000 faculty for strengthening of Public Sector Universities/ DAIs
- Ph.D. scholarship program for 2000 Pakistani student in the foreign universities
- 1000 indigenous scholarships will be awarded for foreign Ph. D. studies.

Human Resources Development

- 500 overseas scholarship will be awarded under the UESTP Faculty Development Program
- 700 fellowships will be awarded under the Post Doctoral Fellowship program.
- 69 scholars are to be awarded under the project for MS Level Training in Korean Universities/Industry, which will make the total number of scholars to 200 in leading universities of South Korea.
- 1350 indigenous scholarships will be awarded to students for Ph.D. studies in local universities totaling to 5000 scholarships under the scheme.
- 700 scholars will be placed in foreign universities for postgraduate studies under the overseas scholarship scheme.
- 60 faculty members will be hired under foreign faculty hiring programs to overcome the shortage of qualified Ph.D. faculty in universities. With this additional/induction, the total number of foreign faculty will become 300 in various universities in the country.
- 650 scholars will leave for Cuba under 1000 scholarships program for General Medicine studies.

Access to Information

- PERN connectivity will be extended to Research Organizations, Public libraries, directly or through local authorities, non-profit organizations like museums, Art galleries, Labs, and Hospitals affiliated with education sectors.
- 32 more universities will be provided video conferencing facilities in Universities/ institutions.
- 350 online lectures/conferences/meetings/interviews/presentations will be relayed to all universities/institutions, having video conferencing facilities.
- All universities/institutions, M.Phil thesis will be digitized and will be available in HEC's repository.
- Extension of plagiarism detection software facility to all the universities/ institutions of Pakistan.

Research and Development

- 130 research projects will be funded during the FY 2008-09.
- 20 academic linkages between Pakistani institutions of higher learning and foreign universities in various fields with will be developed.
- 1100 faculty members/researchers will be support for travel grant to participate in international conference/seminars for presentation of their research work.
- 175 seminars/workshops/conferences will be sponsored within the country on various aspects of science, technology and arts.
- Curricula of 16 disciplines in basic, social, applied and health sciences will be revised during 2008-09.

13.3 Science and Technology

Introduction

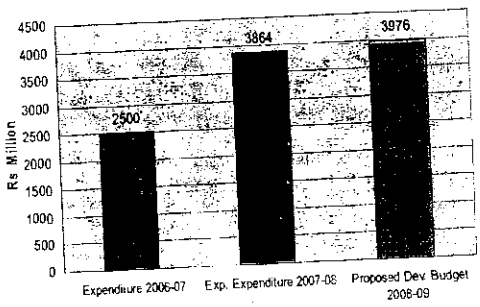
Science and technology is a pillar on which the edifice of a "knowledge based economy" is built. Science and technology is regarded as a basic tool for socio-economic development of any nation. Pakistan is amongst the developing countries of the world with low per capita income. Accordingly government is fully committed to build up national scientific and technological capability with emphasis on emerging technologies. The strategic focus during 2007-08 was on Human Resource Development, Transfer of Technology from R&D Institution to Industry, Food & Agriculture, and Analytical Centers for Industrial Analysis, Industrialization, Health, Electronics, Ocean Resources, New Materials, Biotechnology, Textile, and Pharmaceuticals etc.

Review of 2007-08

Financial

During 2007-08, Rs 4829 million was allocated to Science & Technology sector, including Rs 3600 million for Ministry of Science & Technology (MoST), Rs 580 million for Pakistan Atomic Energy Commission (PAEC), Rs 627 million for SUPARCO and Rs 21 million for Pakistan Metrology Department. It is expected that 80% of the total would be utilized by the end of the financial year. Over view of the development budget for years 2006 to 2009 is presented in (Fig 13.3.1).

Fig. 13.3.1 Development Budgetary Trend SAT



Source: Ministry of Science and Technology(MoST)

Physical Achievement

A significant initiative undertaken by MoST was a mega project for provision of safe drinking water to all at a cost of Rs 1413 million. The major activities under this program includes establishment of 18 new and up gradation of existing water quality monitoring laboratories in twenty four districts, water supply assessment survey of the existing water supply schemes, installation of 24 pilot demonstration water conditioning and filtration plants for large scale adoption by federal and local governments and capacity building program of the technical staff handling water supply schemes of four provinces, AJK, FATA and Northern Areas. The work on strengthening of two, out of six existing labs was completed. Ten new Water Quality Labs have been established at Muzzafarabad, Mansehra, Mianwali, Sargodha, Sialkot, Sahiwal, Multan, Nawab Shah, Karachi and Jamrud. Major achievements in the Science and Technology are briefly presented in Box 13.3.1.

Specific performance of Ministry/organizations

Pakistan Council for Renewable Energy Technologies (PCRET): Government of Pakistan intends to promote alternative and renewable source of energy due to scarcity of conventional source of energy. In line with this vision and making country self-sufficient, PCRET is developing, promoting and disseminating renewable energy technology to uplift the socio economic structure of the masses through the following initiatives such as;

Pilot production facility is being established for silicon solar cell and modules upto 80KW annual capacity for rehabilitation in the earthquake affected areas 50 MHP installed with the total capacity of 500 KW.

The Centre for Applied Molecular Biology (CAMB): has expanded its facilities for the diagnosis of the most prevalent infectious diseases. Taq polymerase and DNA markers were produced and are in routine use of the center. Expert group meeting / symposia and training workshop for police officers on crime scene and modern forensic techniques in crime investigation were arranged.

Pakistan Council of Research in Water Resources (PCRWR): has undertaken various desertification control and water management programs covering major deserts of the country. Arsenic removal technologies were developed. Identified groundwater quality zones in upper Indus basin and established field research stations in Thar and Chagi-Kharan deserts to conduct research on desertification control, rainwater, harvesting etc. PCRWR installed 6 deep tube wells and 3 reverse osmosis desalination plants in Cholistan desert. Grassland and rangeland developed at 50 acres in Cholistan desert.

Pakistan Council for Scientific and Industrial Research (PCSIR): major achievements are Balancing, Modernization and Rehabilitation of existing PCSIR laboratories, up gradation of workshops and Pilot plant facilities. Enhancement of infrastructure, machinery and state of art laboratory equipment has been acquired and commissioned. The Minerals and Metallurgy Research Center (MMRC) is facilitating in development of nano-technology, orthopedics and orthopedic implants, reverse technology of value added auto parts; new surface modification technologies introduced for wide range of industrial coatings, commercial and special casting metals and alloys.

National Institute of Oceanography (NIO): extension of continental shelf from 200 to 350 NM exploration of exclusive economic zone (EEZ) of Pakistan directly and indirectly contributes Pakistan's economical interest and benefits. The centre for marine pollution studies at National Institute of Oceanography (NIO), Karachi is in position to provide services on a range of issues of aquatic environmental sciences relating to ecotoxicology, biomonitoring and management.

Council for Works and Housing Research (CWHR): For introduction of lower cost alternative materials/technique, ferrocement products have been installed at Ayub National Park, Rawalpindi and Askari Park Karachi. Technical advisory services were extended to PCRET for Fast Track construction of their laboratories and workshops at PCRET.

National Institute of Electronics (NIE): established an integrated circuit design centre capable of taking design projects for local and international markets. Embedded Control Systems Labs and Quality Testing is presently under construction, its design activities are in high demand for upgrading conventional local products to next generation (e.g. manual to automatic washing machines). The Automation and Control Electronics Centre of NIE has contributed significantly for Pakistan locomotive factory Risalpur in upgrading of their costly equipment

Pakistan National Accreditation Council (PNAC): launched the accreditation scheme for medical labs recently whereas scheme for inspection agencies has been finalized to facilitate export, imports and ensure health and safety of the consumer. Incentives for certification of ISO-17025, SA-8000, ISO-9000, ISO-14001, ISO-15189

and other relevant standards necessary to facilitate export through PNAC is being provided.

Pakistan Standards and Quality Control Authority (PSQCA): was established to provide one window services for standardization and quality control. The offices / laboratories of PSQCA at Karachi are under completion. The Quality Control Centre (QCC) Microbiology Laboratory is in the final stages of accreditation under ISO: 17025 by the Norwegian Accreditation Agency and will be completed by the end of this year. System Certification Centre (SCC) is being established within the framework of PSQCA. On site testing by Mobile Testing Labs has been initiated for the unbridled industrial growth.

Box:13.3.1 Major Achievements Science and Technology 2007-08

- Establishment of 18 new and up gradation of existing water quality monitoring laboratories in 24 districts.
- Installation of 24 pilot demonstration water conditioning and filtration plants.
- Teachers and Researchers Overseas Scholarship scheme for 100 PhD's in high-tech fields of industrial electronics/ engineering, precision mechanics and instrumentation, dyes and moulds, CAD/CAM technology was carried out.
- 200 LED solar lights were manufactured and distributed among remote area in habitant.
- 40 Mosques and Schools electrified in Sindh and Balochistan areas by Photovoltaic Technology.
- Design, development and fabrication of 5 community size solar dryer of 500 kg capacity completed in rural areas.
- 100 biogas plants have been installed which would replace 10494 tons of fuel wood and produce 6570 tons of organic fertilizer.
- 50 MHP with total capacity of 500 KW were installed in earthquake affected areas and 45 MHP installed in NWFP and Northern Areas.
- More than 190 cases of parentage, rape, murder, dead body identification and robbery were processed by Forensic DNA typing facility to help the crime investigation agencies by CAMB.
- A database has been established by PCST on "Designing, Testing and Analytical Facilities in Pakistan". A directory on "Productive Scientists of Pakistan" was published covering 679 scientists and engineers.
- PCRWR constructed 9 leaky dams, 2 dug wells, 51 retention dams, check structures and 10 rainwater harvesting ponds in Balochistan, Thar and Chagi-Kharan.
- 135 processes developed, 11 processes leased out to stakeholders, 12 patent obtained, 112 industries monitored under ISO initiative Program, 5656 clients served, 240 consultancy / advisory services rendered by PCSIR.
- 39 testing and calibration laboratories have been accredited by PNAC.

Prospects for 2008-09

Financial

In the next financial year (2008-09) an amount of Rs 4259.2 million has been allocated to Science and Technology sector, out of which Rs 3015.4 million for Ministry of Science & Technology, Rs 137.2 million for Pakistan Metrology Department, Rs 625.2 million to Pakistan Atomic Energy Commission and Rs 481.4 million to SUPARCO.

Physical

Self-reliance can be achieved in all sectors of the economy through application of S&T. High quality S&T manpower should be groomed and absorbed in the system. Policy level measures should be taken leading to higher value addition and quality control through public private partnership. Strong workable linkages should be developed between industry and R&D institutes. Special package of incentive should be provided

for promotion of industries such as electronics engineering, polymers, nano technology, biotechnology and alternate sources of energy. As far as the year 2008-09 is concerned a consistent budgetary support from the government to R&D Institutions, scientists, entrepreneurs and technologists will go a long way towards developing an infrastructure designed to contribute to the development efforts of the country. Major targets in S&T to be achieved are briefly presented in Box 13.3.2.

Box:13.3.2 Major Targets Science and Technology 2008-09

- 21 model Water Filtration Plants will be installed. Diagnostic survey of existing 2300 water supply schemes and under capacity building program, 48 more courses will be conducted at Islamabad and Karachi.
- Production of silicon solar cell and modules up to 80 KW annual capacity will be started.
- 850 biogas plants, Portable solar water stills of 2.5 liters per day of clean water, 2800 LED solar lights and 300 KW MH Plants to be installed at canal for Khanpur which will generate 2160 mw per hour for commercial application. Moreover, 25 plants in NWFP and Northern Areas and 50 plants will be installed in earthquake areas.
- 10-12 chemical pilot plant for the production of Potash and Borate ores will be fabricated by PCSIR.
- Procurement of Oceanographic Research Vessel in NIO.
- Production of light weight aggregates and dry hydrated lime. Thermal analysis of typical buildings will be conducted and remedial measures will be suggested for improving energy efficiency of buildings by CWHR.
- Enforcement of 60 items under compulsory Certification Marks Scheme shall be e•tended by PSQCA.

Continuation of On Going Activities

Pakistan Council of Research in Water Resources (PCRWR) During the financial year 2008-09 plans to utilize the six existing labs and 10 new labs established for water quality survey through out Pakistan as per objectives of the PC-1. Under capacity building program, 48 more courses will be conducted at Islamabad and Karachi. Under mass awareness, public service massage campaigns will be run through electronic and print media and one national level workshop will be arranged.

Pakistan Council for Renewable Energy Technologies (PCRET) undertakes research, development, promotion, and dissemination activities to provide energy services to the people living in the remote areas including the earthquake effected areas, to uplift their socio-economic conditions. The Council is expanding its activities to provide R&D infrastructure of international standard in all thrust areas of the Council, to provide indigenous technological support and sustainability to the local industry, and to develop and promote renewable energy products of international quality.

Pakistan Council for Scientific and Industrial Research (PCSIR) will initiate 200 PhDs program in different fields of S&T for industries and related scientific R&D organizations. Sea buckthorn which is abundantly available in the northern areas of Pakistan will be exploited along with other herbs for use as food supplement/ medicine for treatment of heart diseases and cancer. Characterization / beneficiation of manganese ore from Bajour agency for production of valuable chemicals will be

undertaken. Jewelry hall marking facilities earlier established will be commercialized. MMRC will undertake R&D in the field of minerals and materials.

National Institute of Oceanography (NIO): The procurement of Oceanographic Research Vessel provides a suitable platform essential for sustained development of the indigenous infrastructure and training of the requisite manpower for future marine research and exploration. The mapping in the EEZ of Pakistan for exploration and exploitation of living and non-living resources are the major tasks to be done through surveys.

Council for Works and Housing Research (CWHR) will arrange study tours to be conducted in Sindh and Punjab for acquiring raw materials for production of lightweight aggregates and dry hydrated lime. Consultancy services will be extended to the construction Industry for inspection, quality testing, assessment of safety and rehabilitation of existing concrete structures using Non-Destructive Testing and other quality testing methods.

National Institute of Electronics (NIE) undertakes to upgrade and expand extensively its physical infrastructure and strengthen its human resources with a view to provide leadership role in the field of electronics at the national level. This would also include setting up of a small-scale production-line to develop electronic boards and assemblies for industrial commercial and common-utility items.

Pakistan Standards and Quality Control Authority (PSQCA) plans to conduct the out sourcing engagement of Inspection Agencies (accredited) in Private Sector act as Pre-shipment agency the quality of imported products and exports. Extension of accreditation scope for PSQCA Testing Laboratories (QCC & TSC) and creation of National Standards Committees e.g. ISO/IES Standards adoption is planned.

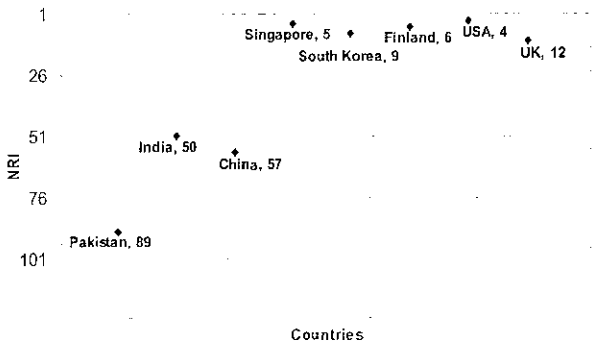
Chapter 14

Information and Communication Technologies

14.1 Information Technology

Information Technology (IT) continues to be the pre-dominant catalyst of change. This paradigm shift is breaking old barriers and building new interconnections in the emerging global village. As such, the progress of nations, communities and individuals is now being heavily dependent on inclusiveness of IT in every aspect of life.

Figure 14.1.1: Network Readiness Index Ranking – 2007-08



Source: Global Information Technology Report 2007-08

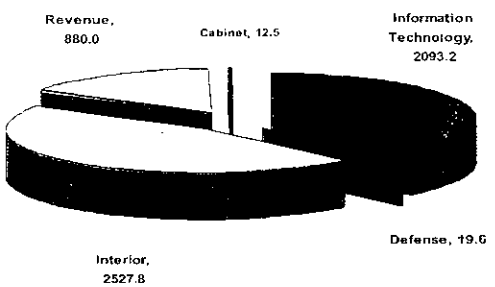
For Pakistan to be a prosperous and developed nation in the near future, IT can play a pivotal role in achieving this goal. ICT is a fast growing sector in the world today and is envisaged to be the foundation of constructing the knowledge based society of tomorrow. The developed countries being fully aware of its strength are transforming their economies towards knowledge in a big way. This will also provide them an advantage to sustain the fierce competition envisaged under the WTO trade regime. Resultantly, other emerging economic powerhouses around the world are also focusing on knowledge-based economies by applying IT for their development. This global significance of IT is also having an impact on Pakistan. However, a long distance is still to be covered which is also substantiated by a comparison of Networked Readiness Index (NRI) ranking of selected countries. (Figure 14.1.1).

Review of 2007-08

Financial

In the PSDP 2007-08, an amount of Rs 5.5 Billion was allocated for Information Technology Sector for 118 projects. These projects were executed by various Ministries/ Divisions that included Ministry of Information Technology, Ministry of Interior, Ministry of Defense, Cabinet and Revenue Divisions. The graph shows the distribution of PSDP allocation among the Ministries/ Division for the year 2007-08 (Figure 14.1.2). Utilization in 2007-08 was only 38% of allocated funds.

Figure 14.1.2: PSDP 2007-08
Infromation Technology Sector
Million Rs.



Source: PSDP 2007-08 - Planning Commission

Physical

The major achievements for 2007-08 are delineated below:

a) Human Resource Development

Educated human resource is of paramount importance for the growth of information technology. For this, we need to rapidly increase the base of primary, secondary and tertiary educational institutions having IT facilities. Pakistan produces about 20K IT graduates, while there is a demand of about 50K graduates every year which is projected to grow to 155K per year in 2010. In this context, the Government is focusing on both long-term and short-term human resource availability for this sector. For the long-term, projects have been launched to build capacity at the schools/ college level. In the shorter period, focus has been laid on upgrading skills of public as well as Government employees for effective use of the computer-based systems being developed for the Ministries/Divisions. Major projects executed during 2007-08 for human resource development include:

- **I.T. Computer Science Teachers, Lab Incharges and Computer Labs Project - Matching Program with the Provinces, AJK, FATA/FANA and ICT** has been completed this year. 1,098 secondary/high schools/ inter-colleges now have computer laboratories which are equipped with about 17,500 PCs. Also, 1,098 computer teachers and 1,098 laboratory incharges were employed. As s result, about 44K thousands students from all over Pakistan now have the opportunity to learn the subject of Computer Science/ Information Technology at the level of classes 9 to12.

- **Introduction of Computer Education in 81 F.G. Model Colleges and Schools in ICT, Islamabad** is underway and computer teachers, lab incharges and lab attendants have been employed for the purpose. The project will be completed in November 2008 and with this, all public schools and inter colleges of Islamabad will have IT labs and teachers.

- **Pilot Project for End-Users and System Administrators - Training on Open Source Software** was conducted to raise the skills in the use of open source software. More than 5K persons participated in awareness workshops and 1,600 people were trained in the use and administration of Linux system.

- **Basic Information Technology Training** aims at improving the IT literacy and skills of Government servants to carry out office work and training was imparted to about 13K Government employees.

b) Information Technology Industry Development

It is estimated that IT exports in 2007-08 will reach US$ 150 million approximately against a target of US$162 million. This under-achievement is mainly attributed to imposition of 15% GST on computers and the overall uncertain situation that prevailed during the year. In contrast, during the FY08, IT and ITeS exports of India are expected to cross US$ 40 billion mark.

For strengthening the local information technology industry to compete in the international markets, following projects were executed during the year:

- **Standardization of Pakistani Software Industry**. Programs were initiated to obtain internationally recognized certifications (like CMM, CMMi, ISO 9000, COPC etc.) by local companies. As a result, the number of CMMI assessed companies has increased. Currently,. one CMM Level 5, one CMMI Level 5, three CMMI Level 3 and nine CMMI Level 2 companies are assessed. Also, now there are 110, ISO certified companies. In addition, ISO 27001 certification for 5 companies was also completed during the year.

- **Automation of Domestic Industry on Open Source Systems.** This project was initiated to encourage the local companies to develop expertise in open source arena as well as to provide automation at low cost for domestic industry.

- **Development of Software Technology Parks** provide better infrastructure facilities and space at attractive costs for firms to do I.T. business in Pakistan. Currently, eleven IT Parks having 750,000 sq. ft of office space are being utilized by the IT companies.

c) E-Government

Government continues to pursue its policy of improving its efficiency and facilitating its citizens through information technology. The e-government program covered computerization of Ministries as well as extending its services to the public. The major e-government projects executed/approved during 2007-08 included the following:

- **E-Services for Ministry of Food, Agriculture and Livestock (MINFAL)** is in the final stages of acceptance. Electronic tools such as Geographical Information System (GIS), crop forecasting modeling and agricultural databases will be available to MINFAL for carrying out their day to day functions.

