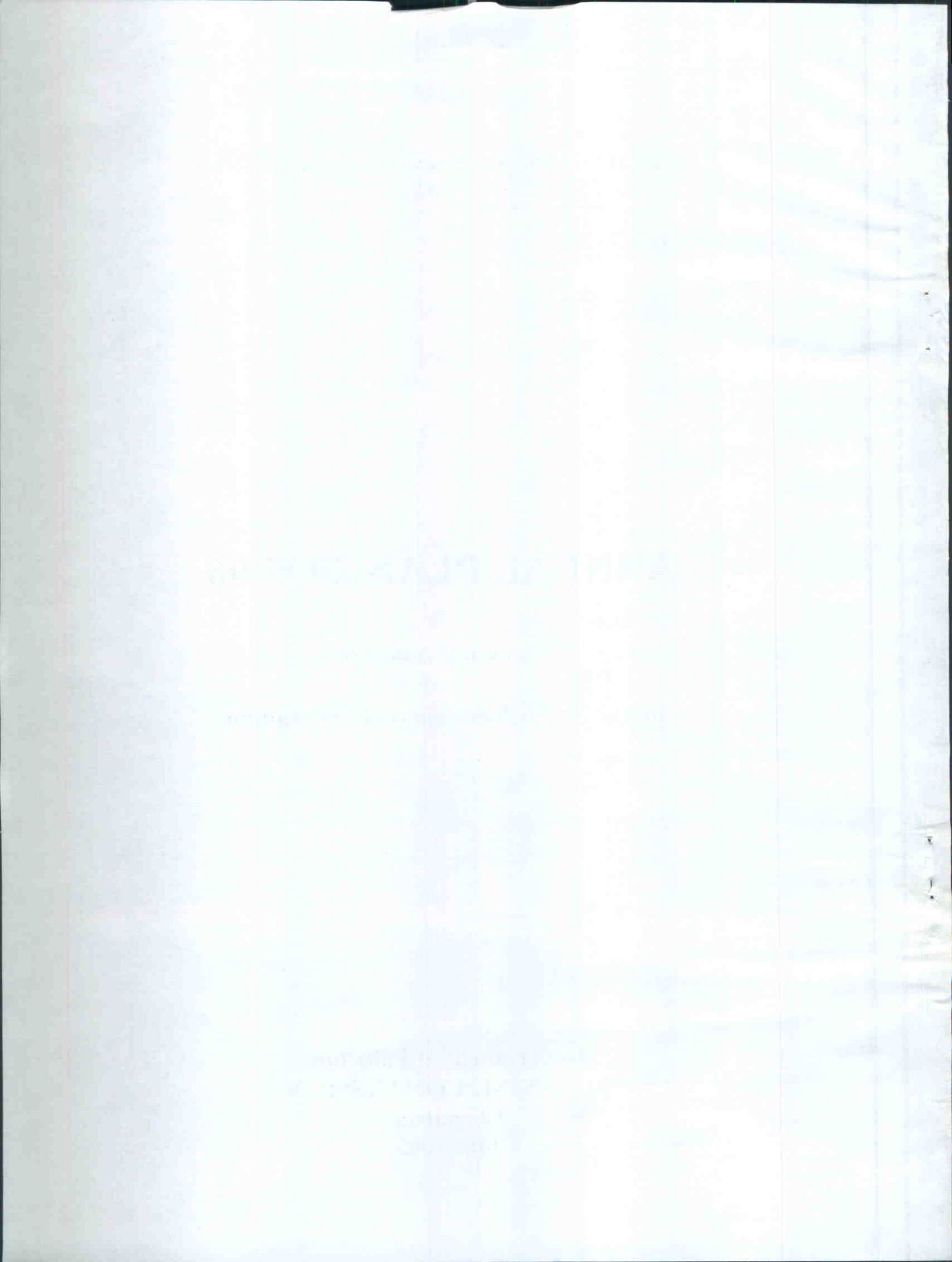


MEDIUM TERM DEVELOPMENT FRAMEWORK (2005-10)

ANNUAL PLAN 