- **E-Office at Ministry of Information Technology** is in the process of acceptance testing at the Ministry of Information Technology. The software includes automated applications for inter-office communication, human resource management, procurement, inventory, finance and budgeting and project management. Acceptance testing of all of the aforementioned applications, except human resource and project management, has been completed. After acceptance of all the applications, these will be replicated in other Federal Ministries in a phased manner.

- **Land Revenue Records Management System for Punjab** is aimed at providing efficient management of land records and to facilitate the citizens to have access to land records at affordable cost.

- **Health Management Information System at PIMS** provides efficient management of health records of the patients and facilitates them in easy access of hospital services. The Phase-I of the project has been implemented and Phase-II has been started.

- **Machine Readable Passport (MRP)/ Machine Readable Visa (MRV) Project** is being implemented. MRP System has been deployed at 38 RPOs and 14 Foreign Missions uptil now.

- **Automated Fingerprint Identification System** for online comparison/ identification of criminals through fingerprints is being implemented to combat terrorism and crimes.

Critical Analysis and Recommendations

• Education & Human Resource Development

The most important factor in sustainable growth of information technology is the human resource. A strong focus on quality IT education will be very helpful for not only meeting the domestic demand but also to cater for the international requirements since the trained human resource is an excellent source of foreign remittances.

Box 14.1.1: Recommendations for Human Resource Development

- *Providing computer labs and computer teachers in secondary schools.*
- *Upgrading teaching skills of IT teachers.*
- *Scholarships for IT education.*
- *Establishing Centers of Excellence for IT Training.*
- *Implementing projects for upgrading IT skills with increased outreach of IT institutions.*
- *Establishing IT Placement Centers for exporting trained IT manpower.*

We therefore need to rapidly increase the base of primary, secondary and tertiary education in terms of quantity as well as quality at all levels. An efficient educational system needs to be put in place in which thinking innovation and creativity is encouraged and promoted. For inculcating these traits in the students, teachers must be trained in the latest teaching methodologies. IT needs to be introduced at all levels; e.g. tertiary, secondary/higher secondary, middle and finally primary in descending order of priority. Also, incentives in the shape of scholarships need to be offered to the talented students for promoting IT education.

Currently about 1,100 secondary/ high schools/ inter-colleges (10% of total high schools/ inter-colleges) in the public sector possess facilities of computer education including computer labs and teachers. In order to cover all the existing public sector high schools/ inter-colleges, an amount in the range of Rs 17-20 billion is required. If all the existing 20K plus middle schools are also to be covered then funds amounting to about Rs 50 billion will be required.

After hectic efforts of Pakistan Computer Bureau, Ministry of IT, a body namely "National Computing Education Accreditation Council (NCEAC)" has been established within the Higher Education Commission for standardizing and improving the quality of IT education and ranking the Universities in order of their quality of education. The initial achievements of NCEAC include (a) the course materials of various IT degrees namely Computer Science, Information Technology and Software Engineering have been standardized; (b) all the Universities offering degree courses in the field of "computing" have been forced to only offer four years bachelor's degrees (130 credits) and two years masters degrees (32 credits) (as per international standards) failing which their degrees will not be recognized (the sub standard IT degrees have thus been discontinued); and (c) work on the ranking of computing degrees which needs to be carried out objectively and impartially, is almost completed.

Strengthening training centers for developing skills in human resource is required for meeting the requirements in the short-term. These centers should focus on providing training of I.T. skills in high demand as well as in niche areas of information

technology. Some mechanism of registration and quality control of the training institutes needs to be put in place. Also, projects for improving IT skills with increased outreach of IT institutions need to be implemented.

In order to provide overseas employment to the trained IT professional, IT Placement Centers can play a pivotal role. Therefore, placement centers should be established specifically for exporting IT manpower seeking overseas opportunities. Effectiveness of these placement centers can be enhanced by creating strong linkages between them and IT institutes. Recommendations, in brief, to develop HRD in IT are presented in Box 14.1.1.

- **Information Technology Exports**

For 2007-08, the estimated IT exports are around US$ 150 million, which is very low as compared to IT exports by other countries. For example, Korea's IT exports were US$ 88.5 billion, Ireland's IT exports reached US$24.5 billion and India's IT exports are estimated to reach US$ 40.8 billion in FY2008 (*Source: OECD Factbook 2008: Economic, Environmental and Social Statistics* and *NASSCOM, India*). For increasing the software and IT exports, more needs to be done. In this regard, besides attracting large multinational businesses in the country, local entrepreneurs and investors in large numbers are required to be attracted to give impetus to this nascent sector. For this purpose, development of IT incubators to establish IT companies and venture capital funds should be vigorously encouraged by providing them with 'one-window-facilitation' to start their business. A government-backed program to establish IT incubators should be designed on lines similar to Building on IT Strengths (BITS) Program under which ten IT incubators were established with the support of Australian Government.

To attract large international businesses, the local IT companies need to complement their expertise as well as augment their capacity through clustering as well as mergers/ acquisitions on successful business propositions. Mergers, acquisitions and joint ventures with foreign software houses also help in the promotion of software development, software business and transfer of technology. A proper mechanism to incentivize the system needs to be put in place by the Government. This will enable the local companies to transform into world-class companies.

Box 14.1.2: Recommendations for Development of I.T. Industry

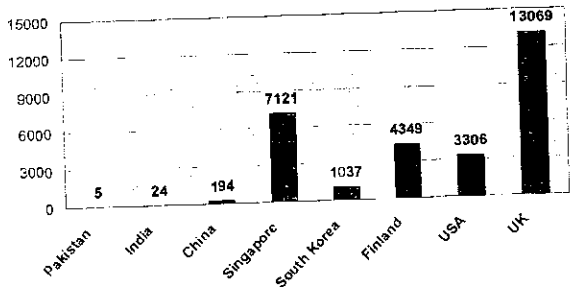
- *Encouraging development of I.T. incubators*
- *Mergers, acquisitions, joint ventures with foreign software houses to build world-class companies.*
- *Incentives for remitting earning in the shape of foreign exchange.*
- *Incentives for achieving CMM Level 5.*
- *Establishing Internet City and Knowledge Village to achieve critical mass of high technology companies.*
- *Developing computer hardware industry*
- *Abolition of Sales Tax on computer hardware equipment and software.*

The international businesses now focus on adopting best practices to ensure delivery of quality services and products. The local IT companies should be encouraged in this direction. For this purpose, incentives such as tax concessions/ rebates/support should also be given to local IT companies for achieving higher CMM Level certification, opening offices overseas and for earning foreign exchange from software exports.

Silicon Valley, USA, Multimedia Corridor in Malaysia, and Internet City in Dubai are examples that have led to the growth of IT industry in the respective countries. A

Multimedia/ Internet City and Knowledge Village in Pakistan on similar lines will help to attract large software companies and multinationals to build their offices locally. These places may be treated as Tax Free Zones. Further, this will act as a hub for value-added activities such as multimedia content development, animation, computer games, knowledge creation, etc. Recommendations for development of IT industry and exports, in brief, are presented in Box 14.1.2.

Figure 14.1.3: International Internet Bandwidth-2007 (bits per person)

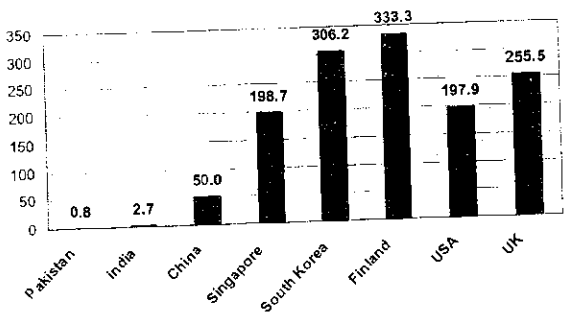


Source: ITU - World Telecommunication Indicators, 2007

- **E-commerce**

E-commerce is the main pillar on which the knowledge-based economy stands. In Pakistan, e-commerce is still a long way to be seen at a recognizable level. In this regard, many issues will have to be addressed that include expansion in connectivity infrastructure, introduction of Public Key Infrastructure (PKI), implementation of laws related to electronic transactions, data protection and cyber crimes so that confidence is built up for doing business using this medium. Pakistan's position in this regard is not encouraging (Figures 14.1.3 and 14.1.4).

Figure 14.1.4: Broad Band Subscribers-2007 (per 1000, people)

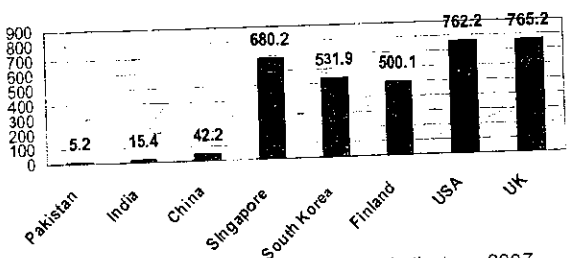


Source: ITU - ICT Indicators Database

- **Computer Hardware Industry**

Pakistan's computer hardware industry requires more attention to make it a vibrant sub-sector of the overall IT industry. To promote it, computer hardware firms equipped with after-sales maintenance/ repair workshops/ labs employing qualified IT professionals and having country-wide presence should be preferred for the award of large Government contracts. Also, there should be total tax concessions/ holiday for OEMs companies and manufacturers of computer hardware components (e.g. storage media, networking equipment, keyboards, etc.) for a period of next 15-20 years. Similarly, sales tax on computer and allied equipment needs to be removed to provide impetus to rapid growth of information technology and services in the country. It will also help in broadening the ownership of PCs, as currently, Pakistan has a very small base of PCs as compared to other countries (Figure 14.1.5).

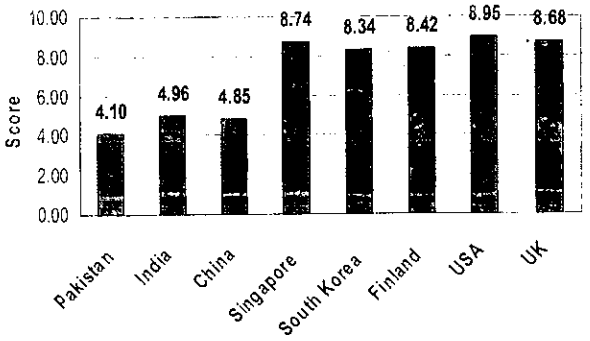
Figure 14.1.5: Personal Computers 2007 (per 1000, people))



Source: ITU - World Telecommunication Indicators, 2007

- **E-Government**

Figure 14.1.6: E-Readiness Ranking - 2008



Source: Economic Intelligence Unit, 2008

Emphasis on e-government initiative continues since the year 2000 when M/o IT was established. As compared to last year the E-Readiness score for Pakistan has increased, from 3.79 to 4.10 showing that a continuous effort is being made. However, this initiative being in developmental stage requires a concerted effort and continuous ownership at the highest level to make it successful. Currently, in e-readiness, Pakistan still stands slightly behind others in the region. (Figure 14.1.6)

For e-government initiative to take its roots within the government offices, proper IT Sections in each Ministry are required to be established. These IT Sections would cater to the requirements of maintenance/updation of websites, network management, hardware maintenance, IT training and business process re-engineering. The IT Sections of each Ministry should have IT professionals with appropriate educational background and skills to handle these tasks and rewarded as per market conditions. The existing IT Departments working under the Ministry of IT also need to be reorganized and re-oriented to accelerate the pace of implementation and address the enhanced IT requirements of the Government.

Box 14.1.3: Recommendations for Sustainability of E-Government Initiative

- *Proper IT Sections in each Ministry inducting qualified IT professionals.*
- *Development of IT Cadre at competitive salaries based upon performance.*

- **Development of IT Cadre**

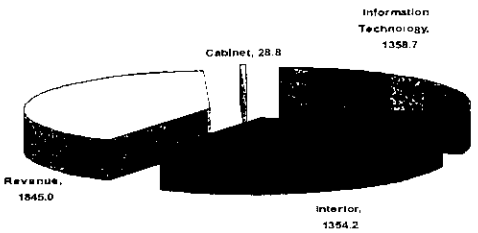
A major issue in the sustainability of e-government projects is the retention of IT professionals in the longer run as the private sector is offering very lucrative packages for the same skills and experience level. To attract IT professionals in the public sector, development of an IT Cadre at competitive salaries based upon performance is essential. The IT Cadre is also necessary to remove the existing disparity between contract and regular employees. This will help in motivating IT professionals to join public service as a long-term career. Recommendations, in brief, for sustainability of e-government initiative and cadre are presented in Box 14.1.3.

Prospects for 2008-09

Financial

In the PSDP 2008-09, an amount of Rs 4.6 Billion has been earmarked for IT sector for 82 projects worth Rs 40 Billion (Figure 14.1.7)

Figure 14.1.7: PSDP 2008-09
Information Technology Sector
Million Rs.



Source: PSOP 2008-09 - Planning Commission

Physical

The PSDP earmarked for 2008-09 will further enhance the human resource development, IT industry development, E-Government, infrastructure development, and will create employment opportunities in the IT sector. In this regard, 82 information technology projects will be executed in 2008-09. Major thrust in IT for the 2008-09 will be as follows:

a) Human Resource Development

In 2008-09, focus on human resource development related projects will continue to be on provision of IT training to public and government employees. Following are the significant projects included in PSDP 2008-09:

- **National ICT Scholarship Program.** This five-year program has been launched to provide opportunities to the students of rural and lesser developed areas to get access to best quality ICT education in Pakistani universities. Under this program 47K talented students will be trained through 'foundation training' to compete in the entrance exam of the universities. Dut of these, 3,500 successful students will be given scholarships for a four-year Bachelors degree program.

- **Pilot Project for End Users and System Administrators Training on Open Source Software** will provide training to 1,200 persons in system administration and end-users.

b) Information Technology Industry Development

In PSDP 2008-09, emphasis on improving the IT infrastructure will continue so that more international IT companies are attracted to do business in Pakistan alongside the domestic IT companies. In this regard, some of the important projects included in PSDP 2008-09 are:

- **Standardization of Pakistani IT Industry** will further strengthen the capacity of IT industry to attract international business. The target for the year is to support 50 companies to attain CMMI level 2, 30 companies CMMI level 3 and 15 companies CMMI level 5.

- Purchase of Land in Karachi and Lahore for the establishment of IT Parks will be made to facilitate more IT firms to establish their businesses in the country.

- Establishing Software Technology Park at Islamabad will create further capacity to cater to the increasing demand of establishing IT businesses.

c) E-Government

E-governance projects will continue to be the center-piece of information technology initiative. The major e-government projects in 2008-09 include:

- Integrated Border Control Management System for strengthening the processes related to entry and exit of travelers.

- Operationalization of Federal Government Data Center.

- Basic infrastructure including local area networking, hardware and software will be provided across all Ministries of the Federal Government to enable them function in an interconnected and automated environment.

- Replication of E-Office Software at all Divisions of Federal Government will be carried to provide automated systems for inter-office communication and other common functions at these Divisions.

- Systems will be developed for universal access of Federal Government Services to the citizens.

- Health Management Information System at Shaikh Zayed Medical Complex, Children Hospital PIMS and JPMC Karachi to provide better health care facilities to the citizens.

- Online access of Case Laws for Sindh will be made functional.

- Economic Development Mapping of pilot phase will be completed for five Districts.

14.2 Telecommunication

Telecommunications is now considered as catalyst of social change as well as the backbone of global information economy. The high growth in this sector constitutes of mobile services, data transmission, internet, e-government and e-commerce applications. Competition and private sector-led markets in many countries are making telecom services available to everyone. In Pakistan too, the growth in telecom sector has been phenomenal due to successful de-regulation and privatization policy of the Government.

Review of 2007-08

Presently there are two telecommunication organizations working under the government umbrella namely National Telecommunication Corporation (NTC) and Special Communication Organization (SCO). During the process of privatization of PTCL, NTC was created to take care of the Government's telecom needs. NTC at the moment operates about 108 exchanges in the country and total working connections are 103,059. SCO presently operates about 191 exchanges and has total working connections of 155,029.

The important projects executed by **NTC** as well as **SCO** during the year are as follows:

National Telecommunication Corporation

- **Establishing Coastal Communication Link** worth Rs 627.1 Million. In this project Optical Fibre based transmission link (2.5 GB/S) is being established along the coastal highway.

- **Video Conferencing for GOP at 14 sites** worth Rs 39.4 Million.

- **Hosting of GOP Portal & Government Websites abroad** worth Rs 20.6 Million.

Special Communications Organization

- **Rural Digital Communication Uplift for AJK.** This is an up gradation of telecom facilities of rural areas in AJK worth Rs 1.5 Billion.
- **GSM Project for AJK & Northern Areas.** In this project a GSM network has been successfully laid for AJK and NAs. The cost of the project is Rs 450 Million.
- **Laying of OFC between Mansehra & Gilgit.** This project worth Rs 308 Million for laying of OFC between Mansehra & Gilgit was near completion when about 80 Km of OFC was destroyed in the earthquake disaster. With more funds further allocated this project is planned to be completed by June 2008.
- **Expansion of Telecom Facilities in Northern Areas.** In this project 29 new exchanges a/w network have been successfully constructed and commissioned. The cost of the project is Rs 668.9 Million.
- **Inter Transit Main Exchanges & OFC in AJK.** This project is worth Rs 199 Million which would provide a transit main exchanges network in AJK. This project is planned to be completed by June 2008.
- **ISP Project for AJK.** The project would provide internet services on GSM and fixed lines in AJK. The cost of the project is Rs 39.4 Million and would be completed by June 2008.
- **ISP Project for Northern Areas.** This project would provide internet services on GSM and fixed lines in the Northern Areas. The cost of the project is Rs 35.3 Million and would be completed by June 2008.

Performance of Private Companies in 2007-08

Presently there are 6 large private companies operating in the country namely Mobilink, Telenor, Warid, PTCL, U-Fone and Zong. Following Tables 14.2.1, 14.2.2 and Figure 14.2.1 show the number of connections as reported by Pakistan Telecom Authority (PTA).

Table 14.2.1: Number of Fixed+WLL Telecom Connections

(2007 and 2008)

(Million)

No.	Company Name	As of June 2007	As of April 2008	Growth (%)
1	PTCL Fixed Lines	4.67	4.69	0.4
2	Other Fixed Lines	0.25	0.26	3.5
3	PTCL WLL	1.13	1.39	23.3
4.	Other WLL	0.75	1.04	38.5
	Total Fixed+WLL	6.80	7.38	8.5

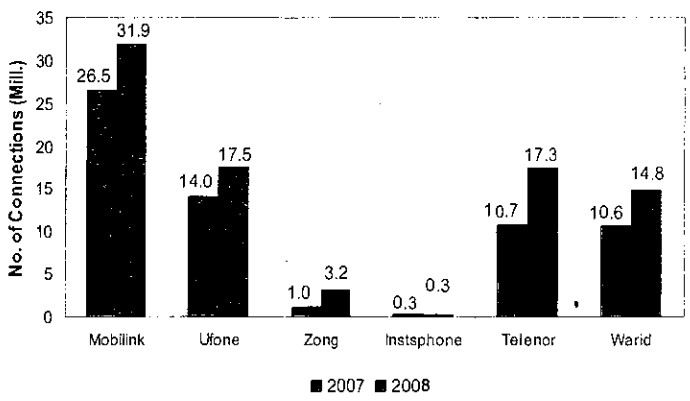
Table 14.2.2: Number of MobileTelecom Connections
(2007 and 2008)

(Million)

No.	Company Name	As of June 2007	As of April 2008	Growth (%)
1.	Mobilink	26.5	31.9	20.6
2.	U-Fone	14.0	17.5	25.2
3.	Telenor	10.7	17.3	61.9
4.	Warid	10.6	14.8	38.9
5.	Zong	1.0	3.2	208.8
6.	Instaphone	0.3	0.3	-3.0
	Total Mobile	63.2	85.0	34.6
	Grand Total : (Fixed+Mobile)	69.9	92.4	32.1

Source: Pakistan Telecom Authority

Figure 14.2.1: No. of Mobile Connections (as of April, 2008)



Source: Pakistan Telecom Authority

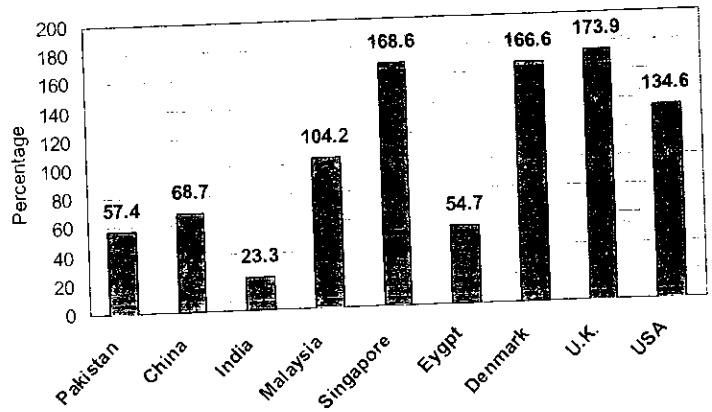
As of April 2008, the tele-density in Pakistan stands at 57.4 (fixed + mobile), whereas last year i.e. June, 2007, this tele-density was 44.1 (fixed + mobile). For comparison purposes, tele-density of some of the important countries is given in Table 14.2.3 and Figure 14.2.2:-

Table 14.2.3: Teledensity – Cross Country Comparison

Country	Tele Density	Country	Tele Density	Country	Tele Density
Pakistan	57.4	India	23.3	Malaysia	104.2
China	68.7	Singapore	168.6	UK	173.9
Denmark	166.6	USA	134.6	Egypt	54.7

Source: ITU – ICT Indicators Database

Figure 14.2.2: Tele-Density - 2007



Source: ITU - ICT Indicators Database

The broadband connections increased from 26,611 in Jun 2007 to 128,689 in Dec, 2007. This five-fold increase is mainly attributed to aggressive launching of triple-play services at affordable prices. Besides broadband, WiMAX services have also been launched during the year by private telecom companies.

Prospects for 2008-09

In PSDP 2008-09, Rs 3.6 billion have been earmarked for NTC, SCO and SUPARCO to execute 35 projects worth Rs 30 billion. Following are some of the important projects:

NTC

- **High Performance Secure Network Architecture (HPSNA)** to provide secure data and broadband services at a cost Rs 200.7 million.
- **Lawful Interception (LI) Compliance for NWD EWSD & ZTE Exchanges** to replace existing exchanges with new LI compliant IP version exchanges. Project cost Rs.78.0 million,

SCO

- **Northern Areas Terrestrial Link Microwave**. The project would provide a microwave link between Islamabad / Rawalpindi and the Northern Areas including Gilgit. The cost of the project is Rs 490 Million and would be completed by June 2010.

- **Rural Digital Communication Uplift Project for AJK.** The project is worth Rs 1.5 Billion and would provide a new digital system and network in AJK.

SUPARCO

- **Pakistan Communication Satellite System (PAKSAT-1R)**. The project envisages to design, develop and launch a geo-stationary communication satellite (PAKSAT-1R) by 2011 to replace the leased communication satellite PAKSAT-1. The cost of the project is Rs 17.5 billion.

- **COSPAS-SARSAT Station upgradation.** The facility provides assistance in search and rescue operations of ships, aircrafts and land mobiles in distress. The project is worth Rs 98.9 million.

- **Satellite Bus Development Facility** worth Rs 439.8 million will facilitate the design and development of Remote Sensing Satellite.

- **Development of SAINT Facility** will provide assembly, integration and test facility for small-to-medium satellites. The project cost is Rs 323.6 million.

Chapter 15

Health and Nutrition

15.1 Health

Sectoral Policy

Health is a major intervention for human development and poverty reduction. The major thrust of PSDP is to help in achieving the Millennium Development Goals through national programs of EPI, Lady Health Workers, Maternal Neonatal and Child Health, T.B. Control, Roll Back Malaria, Prevention and Control of Hepatitis, HIV-AIDS, Control of Blindness, and control of Avian Influenza. Investment in Women and Child Health Programs are meant to reduce maternal mortality, child mortality, infant mortality and morbidity rates which continue to pose a health challenge for the country. A balance is being struck by investing in prevention and control of both communicable and non-communicable diseases in order to have an impact in the scenario of double burden of disease in the country. An effective fight has been launched against global epidemics like HIV/AIDS, Tuberculosis and Malaria.

Strategy

Health System is to be strengthened, so that the benefits of service delivery can be received by the majority of population. A balanced approach between preventative, promitive and curative interventions will be followed. Main elements of the health strategy are outlined as under:

- Primary Health Care will be strengthened with necessary back up support in rural areas where all the outlets will function as focal points for Primary Health Care and Family Planning Services. With special emphasis on maternal and neonatal Child Health including Family Planning services.

- Training and availability of Medical Staff especially for female staff at all levels will be improved by investing in the tehsil and district level hospital, especially for Emergency Obstetric Care.

- Continuing stress on achievement of MDGs especially related to Maternal Mortality Rate (MMR), Infant Mortality Rate (IMR), Child Mortality Rate (CMR) and the global epidemics (TB, Malaria and HIV AIDS).

Review of PSDP 2007-08

An amount of Rs 15.4 billion is provided in PSDP 2007-08 for preventative and curative programs in health sector. According to the 3rd Quarter PSDP Review Rs 6.9 billion (45 percent of PSDP allocation) was utilized till the end of March, 2008. It is anticipated that there will be full utilization of funds at the end of the year 2007-08. Following are some of the major programs under implementation.

i) **National Program of Family Planning & Primary Health Care:** The program was initiated in 1994 with the objective to provide basic health care services to the people at their doorsteps. Currently, 96 K LHWs have been recruited and deployed to conduct outreach activities. More than 60% of total population and 76% of target population stands covered by LHWs. The stipend of LHWs has been raised i.e. from Rs 1,900 to Rs 2,990 per month. The LHWs have been trained on Injectable Contraceptives Component being launched in the 20 districts. Cost of the current project is Rs 21.5 billion. PSDP allocation is Rs 4.9 billion during 2007- 08. Number of LHWs will be increased and more focus be on Emergency Contraception.

ii) **Expanded Program on Immunization (EPI):** EPI is focused on TT vaccination of pregnant women, routine immunization and immunization against Hepatitis B among children in the age of 0-11 months. The targeted population of pregnant women is approximately 6.75 million which is about 4.1 percent of total population. The country-wise coverage remained 48 percent for TT-1 and 50 percent for TT-2+. The target population for the vaccination is 5.8 million infants: HBV-I has been administered to 5.0 million infants, HBV-II to 0.47 million and HBV-III to 0.5 million. The percentage achievement ranges from 78% to 86%. The coverage against measles is recorded as 78%. Cost of the current EPI project is Rs 11.5 billion. PSDP allocation is Rs 2.1 billion during 2007-08.

iii) **National AIDS Control Program (NACP):** The total number of HIV cases tested positive is 3381. The number of full blown AIDS cases is 372. The total number of deaths caused by HIV/AIDS is 165 up till December 2006. It is estimated that the over all prevalence rate of HIV/AIDS is less than 1.0 % among general population while it is 50% in some of the high risk groups like injecting drug users (IDUs). Keeping in view the potential threat of HIV/AIDS, the Government has been implementing the current National AIDS Control Program which was approved at the cost of Rs 2.9 billion in 2003. PSDP allocation in the federal budget is Rs 350.0 million during 2007-08. PC-Is of Federal and provincial governments have been revised in light of new strategic approach to cover endemic areas and IDUs. Spouses and children of IDUs will also be covered.

iv) **National Tuberculosis Control Program:** Pakistan is ranked 7th among 22 high disease burden countries in the world and contributes 43% of the disease burden in the Eastern – Mediterranean Region (EMRO) of the WHO. The estimated annual incidence of all types of TB cases is 177/100,000 population, hence, 250,000 are added to the toll of TB patients in the country. By the year 2006 the absolute number of all TB cases was 76,668 as compared to 97,245 in the year 2004. The percentage of case detection rate is 51%; treatment success rate is 87% while cure rate is 74%. The TB Control Program was revived in the year 2000. A 5 year (2006-2010) TB Control Program has been approved at the cost of Rs 1.2 billion. An amount of Rs 205 million has been allocated during 2007-08. To ensure the un-interrupted supply of anti-TB drugs, a PC-I costing Rs 494 million has been approved for 2008-09.

v) **National Malaria Control Program (NMCP):** Investment in MCP during (2002-05) was Rs 273 million and the revised PC-I is under process at a cost of Rs. 658 million. An amount of Rs 100 million is allocated during 2007-08.The MCP new strategy focuses on:

Early Diagnosis and Prompt Treatment.

- Artimisinin Based Combination Therapy (ACT) Treatment used for the confirmed Falciparum Cases is a 100% effective treatment. Government of

China has donated 110,000 treatments (dozes) during 2007 to meet the need of the country for two years.

- Rapid Diagnostic Test Kits (RDT). Currently there is one microscopic diagnostic center for 124 K population. After introduction of RDT at BHU level there will be one diagnosis center for 25 K. After the involvement of LHWs for diagnosis this number will further come down to 10 K population.

Multiple Preventive Measures

- Use of Long Lasting Insecticide Treated bed nets (LLIN). It is planned to give the coverage to pregnant women and children more than 5 years of age with these nets.

- Selective Indoor Residual Spray (SIRS): Currently SIRS is top most priority intervention around the globe. It is planned to give 80% coverage in high risk area (currently the baseline is 6-7%).

Effective Behavior Change Communication (BCC)

In order to improve the knowledge and decision making of general population to access diagnostic and treatment service within the first 24 hours of the onset of fever BCC shall be improved.

vi) **National Program for Prevention & Control of Blindness:** National program for Prevention and Control of Blindness (2005-2010) has been launched at a total cost of Rs 2.8 billion with the following objectives:

- Prevent blindness in more than 2 million adults and 15,000 children.

- Development, prevent of Glaucoma and Corneal Blindness

- PSDP allocation for the program is Rs 500 million during 2008-09.

vii) **National Program for Prevention and Control of Hepatitis:** The program aims at 50 percent reduction in new cases of hepatitis B and C by 2010 through advocacy and behavior change communication. For the fiscal year 2007-08, Rs 500 million has been allocated for the program and 1000 patients for hepatitis B and 10,711 patients of hepatitis C have been treated so far.

viii) **National Maternal, Newborn and Child Health (NMNCH) Program:** To achieve the targets of MDGs related to improvement of mother and child health, the NMNCH Program has been launched at cost of Rs 20.00 billion. This will deploy 10,000 community midwives, and also upgrade the health facilities for provision of safe mother and child health care to the needy population. PSDP allocation for NMNCH program is Rs 500 million during 2007-08.

ix) **Strengthening of EPI services:** GAVI grant of Rs 2.4 billion was provided for strengthening of EPI delivery services for 100% immunization coverage. An amount of Rs 123 million has been allocated in PSDP 2007-08.

x) **Control of Non-communicable Diseases:** Non-communicable diseases and injuries are amongst the top ten causes of mortality and morbidity in Pakistan and accounts for almost 25 percent of the deaths within the country. One in three adults

over the age of 45 years suffers from high blood pressure; the prevalence of diabetes is reported at 10 per cent; whereas 40 percent men and 12.5 percent women use tobacco in one form or the other. Approximately one million people suffer from severe mental illness and over 10 million individuals from neurotic conditions.

xi) Cancer Treatment Program: Pakistan Atomic Energy Commission (PAEC) has established 13 Cancer Hospitals in all four provinces and has been providing diagnostic and treatment facilities to the cancer patients. 9 new cancer hospitals are in the process of construction. Breast care clinics have been established at all nuclear medical centers to diagnose and treat breast cancer in the women. Cost of the Nuclear Medicine Program is Rs 4 billion and PSDP allocation during 2007-08 is Rs 1.1 billion.

xii) Cardiac Care: Provision of Quality Cardiac Care remained one of the major targets three Cardiac Facilities at a cost of Rs 2.6 billion are under implementation in the country. PSDP Allocation for those projects is Rs 558 million during 2007-08.

xiii) Burn Care Facility: Burn Care Facility has been operationalized in PIMS, at a cost of Rs 531 million. The burn patients from Punjab and NWFP are treated in this valuable burn care facility.

xiv) Urban Health Clinics: Urban Health Clinics shall be set up to act as filter clinics and serve the poor. The proposed urban clinics will provide basic medical care services for the poor in two shifts. The minimum service package at each urban clinic includes:

- Free consultation from 0900 hrs to 2100 hrs (two shifts).
- Referral of patients requiring higher levels of care.
- Dispensing of basic medicines, and making such medicines available.
- Basic first aid and injury treatment.
- Immunization and nutrition service for children.
- Basic evaluation of expecting mothers and early recognition/referrals of high risk pregnancies.
- Linkage with other health initiatives.

Ministry of Health proposed establishment of 815 Urban Clinics by investing in establishment charges, hiring space, refurbishment, equipment, furniture and medicines to run those clinics for 3 years. Thereafter, the provincial governments will take over those clinics and will bear the annual recurring expenditure.

Approved cost of the Program is Rs 4 3 billion and an amount of Rs 450 million have been provided to the Program.

xv). Prevention and Control of Bird Flu: A National Program for Prevention and Control of Avian Pandemic Influenza has been launched in the country. Cost of the program is Rs 331 million. PSDP allocation for the Program is Rs 100 million during 2007-08.

xvi) Value Added Interventions of Planning Commission:

- **Vaccine Production in Pakistan**

  A High Level Task Force has negotiated with the foreign partner for vaccine production to achieve self-sufficiency in Phase-I. These capacities will be enhanced to produce and export vaccines to the regional countries. National Control Authority (NCA) has been established and for its further strengthening, a project has been approved at a cost of Rs 231 million. PSDP allocation for NCA is Rs 50 million during 2007-08.

- **Telemedicine**

  A Health Net Telemedicine Program for rural/remote areas in Holy Family Hospital Rawalpindi, Mayo Hospital Lahore, and at JPMC Karachi has been launched at a cost of Rs 115 million. PSDP allocation for the program (comprised of 03 projects) is Rs 85 million during 2007-08.

- **Modern Neuro Technology**

  A Stereo Tactic Surgery Facility has been planned at a cost of Rs 400 million in JPMC KARACHI. This will facilitate treatment of brain tumor without open surgery.

- **National Health Accounts**

  National Health Account (NHA) has been established under the technical consultation of Statistics Division for efficient resource allocation for Health Sector proportionate with the GDP/GNP and National Accounts of the country. This system is working in 60 countries of the world:

- **National Health Policy Unit (NHPU)**

  A National Health Policy unit has been established with the following out-put and deliberations.

  - To provide evidence based policy advice to policy makers in MoH, DoH and District governments that should improve and promote access, efficiency, equity and quality of services.
  - Serve as a catalyst in creating an environment of open debate and dialogue on important policy issues through participation of stakeholders.
  - Contribute to the development of capacity in policy analysis and advice in MoH, DoH within Health Sector Reform Units and/or Planning Cells.

- **Public Health Labs and Bio-Safety and Bio-Security**

  Planning Commission has envisioned establishment and up gradation of Public Health Labs in Hospital, and set SOPs for provision of Quality diagnostic facilities. Bio-safety/Bio-security concept and guidelines have been reinvented for implementation in the public and private sectors of the country. An investment of Rs 70 million has been pioneered by Public Sector. PSDP allocation for the 02 projects is Rs 10 million during 2007-08.

- **Liver Transplantation**

  Modern medical technology is to be provided to Liver Transplant Center at Sheik Zaid Hospital Lahore. Cost of the Project is Rs 170.23 million with the PSDP allocation of Rs. 120 million during 2007-08.

- **Armed Force Institute of Cardiology/National Institute of Heart Diseases Rawalpindi**

  The AFIC has been facilitated through investment of Rs 417 million to upgrade the National Institute of Heart Disease at Rawalpindi. PSDP allocation for the project is Rs 216 million during 2007-08. Cardiac Care will be extended to the federal government servants.

- **Revival of Value Adding Role of Planning Commission**

  Planning Commission has revised its value adding role by producing the technical policy paper in light of the MDGs and as envisaged in the MTDF. Some of the policy papers to be published in the "Planning Commission Note Book" for guidance in the policy and planning of the social sector are:

  - Demographic Dividend and Social Sector challenges.
  - Pro-poor Dimensions in PSDP 2007-08.
  - Mass Media/TV in Future Perspective.
  - Nutrition Policy Framework.
  - Teachers Training.
  - Alternate Disputes Resolution in Pakistan.
  - Hospital Waste Management.

Program for 2008-09

An amount of Rs 19.9 billion has been allocated to the Health Sector in the PSDP of 2008-09. A total outlay set aside for Health Division is Rs 18.1 billion. There is an increase of Rs 4.2 billion (21%) in the Health Sector allocation over the year 2007-08.

Physical Targets

The targets for 2008-09 include deployment of full strength of 120 K LHWs in the field. The rural health program includes construction of 40 BHUs, 10 RHCs and up gradation of 15 RHCs and 40 BHUs during the next financial year. The immunization coverage will be improved to 85 percent whereas 20 million ORS packets will be distributed to prevent and treat diarrheal diseases.

15.2 Nutrition

Adequate nutrition is essential for development of full physical and mental potential of an individual. Malnutrition is common and affects individual's potential, physical and mental development, labor productivity and consequently socio-economic development of the country. The MTDF visualize nutrition interventions to ensure reduction in malnutrition.

Sectoral Policy

Nutritional interventions in the MTDF envisage multi-sectoral and multi-disciplinary approach by coordinating and integrating nutrition activities effectively to achieve the objectives, averting duplication, wastefulness and ineffectiveness.

Plan and Strategy

The Plan Strategy is to provide Food and Nutrition Security at all levels through better management practices in line with the MTDF targets. The existing infrastructure in different sectors especially Pakistan Bait-ul Mal (PBM) and Health Sector's Lady Health Workers Program at grass root level will be utilized for curative nutrition interventions to reach targeted population groups.

Issues, Constraints and Measures

The major Nutritional issues are:

- Nutritional insecurity of marginalized and vulnerable groups
- Hidden hunger and short term hunger
- Lack of Nutritional awareness at all levels

The main constraint to undertake Nutrition interventions is lack of capacity, capability, ownership and incorporation in the allied sectors i.e Health, Agriculture, Food, Education, and Mass Media etc. in public as well as private set up to district level.

Following measures are proposed to address the constraints:

- A joint forum National Nutrition Committee (NNC) has been established in the Planning Commission to incorporate nutrition concerns across sectors, oversee the preparation of Nutrition Master Plan aligned with MDGs and approval of all nutrition interventions before implementation.

- The Planning Division has to play a proactive role to support Ministries and Departments for incorporation of Nutrition interventions.

- Institutional capacity building through a network of training institution for planning and implementing nutritional activities.

Review 2007-08

Financial

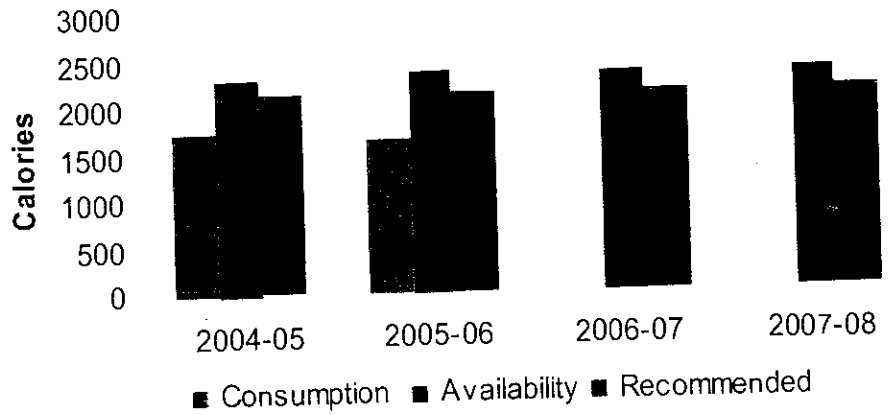
Rs 398 million were allocated for the year 2007-08 for on going and new unapproved projects, out of which Rs 120 million are expected to be utilized. The major programs are i) Improvement of Nutrition through Pr imary Health Care ii) Establishment of Reference Laboratory for strengthening of Food Quality Control System, sponsored by Ministry of Health iii) Pre test of Tawana Pakistan Project, School Nutrition Package for Girls sponsored by Ministry of Social Welfare and iv) National School Nutrition Program. The expenditure remains on lower side because two new projects could not start pending approval process.

Physical Achievements

Food Availability: In spite of adequate production of food grains during the year, the access to major food items was disrupted in the country due to management issues, price hike, and slackness in adequate stock maintenance for couple of months prior to crop harvesting. However, some immediate measures were taken to sustain adequate availability particularly for poor segment of the population. In terms of caloric intake overall caloric availability (2366 kcal) sustained at the level of the last year.

The Food Balance Sheet (FBS) provides estimated availability while actual food consumption is determined by surveys (HIES, PLSM, etc). The caloric availability in the MTDF period on an average was around 2270 kcal. The availability was 6 percent higher than over the recommended food basket and 32 percent above as compared to consumption (1715 kcal) during the 2004-06 (HIES) and is given as (Figure 15.2.1).

Figure 15.2.1: Calories Availability During the MTDF Period, Consumption and Recommended



Nutritional Interventions

- **A National School Nutrition Program** as a social safety net and incentive to improve the nutritional status of primary school going children specially girls in rural areas has been formulated to indirectly address nutritional and educational issues.

- **Food support** was provided to about 1.50 million poor households through Pakistan Bait-ul-Mal (PBM).

- **Nutrition Through Primary Health Care (PHC)** The Primary Health Care integrated interventions containing nutrition activities viz micronutrient supplementation for anemia control, vitamin A supplementation to children under five years of age, counseling on breast-feeding and weaning practices and awareness through Lady Health Workers (LHWs) were undertaken.

- **Reference Laboratory for Food Quality Control System** has been strengthened at Nutrition Division, National Institute of Health, Islamabad.

- **Micro Nutrient Deficiency Control Programe** The major Micro Nutrient deficiencies i.e. Iodine, Iron and Vitamin-A., were addressed by Ministry of Health through donors' assistance:

  - Iodine Deficiency Disorder Control (IDDC): Iodized salt production in private sector was strengthened to increase supply of iodized salt in 53 districts. Awareness material was distributed among the stakeholders and legislation for Universal Salt Iodization (USI) has been drafted.

  - Wheat Flour Fortification to control iron deficiency has been started in 50 flour mills with exclusive foreign assistance. Quality standards for fortified wheat flour have been notified and quality assurance and control system also developed.

  - Policy for Infant Young Child Feeding (IYCF) has been formulated. Health staff on Baby Friendly Hospital Initiative (BFHI), breastfeeding counselling, IYCF has been trained in 11 districts.

Prospects 2008-09

The availability of essential food items of consumption will be maintained through improved management to meet the nutritional needs of the population in terms of caloric, protein and other essential nutrients.

Rs 262 million have been proposed in PSDP 2008-09 for the ongoing and new programs in nutrition by different ministries. Some of the important interventions are:

- School Nutrition Program for girls primary schools will be initiated to address allied nutritional and educational parameters.

- Reference food quality control laboratory will be completed at Islamabad.

- Financial assistance will be enhanced to more than 1.50 million poor households for food support through Pakistan Bait-ul-Mal. A social protection strategy is being revised for a comprehensive and adequate coverage.

- Nutrition activities through first level health care facilities would be expanded through National Nutrition Program ("Improvement of Nutrition through Primary Health Care").

Chapter 16

Population and Development

Introduction

A higher population growth has always been a serious challenge in development discipline and for policy planners. The present alarming situation of food security has led to a new debate for economic managers, to opt various strategies to address the issue of higher population growth rate in Pakistan.

Unfortunately, Pakistan is among the countries, where high population growth is a serious issue. In order to achieve a desirable level of total fertility rate there is still a lot to be done. The stabilization level cannot be achieved without making drastic changes from policy to project execution level. The recent Pakistan Demographic and Health Survey carried out by NIPS reports a TFR of 4.1 per woman (2003-06). The survey also reports for the same period a contraceptive prevalence rate of 30 percent in 2007. These results depict a gloomy picture of performance of the demographic indicators. Improvement in these indicators without involving the health service delivery outlets, may not be achieved. Health outlets have to involve themselves to come forward to offer family planning services and Lady Health Workers (LHWs). The private sector especially the NGOs have to play a pivotal role. There is no significant progress in involvement of private sector, as envisaged in the MTDF 2005-10.

Policy Initiatives

The following policy initiatives taken at different levels are worth mentioning.

- The new Government has directed the Ministry of Population Welfare (MOPW) to prepare a plan to address the serious issue of higher population growth rate.
- A National Population Commission headed by the Prime Minister of Pakistan and four Provincial "Population Councils" headed by the Chief Ministers are already in place: However, despite the highest level of political support the main issue of the program is its owner ship by the provinces.
- A Memorandum of Understanding (MoU) has also been signed by both the Ministries of Health and Population Welfare for effective coordination between them in certain identified areas.
- The Year 2008 has been declared the year of "Lady Health Workers (LHWs)" which will ensure high level of commitment of the cadre for family planning program.

Strategy

In order to achieve an earlier replacement level and millennium development goals, the strategy focuses on the following:

i) All Ministries and Departments have been directed to address the Population issue as "cross cutting issue" by incorporating the relevant actions in their strategies, plans, programs and projects.

ii) As per the MOU signed the health departments will offer family planning services through all their static centres.

iii) The Lady Health Workers (LHWs) will play a major role in developing linkages with community, focusing on spreading the message of small family norm. The number of these workers will be increased to 150,000 by June, 2008.

Review of Demographic Indicators 2007-08

Some of the selected demographic indicators for the period 2007-08 are reflected in the Table 16.1:

Table 16.1: Selected Demographic Indicators *

	2007 (1st July)	2008 (1st July)	Increase / Decrease (+/-)
Total Population (million)	159.3	161.9	2.6
Urban Population (million)	55.5	57.1	1.66
Rural Population (million)	103.6	104.0	1.15
Total Fertility Rate (TFR)	3.13	3.0	-0.13
Crude Birth Rate (per thousand)	25.5	25	-0.5
Crude Death Rate (per thousand)	7.9	7.7	-0.2
Population Growth Rate (percent)	1.76	1.73	-0.03
Life Expectancy (years)	64.3	64.9	0.6
Male	64.3	64.8	0.5
Female	64.4	65	0.6

Source: National Institute of Population Studies (NIPS)
*Estimates are based on the PDS 2006 results.

Review of Financial Performance 2007-08

During the financial year under review an amount of Rs 4.38 billion (including Rs.204.2 million as a foreign loan) was allocated to 30 projects and programs of the population sector. The Ministry and Departments of Population Welfare will utilize an estimated amount of Rs 3.4 billion by the close of June 2008. The net utilization is likely to improve by Rs 73.4 million, over the last year's actual utilization of Rs 3.3 billion. The foreign loan could not be fully utilized due to closure of ADB assisted projects.

Physical Achievements

The Population Welfare Program has established 3207 service outlets which include; (a) 2739 Family Welfare Centres (FWCs); (b) 176 Reproductive Health Service – A (RHS-A) centres; and (c) 292 Mobile Service Units (MSUs). The target of MSUs set for the period 2003-08 has been fully achieved. The progress of establishing of FWCs is not satisfactory. Similarly, the perform ance of the establishment of RHS-A centres particularly at Tehsil Headquarter level hospitals (THQ) remained low.

Contraceptive Performance

The contraceptive performance of the program indicates an estimated 3.2 million users up to March 2008. On the basis of the trend the program will serve an estimated 4.2 million contraceptive users by the close of the fiscal year 2007-08. There is an increase of 0.1 million users as compared to the performance of 2006-07.

PSDP Allocations for 2008-09

The Population Welfare Program for the financial year 2008-09 is in line with the sectoral targets and objectives set in MTDF (2005-10) and Millennium Development Goals (MDGs). An allocation of Rs 4.2 billion has been earmarked for the Population Welfare, in public sector 2008-09. There is an increase of Rs 0.9 billion over the actual expenditure of Rs 3.3 billion in the financial year (2006-07). The Allocation has been made keeping in view the utilization capacity of the executing agencies.

Physical Targets 2008-09

The population welfare program envisages establishing the following service delivery outlets during the next financial year (2008-09) (Table 16.2)

Table 16.2: Physical and Contraceptive Users Targets

(Cumulative Number)

Name of Service Outlet / Unit	2007-08 (Bench mark)	2008-09 (Targets)
Public Sector		
i) Family Welfare Centres (FWCs)	2739	3544
ii) Reproductive Health-A Centres	176	212
iii) Mobile Service Units (MSUs)	292	292
iv) Contraceptive users (million)	4.23	5.6
Private Sector		
i) RHS-B Centres	150	175
ii) Registered Medical Practitioners (RMPs)	26600	27500
iii) Hakeems and Homeopaths	27000	27400

Source: Ministry of Population Welfare.

Chapter 17

Employment

The employment generation, poverty reduction human resource development is the main features of the development pursuits. Therefore, over all employment situation in the country continues to draw attention in economic and social policy making. Unemployment is not merely an economic but also a social and political problem. Socially, unemployment causes frustration, unrest and rise in criminal activities. That is why maintaining or attaining a high employment level is considered to be one of the foremost macroeconomic objective in every country.

MTDF focuses on a multi-pronged strategy, focusing on agriculture, industry including small and medium enterprises, IT, services and construction for employment generation. MTDF estimated that 1.3 million new jobs will be generated between 2005-06 and 2006-07 against the increase of one million labour.

Sectoral Policy

- The overall policy includes legislation relating to welfare of labour, reduction in unemployment, regulation of labour and safety and preparation of short term and long term development program for improving quality of manpower.
- The MTDF envisages skill development program through investing Rs 7.9 billion. 7 million new jobs will be created during the period 2005-10, and bringing down unemployment rate from 7% in 2004-05 to 4% by 2009-10.

Strategy

- Labour laws and the system of labour administration are to brought in conformity with International Labour Standards.
- Bilateralism to be promoted and the Government is to play the role of facilitator. Workers and employers organizations are persuaded to evolve codes of conduct at the level of enterprise and industry base in respect for reciprocal rights and obligations.
- Consolidation, simplification and rationalization of existing labour laws.
- Strengthened the Idara Hunarmand Pakistan (Ex-NAVTEC) in order to overcome lack of standardization, curriculum development, testing and certification, identification of skill gaps and to encourage the private sector to invest in technical education and vocational training in the country.

Current Employment Scenario

The total population of Pakistan is estimated at 159.3 million on the 30th June, 2007, whereas in 2008, it is 161.9 million. Out of total population of 159.3 million in 2007, 81.8 million or 51.4 percent are males and 77.5 million or 48.6 percent are females.

The results of Labour Force Surveys 2006-07 indicate that the labour force participation rate has slightly decreased from 30.2 to 30.1 percent as compared to LFS 2005-06. Based on the shares and ratios of latest Labour Force Survey 2006-07, 50.7 million (31.8%) are in labour force. Male constitute 40.2 million whereas female are 10.5 million. It is interesting to note that the result of both surveys also indicate that male participation rate in labour force has slightly decreased from 50.3 to 49.1 and on the other hand the participation rate of female has increased from 13.3 to 13.5 percent.

Of the total labour force 48.0 million (30.1 percent of the labour force) are employed while 2.7 million are unemployed. Male constitute 38.4 million or 80 percent whereas female are 9.6 million (20 percent) of employed labour force. The unemployment rate has decreased from 6.2 percent from 2005-06 to 5.3 percent in 2006-07. The situation could be better; however, due to the general election activities and electricity shortage less job opportunities are generated. Government's active macro economic policies, high and sustained GDP growth rate, higher budgetary allocation with a bias for pro poor spending and high increase in overseas Pakistani workers remittances were the main sources of deceleration in unemployment rates. The following Table 17.1 provides the comparison between the labour source statistics estimated in MTDF and actual on the bases of Labour Force Surveys.

Table 17.1 Labour force, Employment and Unemployment

(Million)

	2004-05	2005-06		2006-07	
		MTDF	Actual	MTDF	Actual
Labour Force	46.7	47.6	50.0	48.6	50.6
Employment	43.2	44.4	46.9	45.7	47.6
No. of unemployed	3.5	3.2	3.1	2.9	2.7
Unemployment rate %	7.5	6.8	6.2	6.0	5.3

Women and unemployed youth are two major issues require special attention of the policy makers to foster their employment prospects. These issues are briefly discussed as under:

Women Employment

Women constitute 48.6 percent of the population, women participation rate in the labour force has increased from 6.5 percent during 2005-06 to 6.6 percent during 2006-07. The women unemployment rate has also substantially decrease from 9.4% in 2005-06 to 8.4% in 2006-07. The unemployment rate among females is 8.4% as compared to unemployment rate for males of 4.5 percent during 2006-07.The government has given the priority to the woman sector and initiated a numbers of programs and projects for women in education, training and skill development and also for facilitating income generation activities for women.

Unemployed Youth

The problem confronting Pakistani youth is that despite the education, they fail to get a job. The young females in Pakistan continue to be at a disadvantage in the pursuit of education as well as employment compared to young males. As for labour force survey 2005-06 the unemployment amongst youth has been quite high. Of the total

unemployed, 49.5% have been between the age group of 15-29, comprising 22.7% in 15-19, 17.6% in 20-24 and 9.2% in 25-29 age groups during 2005-06. The economic cost of unemployed educated youth is high because expenses on their education and training are wasted. The real long-term solution of the problem lies in the simultaneous reforms of the education system and rapid growth and development of the economy. The government is taking initiative to readjust the education and technical and vocational training system and respond to market demand for skills and quality.

Review 2007-08

The financial and physical performance of the employment Sector during the year 2007-08 is attempted as under:

- **Financial Review;** An allocation of Rs 203.4 million including Rs.5.0 million for Overseas Pakistanis Division was allocated in PSDP 2007-08 for its 15 ongoing projects. An estimated amount of Rs. 160 million would be utilized by June, 2008. Project-wise details appear at Annex 18.1.

- **Physical Achievements;** Against the overall training target of 16,300 trainees for financial year of 2007-08, 15,019 trainees would be trained by June 2008. The physical performance is presented in Table 17.2.

Table 17.2 Progress of Training Related Programs

Project	Target	Duration	Achieve-ment	% Achiev.
Training of Trainers for skill development.	250 industrial workers.	3 months.	250	100.0
Promotion of awareness and training/education about human rights among workers and employees.	900 workers in industrial relations/ labour laws.	3 days	1,611	179.0
Training programe for Labour/peasant councilors for their capacity building.	5,000 labour councilors.	3 days	3,500	70.0
Visits of Expatriate Pakistani consultants for short duration assignments in Pakistan.	15	4 weeks	14	93.0
Capacity Building of officers of overseas Pakistanis Division.	6 facilities of foreign training	15 days	6	100
Awareness raising amongst workers regarding the hazards of HIV/AIDS.	4,762	3 days	5,748	120.7
Establishment of workers education center at Sialkot and Gujranwala.	3,767	3 days	2,636	70.0
Construction of technical training institute for trade, Mandra.	1,600	3 months	1,254	78.4
Total	16,300	-	15,019	92.0

Prospects 2008-09

- Financial Allocations; An allocation of Rs 160.8 million including Rs 8.8 million for overseas Pakistanis Division have been earmarked in the PSDP 2008-09 for implementation of ongoing projects/programs (Annex 17.1).

- Physical; The training target of 5074 trainees would be achieved during the year 2008-09. Project-wise detail is presented in Table 17.3.

Table 17.3 Training Targets 2008-09

(Nos)

Project/Program	Target
Establishment of workers education center at Sialkot and Gujranwala.	2,520
Capacity Building of officers of Overseas Pakistanis Division. (foreign training)	4
Training of Trainers for skill development.	350
Construction of technical training institute for trade, Mandra.	1,600
Green Man certificate Course on Gardening.	600
Total	5,074

Employment Promotion Policies

Government policies for employment generation and promotion are based on three type measures through direct and targeted measures, through accelerated investment and through up gradation of technical and vocational competence of labour force. Certain innovative strategic short term initiatives were introduced by the government for opening new employment avenues for the youth in particular and the unemployed in general. Employment guarantee scheme in some of the selected districts will be launched. The major employment generation policies and programs are briefly discussed as under:

- Accelerating Economic Growth; Accelerating GDP growth and reducing unemployment are among major goals. The MTDF envisages investing Rs.7.9 billion and creating about 7 million new jobs during the period 2005-10 and bringing down the rate of unemployment to 4% by 2009-10. In view of employment absorption capacity, four sectors have been identified in the MTDF, where employment opportunities would be crated namely Agriculture, Housing and Construction, Small and Medium enterprises (SMEs) and Information Technology & Telecom Sector.

- Setting Up SME Bank; SME Bank was established to provide financial assistance and business support to small and medium enterprises. Up to 31st July, 2007 SME Bank has financed 6,411 SMEs, disbursed loans amounting to Rs.4.5 billion and created 44,875 employment opportunities in the country.

- Micro Credit Facilities through Khushhali Bank; The Khushhali Bank was established to provide loans up to Rs 30,000 each to unemployed people to set

up their own business. Up to 31st January 2008, the Khushhali Bank disbursed loans amounting to Rs 13.5 billion and created 1,280,321 job opportunities.

- Public Works Program; Public works program - small public works schemes - under "Tameer-e-Pakistan" and "Khushhal Pakistan" are important initiatives the government has taken. The "Tameer-e-Pakistan" program was designed to contribute in expanding employment by undertaking small public works schemes, such as: farm to market roads, water supply, sewerage, garbage collection, culverts and village electrification.

  The "Khushhal Pakistan" program, was launched to create jobs particularly through labor intensive public works programs. It is meant for creating employment in rural areas by: i) skill training for self employed, ii) micro financing, iii) village level small infrastructure, vi) agriculture including livestock development, v) primary education, and vi) health care. This program is designed to provide essential infrastructure in rural and low-income urban areas by building farm-to-market roads, water supply schemes, repairing existing schools, small rural roads, streets, drains in villages. The schemes under the program are also directed towards lining watercourses, desalting canals and providing civic amenities in towns, municipal committees and metropolitan corporations. The local communities are involved in identifying, planning, designing and implementing schemes under the program. Through this program 3.2 million households living in 2,000 rural union councils across Pakistan are e•pected to benefit.

- National Bank Of Pakistan (NBP) Karobar Under President's Rozgar Scheme; In order to pass the economic benefits of, consistently maintained GDP growth, to common man, and to reduce unemployment and poverty, NBP has structured commercially viable products which targets the unemployed. Under this scheme, an average loan size of Rs 100,000 will be given for a maximum period of five years with a grace period of three months. The scheme is being marked under the NBP-KAROBAR.

  The scheme covers the areas of transport, utility stores under USC, mobile utility stores under USC, mobile general store, NBP Karobar PCO and National Bank Karobar telecentre. During 2006-07, Rs 1343 million are expected to be disbursed to 21,557 persons and thus employment generation of corresponding size. Numbers of people affected indirectly are expected to be 64,671 approximately.

- National Internship Program; A one year duration National Internship Program has been launched by the Federal Government for fresh unemployed Pakistani post graduates and graduates who have completed 16 years of education passing in the calendar year 2005 and 2006 including the external candidates below the age of 25 years on 1.1.2007. The internees will be paid monthly stipend of Rs. 10,000 (all inclusive) during the internship period. The objective is to enhance their capacity and employability in the country. Besides providing financial relief to the young degree holders, the program will be also advantageous to the government organizations suffering chronic shortage of officials in various cadres from time to time.

- Technical and Vocational Training; There is increasing evidence that the country is beginning to experience skills gap. It is essential that fundamental changes be initiated immediately in education and technical and vocational

training before the problem becomes unmanageable. The government of Pakistan, realizing the need to reform the existing skills development system, established the National Vocational and Technical Education Commission (NAVTEC) as the apex body with the mandate to facilitate, regulate, and provide policy direction for technical education and vocational training to meet national and international demand for skilled manpower. Meanwhile, to develop skilled labour force on modern lines, Labour and Manpower Division has established five Skill Development Councils (SDCs) one each at Islamabad, Karachi, Lahore, Peshawar and Quetta. The SDCs assess the training needs of their geographical areas, prioritize them on the basis of market demand and facilitate training of workers through training providers in the pubiic and private sectors. These Councils have met the diversified training needs of the industrial and commercial sectors and have so far trained 46,674 workers.

Evidence exists that many students drop out from schools, or even when they continue fail to acquire marketable skills therefore, a pressing need is to plan for building a strong pool of skills among our young people so that they can earn a decent living for their families. With a view to giving a major impetus to technical and vocational training in the country, the MTDF envisages to impart training to one million unemployed youth which would enhance their capabilities to gain productive job. In order to give effect to create additional training capacity of 1 million in Technical and Vocational Training by 2010 and proper synchronization of demand and supply of skills within the country and abroad, the existing capacity of 152,000 in the field of technical and vocational training will be doubled in a period of three years. This training will be arranged by utilizing the existing facilities through evening classes.

The NAVTEC was allocated a supplementary grant of Rs 500 million in the financial year 2006-07. The Commission has utilized Rs 460 million against the available unspent amount. During the financial year 2007-08, a block allocation of Rs 1.5 billion was made for vocational training & skill development in the country. Out of which an amount of Rs 1.00 billion was surrendered in favor of NAVTEC.

Against the target of 87,621 trainees, the Commission has trained 63,583 trainees during the year 2007-08. The overall performance is 72.6%. Province wise breakup is given in Table 17.4.

Table 17.4 Skill Development

(Nos)

Province/Region	Target	Achievement	% Achievement
Islamabad	15,898	7,692	48.4
Punjab	34,677	21,045	60.7
NWFP	12,481	12,281	98.4
Sindh	20,640	18,640	90.3
Balochistan	3,816	3,816	100
Northern Areas	109	109	100
AJ&K	-	-	-
Total	87,621	63,583	72.6

A block allocation for PSDP 2008-09 (Rs 2 bln) will be earmarked for NAVTEC.

Under skill development programs, 103,715 persons will be trained in 216 trades during the year 2008-09. The activities of the National Vocational and

Technical Education Commission (NAVTEC) would be extended to the Tehsil level. The Commission is in the process of formulation of policy and strategy for involvement of the private sector to supplement the efforts of the Government. A stipend of Rs. 2000 per trainee is given to all passed out besides on monthly basis, a one time tools kit costing upto Rs. 5000 is also being provided to the passed out in selected trades. Under Tehsil coverage program where no public sector buildings are available, the Commission in collaboration with the provincial TEVTAs would hire the private buildings for the provision of skills development training.

The NAVTEC is in the process of setting standards, formulation of policy and strategy and development of curricula, certification and accreditation, identification of skill gaps and encourage the private sector to invest in the technical and vocational training in the country.

A detailed assessment review of the performance of NAVTEC will be carried out. In the light of the assessment review, new directions and guidelines will be given to the Commission.

- Overseas Employment; It is evident from the record of Bureau of Emigration & Overseas Employment that upto April 2008, 133294 workers went abroad, while in 2007, 287033 persons were sent abroad for employment. The government is making efforts to enhance overseas employment for reducing unemployment in the country. An MOU has already been signed with Malaysia for recruitment of Pakistani workers so as to open new job opportunities for a large number of semi-skilled and unskilled workers in Malaysia. Korea has also declared Pakistan as a source country, and MOU in this regard was signed between Korea and Pakistan. According to MOU, Pakistan will send its workers to South Korea on regular basis. The expected workers has received basic training from Korean team in Pakistan. A team of Korean experts will take test of these workers. Those who qualify will be sent South Korea for employment. Another MOU in the field of manpower has also been signed between Pakistan and the Government of United Arab Emirates (U.A.E.).

- Information Technology; Information Technology has enormous potential to create jobs for the educated unemployed in the country. The development of IT and Telecom sector has created enormous employment opportunities, directly or indirectly, for educated unemployed in a wide range of areas like call centres, telecom engineering, telecom sales, customer services, finance and accounting etc. This is one of the fastest growing sectors of the economy. The allocation of Rs 3.30 billion has been retained for this sector for the year 2007-2008. This would further accelerate the activities in the next couple of years, creating more business and employment opportunities in the country.

Annex 17.1

Projects: Labour and Manpower

(Rs million)

Sr. No.	Project	Estimated Cost	Allocation 2007-08	Exp.upto June 08
1	2	3	4	5
A- Labour & Manpower				
1	Promotion of Awareness & Training/Education about Human Rights among Workers & Employers.	10.0	1.5	1.4
2	Training Program for Labour / Peasant Councilors for their capacity building.	30.8	10.0	9.5
3	Awareness Raising amongst Workers regarding the Hazards of HIV/AIDs.	39.4	7.0	7.0
4	Establishment of Workers Education Centres at Sialkot and Gujranwala.	22.7	7.0	4.6
5	Establishment of Policy Planning Cell.	39.1	14.0	14.0
6	Visit of Expatriate Pakistani Consultants for Short Duration Assignment in Pakistan.	39.3	6.0	5.6
7	Labour Market Information System & Analysis (LMIS).	64.7	9.1	17.2
8	Training of Trainers for skill development.	62.7	12.3	9.1
9	Establishment of Vocational Training Center School in Kashmore, Sindh.	36.0	22.0	18.0
10	Technical Training Institute for Construction Trades, Mandra (Punjab).	70.0	25.5	25.5
11	Trade Testing & Certification of Training Trainees & Skilled workers.	18.1	12.6	6.3
12	Green Man Certificate Courses on Gardening.	15.1	6.9	3.5
13	Construction of Hostel Building for 100 persons in NTB Complex.	161.3	39.2	15.0
14	Computerization of the data of outgoing emigrants and returning migrants.	39.5	25.3	15.3
Total Labour & Manpower Division (A)		648.8	198.4	151.0
B- Overseas Pakistanis				
15	Capacity Building of the Officers of Overseas Pakistanis Division.	25.5	5.0	8.8
	Total M/O LM&OPs (A+B)	674.3	203.4	160.8

Chapter 18

Women Development and Social Welfare

18.1 Women Development

The Government is committed for an effective role of women in economic and social sector through conducive policies and programs for equal rights and prospects and protection under law.

Majority of the female population resides in rural areas, while the overall women still beset with low illiteracy, poor health and nutrition. Literacy, access to employment opportunities in all sectors of economy, change in the perception of women's roles and status, and public voice both within and outside of the political process are the challenges contorting women.

Given the range of challenges the overall goal of women development remains socio-economic and political empowerment of all Pakistani women through eradication of extreme poverty, and achievements of MDGs. Specific objective of women development is gender mainstreaming to remove inequalities and imbalances in socio-economic development across sectors, ensure opportunity for equal access and benefits of development to women, ensure participation of women in national development and decision-making processes at the community and society levels.

The focus of MTDF is on rights-based approach towards women development. Strategic thrust is on the followings:

- Incorporating element of women's basic minimum needs, including, basic and reproductive health care, primary education, and nutrition through enhanced food security measures.
- Steps towards poverty reduction and socio-economic empowerment.
- Greater participation of women in political, economic and legislative- decision-making.
- Enhanced availability of Micro credit facilities for women.
- Accurate gender and rural/urban disaggregated database for planning and programming purposes

Financial Review of 2007-08

The Ministry of Women Development (MoWD) has been executed 23 projects with a total approved cost of Rs 1004.3 million with an allocation of Rs 163.1 million for the year 2007-08. The estimated expenditure on these projects upto June 2008 is Rs 663.2 million. Implementation of Gender Reform Action Plan (GRAP) is a major reform initiative under execution at a cost of Rs 418.5 million. The Ministry is implementing small regional level 22 projects costing Rs 585.8 million.

Physical Achievements

Physical targets and achievements by major Program of the Ministry is given in Table 18.1.1.

Table 18.1.1 Progress of Women Development Projects

(Nos)

Project	2007-08		% Achievement
	Target	Achievement	
Reform Sector • Establishment of Gender Development Section	13	5	38
Micro Credit (No.)	22,491	16,916	75
Protection, Rehabilitation & Crisis (No.)	8000	3994	50
Training & Skill Development (No.)	2750	1550	56
Political • IT Training of elected lady councilors.	100	92	92

Brief descriptions of the programs implemented during 2007-08 are given as follow:

- **Economic Empowerment:** Four programs were piloted across the province as part of the Economic empowerment component under the National Fund for Advancement of women:
  - Patti Development Project, Chitral being executed in partnership with Agha Khan Rural Support Program (AKRSP).
  - Skill & Micro Enterprise Development amongst Gwadar Women in collaboration with Khushhali Bank.
  - Economic Empowerment of Rural Women in collaboration with First Women Bank.
  - Economic Empowerment of Women in Tharparkar District with collaboration with Thardeep Rural Development Program (TRDP).
- **Social Empowerment:** Social empowerment and protection of women is being implemented to provide protection and rehabilitation facilities to women victims of violence and abuse. The Program established 25 women centers benefiting 8000 women across the country including Islamabad.
- **Political Empowerment:** Two major initiatives in political empowerment have been establishment of 12 District Resource Centers and IT Training for women councilors. The training has been designed for basic computer literacy skills to enable female councilors to use computer for information gathering using internet and to develop networking among Councilors by using e-mail.
- **Reforms:** The Government has launched a major project the National Gender Reform Action Plan (GRAP), to promote a coherent gender reform agenda to align policies, structures, programs and projects for enabling the government to implement its national and international commitments on gender equality. It is specifically aimed at introducing reforms to engender the government machinery at the federal, provincial and district levels with a positive bias for

women. The project is being implemented in two phases completing phase-I in 2008 with approved cost of Rs 418.5 million.

- Convention on the **Elimination of all Forms of Discrimination against Women (CEDAW)** with following specific achievement.
- Awareness campaigns among stakeholders/Agencies have been completed.
- CEDAW National Committee has been formed at federal and provincial levels.
- Conducted South Asian Regional Peer Learning Meeting CEDAW.
- Pakistan Participation in the UN 38th Session CEDAW Committee of Experts Meetings.

- **Awareness Raising:** Launched a project "Community Campaign to Prevent Violence against Women through Media". The activities included printing and distribution of brochures/ banners on women rights, mobilization of communities with a special focus on rural women in the selected five districts.

Prospects 2008-09

An amount of Rs 519.9 million in PSDP 2008-09 has been allocated for 28 projects, out of which Rs 163.4 million for on-going and Rs. 356.5 million for new 16 schemes. The Women Development allocation for 2008-09 has been increased by about three folds as compared to the allocation for the last three years. Brief description of major programs as under:

- **Establishment of Women Crisis Center:**

  The Ministry of Women Development will increase network of crisis centers across country, by establishment of crisis centers at district level. The crisis centers provide temporary shelter and protection to women in crisis besides basic legal, medical and counseling services. First Women Center was established in Vehari in 1999. The present network of 25 centers will be strengthened. New 39 women crisis center will be established at district level. Each center is planned to serve on average about 1000-1500 cases annually. The planned centers also include 9 women centers to be established in earthquake affected areas with the collaboration of ERRA.

- **Awareness through Media for Women's Development**

  A nation wide project "Awareness through Media for Women's Development" will be launched in four provinces of Pakistan including FATA, NA and AJK. The basic aim and objective of the proposed campaign is to mobilize communities with a special focus on the women rights issues and awareness through Media such as TV (Urdu, Punjabi, Sindhi, Pashto, Balochi) print media including regional press.

- **Economic Empowerment of Rural Women Through Collective Milk Marketing in District Bhakker and Mir Pur Khass.**

  Economic empowerment of women is one pillar of women development strategy to improve economic status of women.The project is focused for wider participation of women milk production and marketing.

- **IT Training for Elected Lady Representatives: Phase II**

  A nation wide project "IT Training of the Elected Lady Representatives" will be implementing across the country. The project will train lady councilors in computer literacy and basic technique, for information gathering, internet surfing and local connectivity. The District Resource Center (DRC) have established with computer and allied facilities at district level to support working of the elected lady councilors.

18.2 Social Welfare

Social Welfare is concerned with well being and uplift of the community at large and vulnerable groups of population in particular. The main objective is to reduce abject poverty through social welfare institutions. The welfare programs generally focus on neglected, disadvantaged, underprivileged, destitute, children, senior citizens and disabled peoples, etc.

Sectoral Policy

The MTDF envisaged just and balanced development by transferring benefits of the growth to the extremely poor and vulnerable people and make them part of the overall development. The MTDF provides mechanism to translate National Social Welfare Policy and National Policy for Persons with Disabilities and child protection into programs of action. A number of programs for social protection including child protection and welfare of persons with disabilities have been envisioned in MTDF.

The major components of the social welfare strategy are:

- Targeted policy interventions to provide quick relief through short-term employment opportunities, social safety nets and financial assistance.
- Improve access to basic needs (primary education, primary health care, drinking water, access to justice) and good governance.
- To foster social mobilization and to nurture organized forums, Community Organizations (COs) and Citizens Community Boards (CCBs).
- Priority areas of strategy intervention will ensure achieving the goals: (i) reaching the poorest (ii) addressing the needs of vulnerable children (iii) addressing the needs of vulnerable and poor women (iv) providing employment and income earning opportunities (v) protection against environmental and natural disaster (vi) improving access to social care services and shelter (vii) protection against health shocks and (viii) A protection for workers in the formal and informal labour markets.

Specific programs are outlined as under:

- Implementation of social protection strategy.
- Development of a national policy for the elderly.
- Financial and technical assistance to NGOs for capacity building.
- Development of regulatory legal framework for NGOs.
- Services for children in difficult circumstances.
- Social assistance for the destitute and the under-privileged.
- Review of National Social Welfare & Special Education Policy.

- Mass awareness about causes of disabilities and their prevention.
- Improve efficiency and efficacy of the Government social welfare organization.

Review of 2007-08

The Social Welfare Sector was allocated Rs 428.4 million in the PSDP 2007-08, including an allocation of Rs 93.0 million for the Tawana Pakistan "Nutrition Package for Primary Schools Girls" Project. The overall estimated utilization remained about Rs 327.2 million (76%).

A total of 81 projects remained in progress during 2007-08, which included 55 projects of Special Education, 17 of Social Welfare, 5 of Staff Welfare and 3 of National Council of Social Welfare. Financial achievement by major programs is given in the following Table 18.2.1:

Table 18.2.1: Social Welfare Projects

(Rs Million)

Project	Project No.	Allocation	Expenditure up to June 2008
Special Education	55	243.0	215.4
Social Welfare	17	68.0	66.9
Tawana Pakistan Project	01	93.0	0.0
National Council of Social Welfare	03	24.0	24.0
Staff Welfare Organization	05	31.0	20.9
Total	81	459.0	327.2

Brief physical achievements of programs are given as under:

- **Special Education**
  - 55 Special Education Centre provided services of education, training and rehabilitation for special children that cost of Rs 215.4 million. The total beneficiaries of these centre comes to about 4400 special children.
  - 4 Special Education Projects for Physically Handicapped Children, Visually Handicapped Children & Hearing Impaired Children have been upgraded from primary to middle level located at Rawalpindi, Quetta, Dadu, Abbotabad, Sialkot, Gujrat, Larkana, Mirpurkhas, Sargodha, Jhang and Sukkur. The beneficiaries of there children are about 440 annually.
  - The construction work of 2 special education centers have been completed at Gilgit & Hyderabad. These centers are providing education, training to about 320 children annually.
- **Social Welfare**
  - 22 Community development centers provided services at district level including of FATA and FANA for vocational training and income generation activities in sewing, knitting, day care centre, counseling & guidance, formulation of NGOs at grass root level.

- One National Child Protection Centre has been established at Islamabad for protection and providing shelter to about 100 street children, runway, child baggers etc.
- Twelve Social Services Medical Centers are operating in FATA, FANA and Karachi providing welfare guidance, counseling and rehabilitation to poor patients. These centers provide services to about 1000 indoor patients annually.
- Nonprofit organization certification program by the Pakistan Centre for Philanthropy has been completed, 84 NGOs were certified for matching standard developed by the PCP.
- About 300 NGOs, were given assistance by the National Council of Social Welfare to promote their work for the welfare of the needy and vulnerable people at local level for socio-economic development.

- **Public Private Partnership**

Following three programs for promotion of the public private partnership were implemented as part of the PSDP 2007-08.

- Fiscal Incentives, technical assistance and other measures for growth of NGOs in rural, far-flung and under developed areas.
- Grant for Self-Help Project.
- Non profit organization certification program by the Pakistan Centre for Philanthropy.

Annual Plan 2008-09

An amount of Rs 985.8 million has been allocated for the PSDP 2008-09, with an increase of 130% over last year. An amount of Rs 493.0 million has been allocated for major initiatives taken at the national level. An amount of Rs 394.8 million has been allocated during 2008-09 to implement 70 ongoing projects of Social Welfare Sector. The expected out come of these Social Welfare Projects will provide special education, training, rehabilitation services to special children and welfare services for poor and vulnerable segment of society.

A financial outlay of Rs 590.9 million has been proposed for new initiatives for current year programs. Out of this, Rs 439.2 million for social welfare and Rs.130.0 million for special education for promotion of Social Welfare objectives have been allocated. Various programs under e•ecution are: National Special Education / Training / Rehabilitation Programs, National (Integrated) Community Development Program, National Child Protection Program and implementation of National Social Protection Strategy (NSPS).

Chapter 19

Rural Development, Special Areas and Drought Recovery Program

19.1 Rural Development

The rural sector is the backbone of Pakistan's economy. The performance of agriculture is tied up with the well being of rural population. Rural poverty remains high, with low level of quality of life indicators. The positive features include the emergence of empowered local governance and greater funds availability under Tameer-e-Pakistan Program and wider spread of the Khushal Pakistan Program. In the past, public sector initiatives in the rural areas were hampered due to a lack of strong and broad institutional base at the local level, and absence of participatory process in local development. With the implementation of the devolution plan, these issues are beginning to be addressed but considerable capacity building is required. However, deficiencies remain in the provision of basic infrastructure and social services in rural areas. Some of the important rural development indicators are presented in Table 19.1.1.

Table 19.1.1 Rural Development Indicators, 2007-08

Sector		Rural	Urban	Total
Population	(million)	107.2	53.8	161.9
	(%)	66.5	33.4	100.0
Labour Force 2006-07	(million)	34.5	15.8	50.6
Un-Employed Labor Force 2006-07	(million)	1.6	1.1	2.7
Labour Force Participation 2006-07	(%)	30.1	28.2	30.1
Population Below Poverty Line (2004-05)	(%)	28.1	14.9	23.9
Literacy Rate	(%)	40	69	54
Municipal Water Supply	(%)	57	89	73
Municipal Sewerage/Sanitation	(%)	32	65	50
Roads	(kms.)	98K	157K	255K
Basic Health Units	(nos.)	5563	-	5563
Rural Health Clinics	(nos.)	645	-	645

Rural Development Policy

Rural Development is a multi-sectoral approach for development of physical and social infrastructure with a view to realize full productive potential of rural areas and spread benefits of development to the rural population, which currently forms about 66 % of total population. A broad policy needs to be focused for the development and uplift of rural areas. The main features of the policy are:

- Improving the rural infrastructure.
- Providing the social amenities like education, health, water supply sanitation, rural electrification.
- Undertaking such productive projects that will satisfy the felt needs of the people.
- Enhancing opportunities for gainful work to combat unemployment and under-employment in rural areas.
- Mobilizing local resources, creating spirit of self-help and motivating people for participation in rural uplift programs.
- Meaningfully integrating rural development with the national socio economic development efforts and further developing existing infrastructure.

Strategy

For development of rural areas, a holistic approach will be adopted for rural development with local governments in the lead role, supported by the provincial and federal governments, with the following focus:

- Enhancing the asset ownership of the poor by improving access to land, water and livestock.
- Enhancing activities in the non-farm sector, including agro-processing, provision of agricultural inputs and supply of basic consumer goods and services.
- Identifying new sources of growth that will increase incomes of rural population.
- Facilitating private sector participation and involvement in value addition of agricultural products.
- Promoting rural industrialization, including "One Village, One Product" movement.
- Deepening and intensifying market development, including input, output and rural financial markets.
- Household food security.
- Provision of rural infrastructure including rural roads, clean drinking water supply and sanitation, education and health facilities and village electrification.
- Human capital development.
- Wider participation of rural population in the development of their communities through their own associations/organizations together with local government.
- Capacity building of rural development institutions.

Review of Program 2007-08

Financial Achievements

During the financial year 2007-08 an amount of Rs 6317.3 million including Rs 306.6 million of foreign aid was allocated in the PSDP for rural development sector. Rs 4420.0 million, for the Khushal Pakistan Program (KPP-I), and Rs 101.9 million for the Pilot Project for Model Villages in Pakistan and Rs 14.0 million for the Physical Resources Development of AHK NCRD Phase-II and Rs 12.0 million for the Establishment of Monitoring and Evaluation Cell were provided. The Narcotics Control Division was provided Rs 141.400 million including foreign exchange component of Rs 106.6 million, while the Finance Division was provided Rs 392.0 million including foreign exchange component of Rs 200 million for T.A-I for Local Government Performance Enhancement, TA-2 Gender and Governance Mainstreaming and Rs 100.0 million for the Reconstruction & Rehabilitation of Earth Quake Affected District Swat under Finance Division, the Interior Division was given Rs 1236.0 million which also includes Rs 740 million for Islamabad Development Package. Agency wise allocation and utilization for the financial year 2007-08 in Table 19.1.2.

Table 19.1.2: Rural Development Allocations & Utilization 2007-08

(Rs million)

Sector	2007-08	
	Allocation	Utilization
Local Government & Rural Development	4547.9	2187.7 *
Narcotics Control Division	141.4	193.9**
Finance Division	392.0	356.0
Interior Division (ICT)	1236.0	1236.0
Total	6317.3	3973.6

(*) The M/O LG&RD has surrendered Rs 2294.2 million from KPP-I to M/o Finance Division
(**) It includes F.Aid of Rs 115.9 million

Physical Achievements

During the financial year 2007-08 the physical achievement of the Area Development Projects includes construction of 17 km black topped roads, 6 Dug well schemes, 18 water supply schemes and 3 Hydel power stations. Under T.A for Local Government Performance Enhancement completed 131 rolled out Technical Investment Proposals (TIPs) and formulated work plan. Under Islamabad Capital Territory (ICT) 30 development schemes regarding roads street pavement, water supply and buildings have been completed during 2007-08. Specifically construction / rehabilitation 110 km of rural roads, 15 water supply schemes, and 1,707K sft street pavement schemes had almost been completed. While under Islamabad Development Package 30 km of rural roads were rehabilitated, 10 km of new rural roads were constructed; fresh water boring was completed at 11 sites with 16 motorized pumps, while 1,220K sft street pavement schemes had almost been completed.

Program for 2008-09

The proposed programs for the next financial year 2008-09 for the Rural Development sector include an amount of Rs 5744.6 million including Rs 429.7 million as foreign aid. Rs. 4420 million, for the Khushal Pakistan Program (KPP-I) and Rs 8.12 million for the

Physical Resources Development of AHK NCRD Phase-II Rs 15.9 million for the Establishment of Monitoring & Evaluation Cell have been provided. The Narcotics Control Division has been provided Rs 545.0 million including foreign Aid of Rs 429.6 million, while the Finance Division has been provided Rs 10.0 million for T.A-I for Local Government Performance Enhancement and TA-2 Gender and Governance Mainstreaming while the Interior Division is provided Rs.745.5 million which also includes Rs 500 million for Islamabad Development Package. (Table 19.1.3)

Table 19.1.3: Rural Development Allocations 2008-09

(Rs in million)

Sector	Allocations (2008-09)
Local Government & Rural Development	4444.0
Narcotics Control Division	545.0
Finance Division	10.0
Interior Division (ICT)	745.5
Total	5744.5

Physical Targets

During the financial year 2008-09 the details of the physical targets for the activities under Area Development Projects are to construct black topped roads, dug well schemes and hydel power stations, water resource development schemes, agriculture related activities etc (Narcotics Control Division). To construct / rehabilitate 175 km of rural roads and 13 street pavement schemes in Islamabad Capital Territory (ICT) (Interior Division).

Major Initiatives/Development Efforts

Social Mobilization for Poverty Reduction

Social mobilization is not a new concept. It has emerged from the old-age recognition that poor men and women have an inherent will and potential to improve their conditions if they are provided the required support and an enabling environment. In order to unleash true potential of the people, especially of the poor, the conceptual package of social mobilization builds on three elements. Firstly, it requires that the poor are brought into an organized fold. Secondly, up-grading the skill base of the poor - i.e. managerial, productive and cooperative skills to enable them to make the best use of available resources. Generation of capital by the poor, through savings, is the third important element of the conceptual package.

The presence of a support mechanism is a critical factor in implementing the conceptual package, for establishing a receiving mechanism at the grass roots level and facilitating public sector service delivery. NRSP aim's to organize the poor families into Community Organizations (COs), by harnessing people's potential. NRSP takes a holistic development approach by developing the capacities of COs and their members; creating productive linkages of COs with various government and

private agencies for effective delivery of a variety of services to the targeted beneficiaries.

Achievements

As of February 2008, NRSP has organized 920,682 community members (including 238,144 women and 682,548 men) in 61,651 Community Organizations across the country. So far 1000 Village Development Organizations (VDOs) have been formed by NRSP.

The micro-finance services (credit, savings and insurance) are provided by two sectors: Micro-Enterprise Development and the Urban Poverty Alleviation Program. NRSP is the leading Micro finance Institution of Pakistan with current portfolio of Rs 4.7 billion and active number of clients is 407,644 including 176,401 women clients. As of today, NRSP has disbursed 22.063 billion of which 6.36 billion was disbursed to women. Total savings done by COs is Rs 1,037.73 million of which Rs 153.28 million was saved by women CO members. A total of 92,514 community organizations have benefited from Micro-finance services.

NRSP Institute of Rural Management (IRM) has so far trained 26957 staff members; 17948 men and 9009 women. Total number of community members trained by NRSP-IRM is 438,976 including 145,478 women.

NRSP's Social Sector Services section includes Education and Health sector interventions. In education sector NRSP has facilitated in establishment of 422 Community Schools of which currently 151 are functional. Out of them 34 and 72 are supported by the NRSP and the donors respectively. The rest are being organized on community self help basis. These 151 schools have 13,024 students (6,861 boys and 6,163 girls). NRSP is also running an adult literacy program, which has so far benefited 17,130 adults including 15,574 women.

In the health sector NRSP has been involved in 'social marketing' for the last 3 years, as one of the Implementing Partners for the Malaria Control Program (part of the GFATM-Global Fund to Fight AIDS, Tubercuosis and Malaria) in Pakistan. Over 44870 long-lasting insecticide treated mosquito nets have been sold, and the money recovered has been used to buy more nets. NRSP has also established 2 Community Health Centres with the funding of PPAF providing medical services to poor community members. So far total 1.23 million patients have been treated. Almost 53 medical caps have been arranged.

The NRSP's Physical Infrastructure & Technology Department has initiated 6191 infrastructure schemes in various sectors and so far they have completed 5771 schemes.

Khushal Pakistan Program-I (KPP-I)

It is based on the need to focus on people and their needs by involving national, provincial and local representatives of the people in planning process. Launched in 2003, the program, earlier named as Tameer-e-Pakistan, covers schemes related to sectors such as gas, electricity, roads, telecommunication, education, health, sanitation and water supply. The Program covers essential infrastructure at the village, union, tehsil and district level; basic education and health; support for creating entrepreneurial and employment capacity; and support for creating direct employment. Federal Government has allocated Rs 4420.0 million for the financial year 2008-2009.

Under this Program as on 15 January 2008 Rs 14073.1 million have been disbursed to Executing Agencies in the Federal/Provincial/ District Governments for executing 26405 schemes in approved sectors. So far 20,021 schemes have been completed. (Tables 19.1.4 and 19.1.5)

Table 19.1.4: Agency Wise Funds Released Under KPP-I
(up to January 2008)

(Rs million)

Agency	Schemes (No.)	Funds Released	Schemes Completed	Population Benefited
WAPDA	12191	5270.7	10073	1429714
P.W.D	7649	5172.0	6399	66832994
D.C.O/Prov. Govt.	4106	1976.0	2030	4615271
SNGPL	499	889.0	367	644816
Political Agent	1750	483.0	1022	577516
SSGCL	64	91.2	49	53033
KESCO	33	38.4	30	16260
Cantonment Board	19	36.8	1	20000
Agri. Engr. Dept	45	82.6	7	97550
Telephone	43	23.4	43	4935
MISC./DEV. Authority etc	6	8.8	-	-
Total	26405	14073.1	20021	74,364,956

Table 19.1.5: Province Wise Funds Released Under KPP-1
(January 2008)

(Rs million)

Province	Schemes (No.)	Funds Released
Punjab	12419	7558.8
Sindh	3514	2998.0
N.W.F.P	5843	1722.4
Balochistan	1576	885.5
FATA	2823	766.7
Islamabad	229	141.5
Total	26405	14073.1

19.2 Drought Recovery Assistance Program (DRAPP/DERA-II)

Introduction

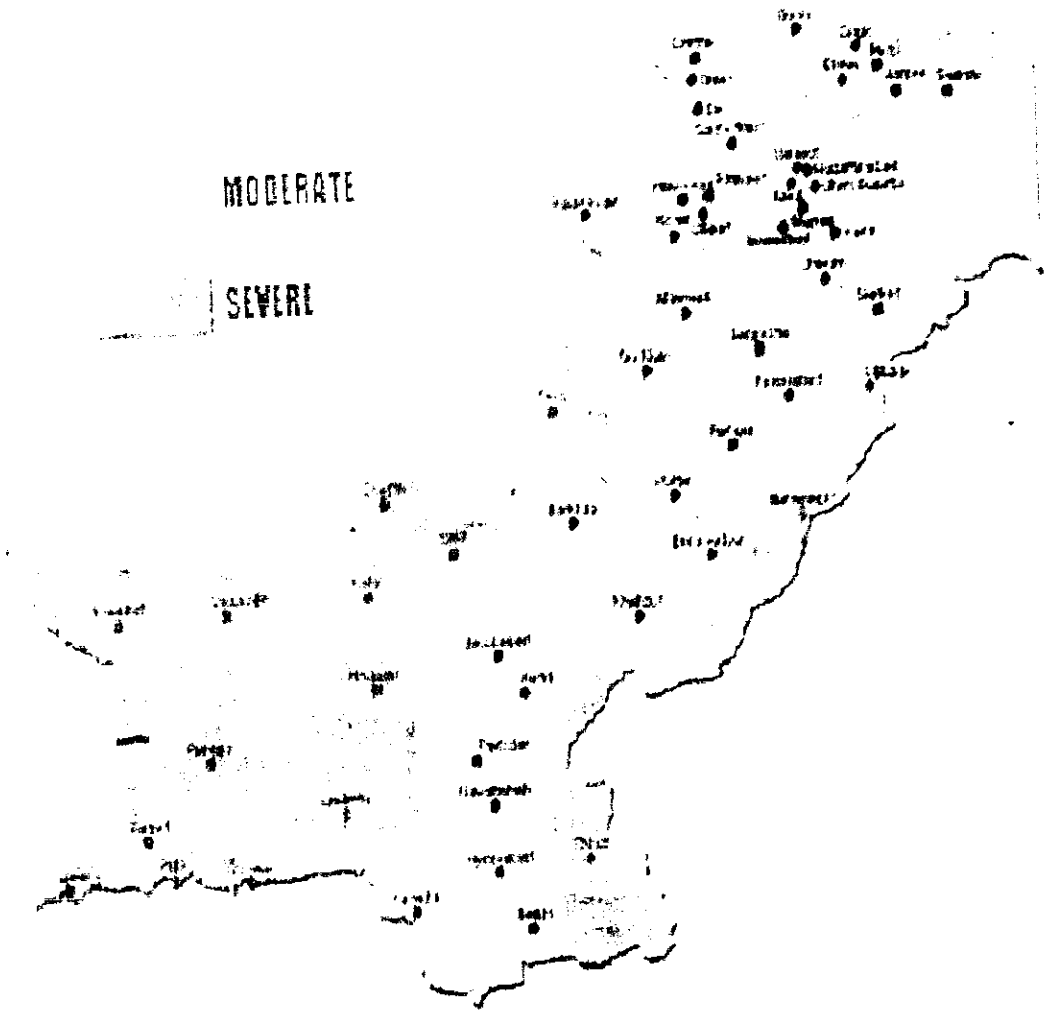
During the period 1998-2001, the drought in Pakistan adversely impacted the agrarian economy particularly, in the rain-fed areas. It also affected the livelihood of the rural population, as its majority was dependent upon agriculture. Depletion of the underground and surface water resources also added to the sufferings of the affected population, which was forced to migrate in search of water and alternate jobs. Thus, the drought adversely affected the socio-economic conditions of the country in general and the drought-affected districts/areas in particular.

In order to mitigate the effects of drought, the Government of Pakistan launched the Drought Emergency Relief Assistance (DERA) Program in 2002 with the assistance of the World Bank and the Asian Development Bank (ADB). The Program, having an outlay of Rs 10,482 million, covering agriculture, irrigation and water management, drinking water supply, roads, health and the social welfare sectors etc. was implemented in the 68 drought-affected districts of the four Provinces, 03 Departments of the Punjab (CDA, ABAD and Fisheries) as well as 05 Agencies/FR of FATA. The DERA-I was successfully completed in December, 2005. Under the Program 347,045 man-months jobs were created.

Pakistan lies in sub-tropical arid to semi-arid zone, where the intensity of drought is mainly controlled by both El-Nino and La-Nino phenomena, which disturb the summer and winter rains. Due to global climate change, the phenomena may recur every 5-7 years with greater severity and for a longer period.

The water availability in the Indus River System is quite serious as the river withdrawals ranged between (-) 13 % to (-) 42 % during Rabi 1999-2000 to 2007-08. The rainfall in the corresponding winter seasons was persistently below normal, except during the winter 2003, 2005 and 2007. The water shortage to some extent was covered by good rains received in Rabi 2002-03, 2004-05 and 2006-07. Similarly, water availability during Kharif 2000 to 2004 persistently remained inadequate as it ranged between (-) 2 % to (-) 18 % of the crops requirements. Thereafter, it was (-) 6% in Kharif 2006. However, it was supplemented by monsoon rains. Hence the severity of drought mainly affected both the Kharif and the Rabi crops in 1999 to 2002, 2004 and Rabi season in 2005-06 when the rains were scanty and the river withdrawals were insufficient. The year-wise data showing the extent of water shortage in Indus River System for Kharif and Rabi seasons are given in Annexure 19.2.1 while deviation of area-weighted rainfall is presented in Annexure 19.2.2. The drought conditions which existed in December, 2000 are indicated in Figure 19.2.1 below, which has been prepared by the Pakistan Meteorological Department.

Figure 19.2.1 Meteorological Drought



During the year 2007-08, the rains at the sowing and growth period of Rabi crops were (-) 61.7 % and (-) 30.0 %, respectively, which is evident from the data given in Table 19.2.1 below.

Table 19.2.1 Deviation of Average Weighted Rainfall

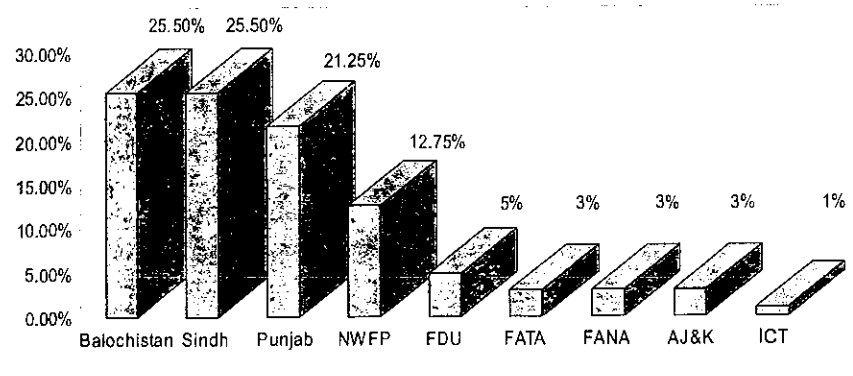
(%)

Pakistan/ Provinces	Rabi Crops		Kharif Crops Forecast
	Sowing Period	Growth Period	
Pakistan	- 61.7	- 30.0	- 8.7
Balochistan	- 67.5	- 19.7	- 36.2
Sindh	+ 18.6	- 45.8	+ 14.5
Punjab	- 59.1	- 39.6	+ 18.1
NWFP	- 71.1	-32.9	- 30.4

The withdrawal from Indus RIver System was also (-) 23 % lower as compared to the actual crop requirements. Consequently, it affected the production of Rabi crops. The bad weather conditions at the time of wheat harvesting (April-May 2008) have increased post harvest losses and hundreds of acres of wheat crop were also burnt.

To address the issue of drought, seamless continuity of the efforts to mitigate the affects of drought has been realized by the Government of Pakistan. Consequently, "Drought Recovery Assistance Program Project" (DRAPP), costing Rs 30,000 million was approved by the ECNEC on 14th December, 2005 for a period of 05 years, ending on 30th September 2010. Resource distribution formula amongst provinces and areas is presented in Figure 19.2.2

Figure 19.2.2 Resources Distribution Formula



Objectives of DRAPP/DERA-II

- Reviving the agrarian economy by construction and rehabilitation of essential infrastructure for the conservation and management of water.
- Employment generation by implementing labour-intensive Programs to supplement poverty alleviation.
- Capacity building
- Environment improvement

Scope

The scope of DRAPP/DERA-II has been extended to the drought-prone districts/areas and agencies of all the Provinces, FATA, FANA, AJ&K and ICT. The key areas to be covered under the Program are as follows:-

- Water management and conservation
- Rural water supply
- Agriculture development
- Livestock and Veterinary Development
- Forestry, watershed and range management
- Construction and rehabilitation of small rural roads in drought-affected areas.

Policy and Strategy

The proven strategy of DERA-I is being replicated during the implementation of its 2nd Phase. It includes the identification of community demand-driven schemes, which are labour intensive, simplified procedure for preparation and approval of the schemes, upfront releases of funds under the Financial Management System (FMS) which was developed and successfully implemented during DERA-I for quick, smooth transfer of funds from Federal to District level and transparent transactions at the users' end, close coordination and effective monitoring of the Program project by the Federal DERA Unit (FDU).

The Role and Functions of the Stakeholders

The federal government played an active roll in (i) developing implementation guidelines (ii) overall monitoring and supervision of the Program project including random spot checks and, (iii) ensuring funds flow to the provinces and timely preparations of SoEs so as to be able to replenish the Special Account. The provinces set up the PDCU within the Planning and Development Department (P&D) for the purposes of coordinating the activities of the districts. The provincial Finance Department served as a channel for transfer of funds from the federal unit to local governments. The local governments were responsible for: (i) identification, prioritization and selection of portfolio of schemes; (ii) planning (design, bidding document preparation, tendering and selection of contractors), awarding contracts, supervision and commissioning of sub-projects, in collaboration with communities and, (iii) managing the funds, making payments to contractors and preparing financial management reports for submission to the PDCU and Federal DERA Unit (FDU).

Financial and Physical Progress (FY 2007-08)

An expenditure of Rs 1876.96 million would be incurred by June, 2008 against the PSDP allocation of Rs 1900 million. The Federal Steering Committee (FSC) which is an apex body to review the performance of the Program, has approved 1160 schemes costing Rs 3289.0 million. The highest priority has so far been accorded to Water Management and Agriculture Sectors (75 %) followed by Roads (24%) and others (1%). Province / Area-wise distribution of approved schemes is given in Table 19.2.2 below:-

Table 19.2.2 Distribution of Approved Schemes

(Rs million)

Stakeholders	Ongoing		New		Total	
	No.	Cost	No.	Cost	No.	Cost
Balochistan	231	398.8	203	229.8	434	628.6
Sindh	170	331.6	130	548.1	300	879.7
Punjab	108	607.4	62	470.9	170	1078.3
NWFP	201	539.0	-	-	201	539.0
FATA	17	42.0	-	-	17	42.0
FANA	-	-	18	42.0	18	42.0
AJ&K	15	64.7	-	-	15	64.7
ICT	5	14.7	-	-	5	14.7
Total	747	1998.2	413	1290.8	1160	3289.0

Source: Annexures 19.2.3 and 19.2.4

The sector as well as the stakeholder-wise distribution of ongoing and new schemes is given in Annexures 19.2.3 and 19.2.4, respectively. During the year 2007-08, 765 schemes costing Rs 2040.2 million were cleared for implementation. By end April, 2008, 93 schemes have since been completed at the cost of Rs 182.5 million and 543 schemes costing Rs 1815.0 million are at various stages of its implementation. The tenders for remaining 129 schemes costing Rs 1225.3 million are being processed. The implementation of 395 new schemes pertaining to provinces will be initiated in July-August 2008 after meeting the requisite codal formalities.

On completion, the Program will supplement the poverty reduction efforts since the productivity of farmland will increase by conservation and management of water as well as land improvement measures. It is estimated, that the crop yield will increase by 80 % and 25 % in the rain-fed and irrigated areas of the project, respectively. It is pertinent to mention that 65,367 man-months jobs have been generated during the year 2007-08.

Targets FY 2008-09

Due to resource constraints, an allocation of Rs 1,500 million has been provided for the Program for the FY 2008-09, which is 79 % of last year's allocation and 19.4 % of the approved phasing of the PC-I. Therefore, the meager resource allocations for DRAPP/DERA-II have severely affected the development tempo achieved during its 1st phase. However, efforts will continue to arrange additional resources. The Federal DERA Unit will pursue the stakeholders to submit portfolio of their demand driven schemes against upfront releases available with them by indicating input, output and outcome targets in quantifiable form. The FDU will also continue effective field monitoring of 130 schemes against 127 schemes inspected during the year ending June, 2008. The sectoral priority will be accorded for management and conservation of water for drinking and irrigation purposes, followed by agriculture, roads and other sectors. About 40,000 thousand man-month jobs will be generated during FY-2008-09 against 27,000 created during 2007-08. A study for Impact Assessment of Investments made under DERA-I will also be completed.

19.3 Special Areas

The Special Areas include Azad Jammu & Kashmir (AJ&K), Northern Areas (NA) and Federally Administrative Tribal Areas (FATA). These areas lag far behind the national, provincial and rural indicators in terms of incomes, pattern of land ownership and

availability of public infrastructure and services. They are economically poor due to their remote location and inadequate linkages with the more developed areas. It has been the policy of the government to pay focused attention to the less developed areas that lag behind in terms of incomes and availability of public infrastructure and services. The demographic features of these areas are presented in Table 19.3.1.

Table 19.3.1: Special Area Indicators

Indicator	National	AJ&K	NA	FATA
Population (million)	161.7 (2008)	4.06	0.87	3.69
Area (Sq. km)	796,096	13,297	72,496	27,22
% of Pakistan (Pop)		2.2	0.5	2.3
% of Pakistan (Area)		1.6	9	3.3

Policy for Special Areas

The essential policy measure for the socio-economic uplift of special areas is to ensure a stable and peaceful environment, with emphasis on the law and order situation in FATA & Balochistan and provision of social and physical infrastructure (including rural roads drinking water and sanitation, education and health facilities. Similarly, employment opportunities and income generating activities are being enhanced through sustainable development measures. Similarly, employment opportunities and income generating activities are to be enhanced through sustainable development measures.

Review of Program 2007-08

During financial year 2007-08 an amount of Rs 19.3 billion including an amount of 0.2 billion as foreign Aid was allocated for the development of Special Areas (AJ&K, NA & FATA). Out of this an amount of Rs. 7.4 billion was allocated for FATA, Rs. 7.8 billion for AJ&K and Rs 4.5 billion for Northern Areas. It also shows an increase of 11.8 percent over the amount of PSDP 2006-07.

Program for 2008-09

In the proposed program for the development of less developed and Special Areas in PSDP 2008-09 an amount of Rs. 21.9 billion including foreign aid of Rs 0.8 billion has been proposed showing an increase of 13.9% percent over the PSDP 2007-08 allocation. Out of this an amount of Rs. 8.1 billion will be allocated for FATA, Rs.8.8 billion for AJ&K and Rs 5.1 billion for Northern Areas.

The block allocations given in the following tables and graphs show a consistent rise. The block allocations for the financial year 2008-09 have also increased significantly by 13.5 % from 19.3 billion in 2007-08 to 21.9 billion in 2008-09. (Table 19.3.2).

Table 19.3.2 Allocations for Special Areas

(Rs Billion)

Year	AJ&K	FATA	NA	Total
2001-02	2.6	1.0	1.2	4.8
2002-03	3.3	1.9	2.2	7.5
2003-04	4.0	3.2	2.4	9.6
2004-05	4.5	4.0	2.8	11.2
2005-06	5.1	5.1	3.4	13.7
2006-07	6.0	6.2	4.0	16.2
2007-08	7.8	7.2	4.5	19.3
2008-09	8.8	8.1	5.1	21.9

Federally Administrated Tribal Areas (FATA)

FATA consists of seven Agencies namel y Bajaur, Mohamand, Khyber, Orakzai, Kurram, North Waziristan and South Waziristan and six provincially Administered Frontier Regions attached to Peshawar, Kohat, Bannu, D.I. Khan, Tank and Lakki Murwat Districts of NWFP. These areas, with an estimated population of 3.7 million and an area of 27220 square kilometers, lie along the 1500 kilometers long border with Afghanistan called the Durand Line. Recently many of these areas have been opened up peacefully. However development indicators in these areas are low and major efforts are under way to assimilate them in the mainstream of socio- economic activities of Pakistan. The total block allocation for FATA has increased from Rs. 1.0 billion in 2001-02 to Rs. 8.1 billion in 2008-09. This significant rise in the total block allocation is meant to improve socio-economic conditions and reap maximum benefits

FATA Sustainable Development Plan (2006-2015).

The FATA Sustainable Development Plan (SDP) aims to bridge the development gap and to accelerate pace of development in more inaccessible parts of FATA. The SDP has been approved after discussion in Pakistan Development Forum. The total cost of the plan has been estimated at Rs 124.1 billion out of which Rs 60.0 billion and Rs 3.6 billion will be financed by GOP and Foreign Aid respectively. To finance rest of the unfunded financial portfolio talks with different donor agencies are under progress.

The main objective of SDP is to steer development planning in a new direction, focusing on the people at the grassroots level. It identifies the people as the focus of development. It explores options to improve institutional and financial capacities, and to expand and diversify available economic opportunities. It also provides a monitoring and evaluation framework to support, assess and strengthen development initiatives.

Azad Jammu & Kashmir (AJK)

Azad Jammu and Kashmir is the southernmost political entity of Pakistani-controlled part with a total area of 13297 Sq KM and a population of 4.1 million is predominantly

rural (rural urban ratio of 88:12). AJ&K consist of 8 Districts Bhimber, Kotli, Mirpur, Bagh, Muzaffarabad, Neelum, Poonch and Sudhnati.

The total block allocation for AJK has increased from Rs 2.6 billion in 2001-02 to Rs 8.9 billion in 2008-09. This significant rise in the total block allocation is meant to improve socio-economic conditions and reap maximum benefits. Following the devastating earthquake of October 8th 2005, the reconstruction and rehabilitation process in the quake-affected areas was taken-up in right earnest. Significant amounts have been earmarked for the reconstruction of infrastructure and rehabilitation of quake victims.

Northern Areas

The Northern Areas of Pakistan are spread over 72,496 sq km, with a population of 0.87 million. A large part of the population (80%) is engaged in agriculture. Only 2% of the land is cultivable, 4% is natural forest and 52% rangeland. The cultivation of fruit trees is important, particularly in the valleys. Fruits, such as apricots, almonds, pomegranate, grapes, peaches and mulberry, are not only a source of food but also earn cash. There is a growing service sector particularly in transportation, tourism and trading. The major potential for development in the Northern Areas is in the hydel power generation from River Indus and its tributaries. Minerals cross border trade and tourism are also important. The total block allocation for Northern Areas has increased from Rs 1.2 billion in 2001-02 to Rs 5.1 billion in 2008-09.

The persistent drought has adversly affected the FATA, FANA and AJ&K for which additional allcations have been made, which are discussed in the Drought Recovery Program.

Annexure 19.2.1

Water Shortage in Indus River System

(MAF)

Kharif (April-Sep)				Rabi (Oct-March)			
Years	Actual Withdrawal	Actual Average Use	Shortfall %	Year	Actual Withdrawal	Actual Average Use	Shortfall %
1998	69.40	67.11	3	1998-99	35.59	36.39	**-2**
1999	70.84	67.11	6	1999-00	30.05	36.39	**-17**
2000	59.66	67.11	**-11**	2000-01	21.40	36.39	**-41**
2001	54.72	67.11	**-18**	2001-02	18.43	36.39	**-49**
2002	62.84	67.11	**-6**	2002-03	25.01	36.39	**-31**
2003	65.95	67.11	**-2**	2003-04	31.55	36.39	**-13**
2004	59.12	67.11	**-12**	2004-05	20.97	36.39	**-42**
2005	70.76	67.11	5	2005-06	30.06	36.39	**-17**
2006	63.10	67.11	**-6**	2006-07	31.18	36.39	**-14**
2007	70.78	67.11	5	2007-08	27.93	36.39	**-23**
2008*	71.86	67.11	7	2008-09			

*Anticipated

Source: Indus River System Authority, Ministry of Water & Power, Islamabad

Annexure 19.2.2

Deviation of Area Weighted Rainfall (DAWR) On Pakistan Basis

(MM)

Year	Rainfall (Annual Normal)	AWR	Deviation (%)
1998	277.8	277.8	0.0
1999	277.8	241.0	-13.2
2000	277.8	189.6	-31.8
2001	277.8	223.7	-19.5
2002	277.8	161.0	-42.0
	(Seasonal Normal)		
Winter 2003	70.50	87.70	24.40
Monsoon 2003	137.50	203.50	48.00
Winter 2004	70.50	41.45	-41.20
Monsoon 2004	137.50	84.29	-38.70
Winter 2005	70.50	156.30	121.70
Monsoon 2005	137.50	116.74	-15.10
Winter 2006	70.50	40.96	-41.90
Monsoon 2006	137.50	511.50	272.00
Winter 2007	70.50	114.60	62.55
Monsoon 2007	137.50	124.30	-9.60
Winter 2008	70.50	49.30	- 30.0
Monsoon 2008 (forecast)	137.50	125.50	- 8.7

Winter : (Jan-March) Monsoon (July-Sept)

Source: Pakistan Met Office, Islamabad

Annexure 19.2.3

Sectoral Distribution of Ongoing Schemes Approved Under DRAPP

Province/ Sector	Irrigation/ Water Management		Drinking Water Supply		Agri./Livestock/ Veterinary Services/ Fishery/Forestry		Road		Others		Total	
	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost
Balochistan	69	75.1	91	210.5	31	47.0	40	66.2	-	-	231	398.7
Sindh	-	-	146	213.9	4	9.6	20	108.2	-	-	170	331.6
Punjab	18	80.8	29	258.6	31	121.5	28	144.4	2	2.0	108	607.4
NWFP	78	246.3	106	259.2	-	-	17	33.5	-	-	201	539.0
FATA	7	21.7	9	16.0	-	-	-	-	1	4.4	17	42.0
AJ&K	5	25.1	8	15.5	1	3.3	-	-	1	20.8	15	64.7
ICT	5	14.7	-	-	-	-	-	-	-	-	5	14.7
Total	182	463.8	389	973.6	67	181.4	105	352.3	4	27.2	747	1998.2
%age Share	24	23	52	49	9	9	14	18	1	1	100	100

Annexure 19.2.4

Sectoral Distribution Of New Schemes Approved Under DRAPP
(2nd Batch)

(Rs million)

Province/ Sector	Irrigation/Water Management		Drinking Water Supply		Agri./Livestock/ Veterinary Services/Fishery/ Forestry		Road		Others		Total	
	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost
Balochistan	46	38.2	124	145.4	13	20.7	20	25.5	-	-	203	229.8
Sindh	-	-	52	181.5	23	29.4	55	337.2	-	-	130	548.1
Punjab	8	68.2	23	151.3	20	174.8	10	74.9	1	1.7	62	470.9
FANA	10	25.0	4	7.3	2	0.6	1	0.3	1	8.7	18	42.0
Total	64	131.4	203	485.5	58	225.5	86	437.9	2	10.4	413	1290.8
%age Share	15	10	49	38	14	17	21	34	1	1	100	100

Chapter 20

Environment and Sustainable Development

Introduction:

Over the last decade, significant progress has been made in developing the environmental policy and regulatory framework, development of environmental institutions and raising awareness. The degradation of environment, however, continues affecting livelihoods and health as well as increasing vulnerability of the poor to disasters and environment-related conflicts. Box 20.1.

Box: 20.1 Challenges in the Environment Sector

- Efficient and effective integration of environment in development planning.
- Provision of safe drinking water to the population timely.
- Provision of access to sanitation facilities for all.
- Implementation of planned initiative with efficacy to increase forest cover and biodiversity, reduce land degradation.
- Effluent treatment at source to avoid discharge of polluted industrial and domestic sewage to freshwater bodies and marine environment.
- Increase energy efficiency, with focus on conservation measures.
- Management of water resources.

The present degradation of environmental situation in Pakistan is due to high population growth rate, low-level of public awareness and education, deficiencies in management of natural resources and unplanned urban and industrial expansions. Pollution of air and water, climate change, ozone depletion, deforestation, desertification vanishing biodiversity, land degradation, lack of waste management, lack of urban land use planning and zoning, has resulted in ecological imbalance, threatening life and civilization. Environment indicators and targets for different years are presented in Table 20.1. The environment does not exist in isolation and there are several other sectors whose development impacts the environment. The socio-economic costs of replenishment of ecology are not fully appreciated.

Strategic environment assessment of policies, programs and plans needs to be practiced for integration of social and environmental considerations into development processes of crosscutting sectors of economy Operationalization of Vision 2030 through realistic short, medium and long term strategies and action plans would facilitate environment conservation and management to achieve sustainable development. Energy use efficiency needs particular consideration through energy conservation alongwith increasing generation through renewable forms of energy. Global change is impacting the lives of all inhabitants. Recent data reveals that the warmest 8 out of 10 years in the last 100 years occurred during the last 12-15 years and 2005 was the warmest year.

There is a need for comprehensive and careful research studies to understand the nature and the extent of climatic change and develop adaptation strategies and plans to minimize adverse impacts and effects on the natural resources and lives of human being. Water storage capacities (on ground, underground) needs to be enhanced to capture water yield expected through enhanced glaciers melting in the next 25-30 years.

Table 20.1
Environmental Indicators and targets under MTDF 2005-10 and MDGs

Environmental Indicators	Year 2004-05	2009-10 Targets	Estimated achievement 2007-08	2015 MDG Targets
Forest cover including State and private forests/farmlands (%age of total land area)	4.9%	5.2%	5.2%	6.0%
Area protected for conservation of wildlife (as %age of total area)	11.3%	11.6%	11.3	12.0%
GDP (at constant factor cost in Rs) per unit of energy use as a proxy for energy efficiency	27,000	27,600	-	28,000
Energy production from renewable forms of energy (wind, solar,)	17 MW	880 MW	-	--
No. of petrol & diesel vehicles using CNG fuel	380,000	800,000	1700,000	920,000
Access to sanitation (national)%	42	50	44	90
Access to clean water (national)%	65	76	65	93
No of industries registered for self monitoring/reporting program	30	300	-	--
Number of continuous air pollution monitoring stations	0	4	7	--
Sanitary landfill in major cities	0	2	-	--
Functional Environment Tribunals	2	4	2	--
Improvement of Katchi Abadis/Slums	60%	75%	-	95%

Review of PSDP 2007-08

During the first 3 years of implementation of Medium Term Development Framework (MTDF) 2005-10, Environment Sector received an unprecedented higher priority in the national development. The Federal PSDP 2007-08 included an allocation of Rs 8500.0 million for the Environment Sector, Rs 6500 million in 2006-07 and Rs 3100 in 2005-06 compared with Rs 745.0 million in the 2004-05 to realize the objectives and targets set forth in the MTDF. Overall expenditure up to June 2008 is expected to be Rs 3900 million, giving a utilization of around 46 %. The utilization in the Environment Sector is low due to delayed approval of projects, late release of funds; and more importantly the slow implementation of the approved projects.

During the period, some 58 projects were under implementation in the Environment Sector, which include one project each sponsored by the Ministries of Water and Power, KANA, SUPARCO and Interior; and two projects each by the Defence Division, Ministry of Industries, Production and Special Initiatives, and PAEC while the Ministry of Environment sponsored some 48 projects.

Salient features of the major areas of concentration in the Environment Sector are given below:

- Capacity Building: Lack of capacity was recognized as the major hurdle in the way of efficient realization of environmental objectives in the MTDF 2005-10. Although, some efforts are made to enhance the institutional capacity at federal and provincial levels, however, the overall situation is much the same. Due to lack of capacity, Environment Sector is unable to utilize the allocated funds in an effective manner and on-ground implementation is weak. The same needs immediate attention at all levels.

- Clean Drinking Water for All Program: Clean Drinking Water for All Program, for providing safe drinking water to the entire population of the country continued in 2007-08. In this connection, an allocation of Rs 115 million was made under the project called "Clean Drinking Water Initiative" to install one water purification plant (WPP) in each Tehsil of Pakistan, AJK, NAs, and FATA. About 409 WPPs were completed by the end of 2007. Under the second project called "Clean Drinking Water for All", Rs 6500.0 million were allocated to install one WPP in each Union Council of Pakistan, AJK, NAs, and FATA. A lot of spade work (such as approval of umbrella PC-I, mechanism to implement, and provincial shares and responsibilities) has been completed. Progress on this project is gaining momentum. Contracts for Balochistan, Sindh, and NWFP have been awarded and installation of WPP's has started. Contracts for Punjab Packets will be awarded soon while the completion period has been extended to December 2008.

- Forestry, Biodiversity and Watershed Management: The projects for watershed management in Tarbela and Mangla reservoir catchment areas are under implementation. The main objectives are to reduce sediment load, create employment opportunities, alleviate poverty and rehabilitate the degraded land resources. Besides, five mega forest projects for forestry resources development in Punjab, Sindh, NWFP, Balochistan and AJK at a total cost of Rs 11500 million have been started this year. Program for Mountain Areas Conservation remained under implementation by Ministry of Environment, focusing on conservation of mountain biodiversity through involvement of local communities. Several projects are under implementation to protect and conserve the natural resources and increase the biodiversity. These include Rachna Doab, district projects for improvement of urban environment of Hazro, Chakwal, Rawalpindi, improvement of indigenous and medicinal plants, improvement of National Parks (Cherat, Ayubia, Khunjerab), and Protected Areas Management.

- Clean Air Initiative: The revision of project for Establishment of Environmental Monitoring System is under process. Rs 580 million have been spent to establish fixed and mobile laboratories for monitoring and installation of equipments.

- Meteorology/Climatology: The National Center for Drought/Early Warning System and Up-gradation/Strengthening of Seismic Network projects are under execution by the Pakistan Meteorological Department (PMD). During the period under review, an expenditure of Rs 85 million has been incurred on construction of building and purchase of equipment. Besides, the Climate Change Studies Center (GCISC), under the Pakistan Atomic Energy Commission and SUPARCO spent Rs 75 million to carry out climate change studies and international collaboration.

Programs for 2008-09

An estimated allocation of about Rs 7500 million has been made in the PSDP 2008-09 for Environment Sector projects. In addition, allocation of at least Rs 1000 million would be made in the Provincial ADPs for the sector. The sectoral activities during 2008-09 will contribute towards achievement of the MTDF 2005-10 / MDGs targets. The implementation program and details of the major components are discussed as follows:

- Capacity Building: Capacity building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement would be continued by different agencies in respective sub-sectoral areas. This includes M/o Environment, Pakistan Environmental Protection Agency, ENERCON and P&D Division (Environment Section). Capacity building projects will continue to build upon their earlier achievements.

- Clean Drinking Water for All: An allocation of Rs 2219 millions has been made in 2008-09, under Federal PSDP for implementing Clean Drinking Water for All Program by Ministry of Industries, Production and Special Initiatives. Under this program, one water purification filtration plant would be installed and maintained in each Union Council of Pakistan, AJK, NAs and FATA by December 2008.

- Forestry, Biodiversity, Watershed and Water Bodies: An allocation of Rs 1500 million has been made for plantation, maintenance of afforestation, check dams, cut off drains and terracing throughout the country including Northern Areas, AJK and FATA. District projects for improvement of urban environment of Hazro, Chakwal, Rawalpindi, improvement of indigenous and medicinal plants, improvement of National Parks, Protected Areas and watershed rehabilitation & management projects to protect and conserve the natural resources and increase the biodiversity would be continued.

- Air Pollution, Climate Change: Establishment of Environmental Monitoring System project got on track and would be revised this year to operationalize laboratories established at Islamabad and Provincial Headquarters. Global Change Impact Study Center would carryout studies and analysis for climate change impacts for Pakistan and identify mitigation measures. Early Warning System and Establishment of Seismic Network in Pakistan under the PMD would be strengthened and activities started would be furthered for better preparedness to meet the challenges of natural calamities. Damage Control through Environmental Improvement of polluted River Ravi near Lahore and Swat River under Ministry of Environment would act as pilot projects for cleaning other water bodies in the country and will be helpful in reducing water bodies pollution in these two heavily polluted rivers impacting lives of the people living nearby and contaminating downstream water and agricultural resources.

Way Ahead

The Clean Drinking Water for All Program lags behind the envisaged time frame. Performance is dismal due to lack of experience of implementing such program. Efficient implementation should be ensured through provincial/local governments at the earliest. Appropriate consideration should be paid to its sustainability aspects and all the required measures should be ensured to that effect.

Lack of capacity was recognized as the major hurdle in the way of efficient realization of environmental objectives in the MTDF 2005-10. Hence, capacity building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement has been carried out by different agencies in respective sub-sectoral areas. However, the scope of these efforts is much limited to a few institutions and far less than identified in the MTDF. As a result, formulation and implementation of environmental projects would remain at the same level in the next few years and it would be very hard to achieve the envisaged targets. Hence, the effort needs major up-scaling if we are to achieve some plausible targets in the environment sector by the year 2015.

Planning Commission has advised Ministry of Environment at different fora to formulate projects as identified under MTDF with innovative approaches, on pilot basis for replication. Projects such as effluent treatment plants and waste management plants; and linking it to power generation need more focus as part of urban development, sanitation and an overall environmental improvement.

PSDP allocations to the Environment Sector have been enhanced manifold. However, that could only be effectuated by effective and efficient implementation of well planned projects on ground to halt environmental degradation and improve the environmental situation in the country. Hence, emphasis should be laid at capacity building of the relevant institutions for effective implementation of project. Besides, Working Groups on Vision 2030 for environment has been notified, and its meeting held to help formulate an action plan to operationalise Vision 2030. Capacity building of environmental institutions at federal, provincial and local levels and mass awareness should be given high priority to realize its implementation on sustainable basis.

Chapter 21

Good Governance

21.1 Reform Programs

Good governance relates to the interaction between the public and private sectors as well as civil society by addressing the issues of effectiveness, accountability, transparency, and the rule of law. Good governance also posits growth with reduction in poverty and enhanced access to goods and services as well as resources and opportunities. This holistic approach has characterized good governance policy in the last seven years. Development activities under the governance sector revolve around knowledge management, organizational restructuring, institutional reforms, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty.

The following strategy has been adopted in the MTDF 2005-10:

- Strengthen the process of decentralized service delivery.
- Strengthen participatory approaches through capacity building.
- Reforming legal, judicial and law enforcement institutions.
- Address corporate governance and public private interface, thus protecting public interest while minimizing private transaction costs.
- Strengthen public sector management through streamlining revenue administration, improving public financial administration, and civil service reforms.
- Implement policies, programs, and projects effectively through improved monitoring and evaluation, especially in data collection.

Review 2007-08

The government has undertaken a number of initiatives in line with the priorities set in MTDF 2005-10. An amount of Rs 12,532 million has been allocated for the Governance sector during 2007-08 and Rs 9,917 million have been spent, thereby showing a utilization of 79 percent. Some of the major initiatives are discussed as under:

a. Access to Justice

The "Access to Justice Program (AJP)" launched at a cost of Rs 21 billion (US $ 350 million) for improvements in judicial and non-judicial legal services, security and equal protection of law to citizens, and ensuring greater transparency and accountability in the performance of judiciary, police and administrative justice institutions. Major efforts have been focused on reduction in backlog of pending cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial courts have been established for quick disposal of litigation as a pro-investment measure (Box 21.1.1).

Box 21.1.1 Access to Justice Program

In spite of some bottlenecks, significant policy reforms under AJP since 2002 include the following:-

Implementation of delay reduction program, as part of judicial reforms, in 18 Model Districts across the country through case inventories, improved process serving, monitoring & inspection mechanism, and targeted disposals.

Annual judicial conferences at national, provincial, regional and district levels have culminated in raising the performance of superior courts, since 2003.

The laws affecting ordinary citizens have been enacted / amended to facilitate justice, in particular the poor and vulnerable segments of the society. These include contempt of court, freedom of information, defamation, habeas corpus, family disputes, operationalization of Anjuman Musahilat Court inspections, ombudsman, and alternate dispute resolution.

Under police reform, enactment of New Police order includes provision of Public Safety Commissions; functional separation of investigation from watch and ward; functional separation of prosecution from investigation; internal and external complaints redressal mechanisms; and District Criminal Justice Coordination Committees.

Institutional strengthening and capacity building measures relate to automation of justice sector institutions including bar councils; training and capacity building; and public awareness campaigns for citizens to learn about their rights and entitlements.

Payment of judicial allowance (Rs 7000 to the judges of Session Courts and Rs. 6,000 to civil judges) to augment quality of justice. Utility allowance has been allowed to the judicial officers in Sindh & Balochistan.

b. Public Sector Management Efficiency

- **Tax Administration Reforms**

  A number of initiatives were launched by the government to improve public sector management efficiency. Initiatives under the "Tax Administration Reforms" focus on promoting voluntary tax compliance through enhanced tax payers facilitation and provision of incentive packages to FBR employees. Consequently, these measures have enhanced tax generation. In the long-run, these administrative reforms will also enable tax administrators to set up an effective system of audit. The project is being implemented at a cost of Rs 9,500.6 million including foreign aid of Rs 7,193.1 million to achieve infrastructure development, end-to-end automation of business processes, and human resource development (Box 21.1.2).

Box 21.1.2 Tax Administration Reforms

Tax sector reforms in the following areas have helped in enhancing tax collection:

- Reorganization of CBR and its field offices on functional lines.
- Introduction of a system of self-assessment in income tax, federal excise, and customs.
- Simplification of tax laws and procedures.
- Reduction in litigation cases and introduction of a mechanism of alternate dispute resolution.
- Tax payers' education and facilitation.
- Setting up of model Custom Collectorates.

With the help of reform measures the registered persons in sales tax have increased from 0.1 million in 2002-03 to 0.144 million at the end of third quarter of 2007-08, with a growth of around 44%. On income tax side, the return filers have increased from one million in 2002-03 to two million during 2007-08 with 100% growth. Another marked achievement of FBR has been the disposal of pending appeals related to both direct and indirect taxes. The maximum traffic which was 150% in 1980s has been gradually reduced to 25%. The GST has been rationalized and a single rate 15% both at local import goods has been introduced.

- **Improvements in Audit and Accounts**

In the area of audit and accounts, the office of the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at a cost of Rs 5,533.5 million including foreign assistance of Rs 4,998.0 million. Implementation of the New Accounting Model (NAM) is progressing smoothly. New accounting sites are being automated. Capacity building issues and appropriate training of master trainers has been imparted. So far 99 Financial Accounting & Budgeting System (FABS) out of 127 District Account Office (DAO) sites, one FABS out of 2 departmentalized Account Offices, and 50 System Application Program (SAP) competency centers out of 60, have been established.

- **Public Sector Capacity Building**

Public sector capacity building is yet another area of focus for increasing efficiency in civil service. A 'Public Sector Capacity Building Project' has been launched at a cost of Rs. 3,535.00 million including foreign assistance of Rs. 3,190.00 million. The project aims to undertake structural and human resource development reforms in the government. The Establishment Division has set up a National School of Public Policy (NSPP). The focus of training has now shifted from public administration to the policy formulation and implementation. Under the component of Public Sector Capacity Building, 2376 officers have

been detailed for foreign/ local trainings. 36 consultants have been hired and 28 studies have been so far conducted under the project.

National Commission for Government Reforms has been set up in April 2006 to carry out structural reforms. The Commission has been mandated to review government structures, civil service and government processes at all levels of the government i.e. Federal, Provincial, and District, and make recommendations for improving efficiency and effectiveness in the public sector. The Commission is in touch with important stakeholders to evolve changes meant to improve service delivery and encourage professionalism.

c. Public Information and Statistical Management

The second round of 'Pakistan Social and Living Standard Measurement (PSLM)' project has been undertaken. In the first and second round of survey, data on district and provincial level was collected from about 77,000 households on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation and report has been released. The third round report is under process in the Statistics Division. Rebasing of National Accounts from 1999-2000 to 2006-07 has been launched to collect National Accounts.

d. Devolution and Police Reforms

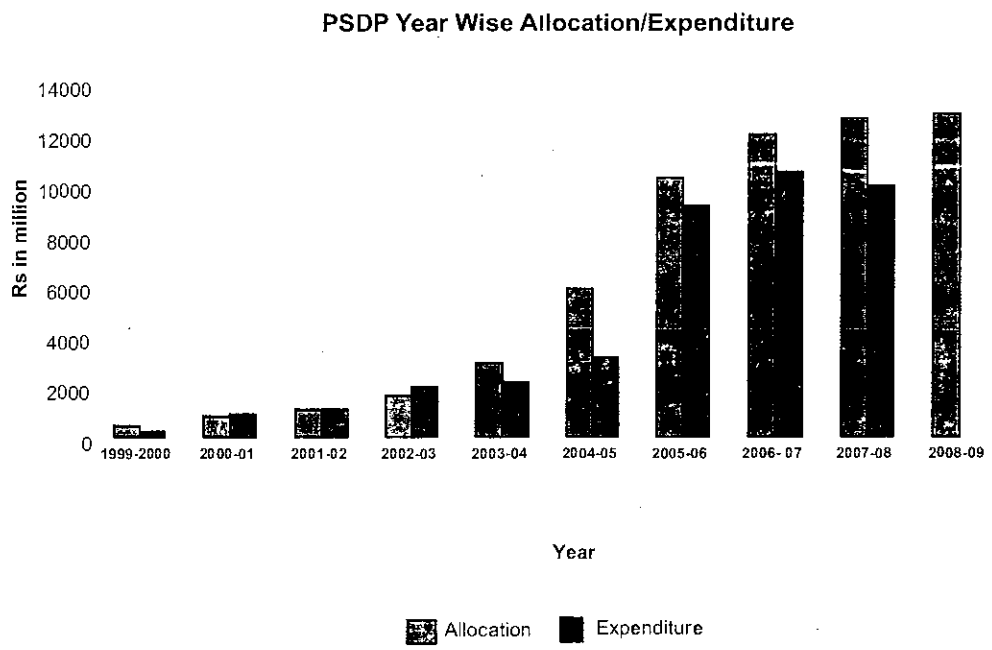
The MTDF recognized the need for a devolved service delivery mechanism to provide basic facilities to the people at the local level, especially in the social sectors like education and health.

For improvement of law and order in Balochistan, the Ministry of Interior had launched three important projects. The "Raising of Balochistan Constabulary" costing Rs. 4138.00 million is meant to add 6000 new personnel in the force. The second project relates to Conversion of 'B' Areas into 'A' Areas" costing Rs. 5515.407 million. All districts have been converted into 'A' areas in Balochistan under the project. The third project relates to establishment of Nationwide Integrated Truck Radio System for Police: Islamabad/ Rawalpindi/ Lahore/ Karachi/ Peshawar/Quetta costing Rs. 1951.695 million which is nearing completion.

Program for 2008-09

An amount of Rs 12775.7 million including foreign aid of Rs 4977.0 million has been allocated for the sectoral programs in 2008-09. Despite resource constraints, the allocation indicates an increase of 1.9% over the last year's allocations. Investments are being made mainly in the on-going initiatives of the Government in the areas of institutional changes in the judiciary, FBR, Auditor General's Office, FBS, Police & Law and Order, National School of Public Policy, disaster management, drought, and Local Government institutions. Governance-related development / expenditures is given in Figure 21.1.1:

Figure 21.1.1: Governance PSDP Year wise Allo cation / Expenditure



21.2. Monitoring & Evaluation

Monitoring and Evaluation of development projects is an important element of the project cycle to ensure that the investment made in the public sector is being put to best use as planned. An effective monitoring and evaluation (M&E) is essential to manage a development outcome and realign resources when needed in line with the government priorities and objectives. It enables managers to take decision based on performance to improve the impact of the program.

It has been observed that the implementation of projects has been the weakest area in project cycle. The capacity at the federal and provincial level for effective M&E is week. Line ministries and departments responsible for project monitoring have limited capacity. Sometimes, project document does not have adequate information on specific and measurable indicators to facilitate M&E. The focus is on input and output rather than outcome. Problems with fund flow and lack of trained M&E manpower in project implementing unit hinder effective M&E at the project level.

Review of 2007-08

Various measures taken to improve M&E System are briefly out-lined as under:

A. Monitoring of Development Projects

In all 2119 development projects have been included in PSDP 2007-08. Out of these 720 projects were originally selected for monitoring during 2007-08. Against this 788 projects have been monitored. The increase in quantum of monitoring is due to

enhanced capacity of the Projects Wing. The monitoring target has been surpassed as emphasis has been given for monitoring of projects by institution in social sector like universities and hospitals, where all projects being executed by the institution have been monitored irrespective of the project targeted to be monitored.

The releases/expenditure position of the monitored projects during the period July-March 2007-08 is presented in the Table 21.2.1.

Table 21.2.1 Projects Monitored - 2007-08

(Rs Billion)

Number of Projects		Allocations for 2007-08	Releases upto March 2008	Expenditure upto March 2008	Releases as %age of allocation	Expenditure as %age of releases
To be Monitored	Monitored					
720	788	278.7	130.7	112.7	47	86

B. Evaluation of Development Projects

Planning Commission, besides monitoring of the on-going projects, undertakes evaluation of completed development projects for assessing their efficiency, effectiveness relevance, impact and sustainability in relation to planned targets, goals and objectives. During 2007-08 twenty two (22) projects of various sectors of the economy have been evaluated up to March 2008 against the evaluation target of 30 projects. The evaluation reports have been forwarded to the concerned ministries/divisions for taking necessary actions and guidance for future project planning and management. The evaluation of the projects has sensitized the implementing agencies towards ensuring completion of projects within the approved cost, scope and time to realize their impacts and delivering benefits to the target groups.

C. Management Information System (MIS)

- A web based 'Projects Monitoring & Evaluation System (PMES)' is now functional. The data base of 600 project profiles were entered in the PMES. In this connection 631 project directors/staff were trained for PMES during the July-March 2007-2008.

- The pilot projects have been selected for 'Result Based Monitoring (RBM)' testing under the Technical assistance of Asian Development Bank. RBM indicators have been added in the PC-I proforma. The officers of line ministries and provincial departments are being trained to understand the concepts of RBM Indicators. The RBM Framework has been established and necessary addendum has been incorporated in the PC-I proforma. Training session on RBM concept has been conducted in seven line ministries.

- Three pilot ministries viz HEC, MINFAL and FBR have been electronically connected with Planning Commission.

- Planning and Development Division imparted training to the Projects Directors and Project Managers for preparation of cash/work plans. In all 900 PDs, Project Managers and Accounts Officers and Accountant of

development projects were trained in all 1664 cash/work plan and out of these 1566 plans were cleared.

- Planning and Monitoring Cells have been established in majority of ministries/divisions. The establishment of these cells will not only enhance the capacity of ministries for internal monitoring but also improve the preparation of development projects.

- The ECNEC also directed to appoint independent project directors for each project costing Rs 100 million and above. In this connection, necessary guidelines were issued to the ministries/divisions. Planning Commission is also facilitating in the selection of Independent PDs.

Prospects for 2008-09

- During 2008-09, P&D Division will undertake intensive monitoring of development projects including the new step initiated in 2007-08. Timely implementation of projects will facilitate provision of basic infrastructure to accelerate the economic growth and poverty reduction.

- Emphasis will be given on defining projects based on SMART (Specific, Measurable, Attainable, Realistic and Time Bound).

- RBM Framework incorporated in the revised PC-I proformae will be operationalized.

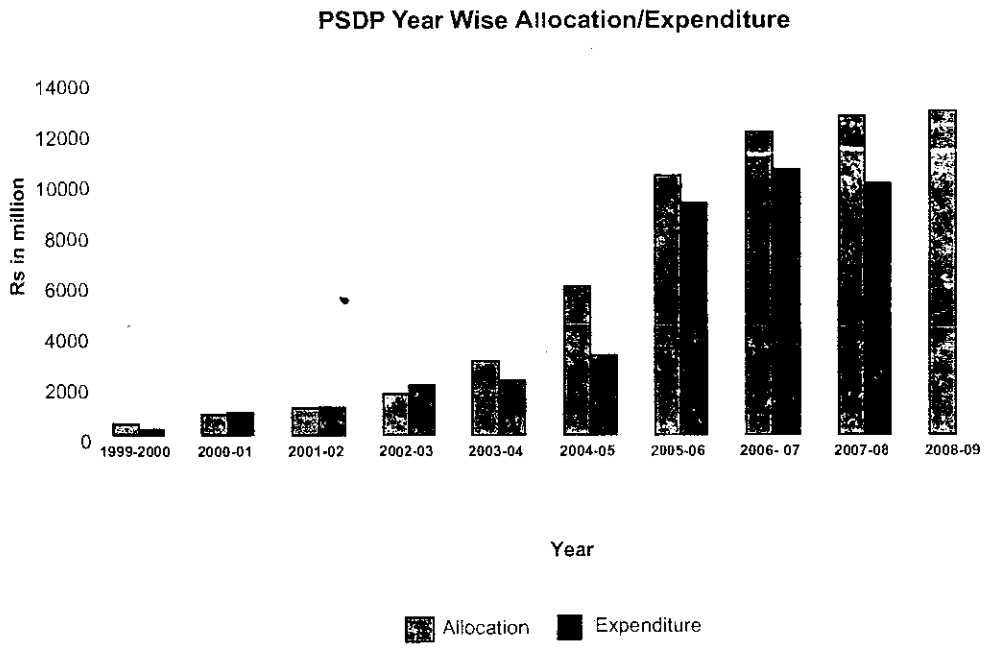
- Evaluation strategy would gradually shifted from Project to Program and then to the Institutionalized Evaluation, approach.

- During the year 2008-09, emphasis will be given on operationalization of Project Monitoring and Evaluation System (PMES). Seven more line ministries will be on the loop of PMES.

- Capacity Building of line ministries/divisions with respect to submission of cash/work plan and data for PMES.

- On-line cash/work plan and automated working paper module for all new PC-1s will be operationalized in the Technical Sections of Planning & Development Division.

Figure 21.1.1: Governance PSDP Year wise Allo cation / Expenditure



21.2. Monitoring & Evaluation

Monitoring and Evaluation of development projects is an important element of the project cycle to ensure that the investment made in the public sector is being put to best use as planned. An effective monitoring and evaluation (M&E) is essential to manage a development outcome and realign resources when needed in line with the government priorities and objectives. It enables managers to take decision based on performance to improve the impact of the program.

It has been observed that the implementation of projects has been the weakest area in project cycle. The capacity at the federal and provincial level for effective M&E is week. Line ministries and departments responsible for project monitoring have limited capacity. Sometimes, project document does not have adequate information on specific and measurable indicators to facilitate M&E. The focus is on input and output rather than outcome. Problems with fund flow and lack of trained M&E manpower in project implementing unit hinder effective M&E at the project level.

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Table 21.2.1 Projects Monitored - 2007-08

(Rs Billion)

Number of Projects		Allocations for 2007-08	Releases upto March 2008	Expenditure upto March 2008	Releases as %age of allocation	Expenditure as %age of releases
To be Monitored	Monitored					
720	788	278.7	130.7	112.7	47	86

B. Evaluation of Development Projects

Planning Commission, besides monitoring of the on-going projects, undertakes evaluation of completed development projects for assessing their efficiency, effectiveness relevance, impact and sustainability in relation to planned targets, goals and objectives. During 2007-08 twenty two (22) projects of various sectors of the economy have been evaluated up to March 2008 against the evaluation target of 30 projects. The evaluation reports have been forwarded to the concerned ministries/divisions for taking necessary actions and guidance for future project planning and management. The evaluation of the projects has sensitized the implementing agencies towards ensuring completion of projects within the approved cost, scope and time to realize their impacts and delivering benefits to the target groups.

C. Management Information System (MIS)

- A web based 'Projects Monitoring & Evaluation System (PMES)' is now functional. The data base of 600 project profiles were entered in the PMES. In this connection 631 project directors/staff were trained for PMES during the July-March 2007-2008.

- The pilot projects have been selected for 'Result Based Monitoring (RBM)' testing under the Technical assistance of Asian Development Bank. RBM indicators have been added in the PC-I proforma. The officers of line ministries and provincial departments are being trained to understand the concepts of RBM Indicators. The RBM Framework has been established and necessary addendum has been incorporated in the PC-I proforma. Training session on RBM concept has been conducted in seven line ministries.

- Three pilot ministries viz HEC, MINFAL and FBR have been electronically connected with Planning Commission.

- Planning and Development Division imparted training to the Projects Directors and Project Managers for preparation of cash/work plans. In all 900 PDs, Project Managers and Accounts Officers and Accountant of

development projects were trained in all 1664 cash/work plan and out of these 1566 plans were cleared.

- Planning and Monitoring Cells have been established in majority of ministries/divisions. The establishment of these cells will not only enhance the capacity of ministries for internal monitoring but also improve the preparation of development projects.

- The ECNEC also directed to appoint independent project directors for each project costing Rs 100 million and above. In this connection, necessary guidelines were issued to the ministries/divisions. Planning Commission is also facilitating in the selection of Independent PDs.

Prospects for 2008-09

- During 2008-09, P&D Division will undertake intensive monitoring of development projects including the new step initiated in 2007-08. Timely implementation of projects will facilitate provision of basic infrastructure to accelerate the economic growth and poverty reduction.

- Emphasis will be given on defining projects based on SMART (Specific, Measurable, Attainable, Realistic and Time Bound).

- RBM Framework incorporated in the revised PC-I proformae will be operationalized.

- Evaluation strategy would gradually shifted from Project to Program and then to the Institutionalized Evaluation, approach.

- During the year 2008-09, emphasis will be given on operationalization of Project Monitoring and Evaluation System (PMES). Seven more line ministries will be on the loop of PMES.

- Capacity Building of line ministries/divisions with respect to submission of cash/work plan and data for PMES.

- On-line cash/work plan and automated working paper module for all new PC-1s will be operationalized in the Technical Sections of Planning & Development Division.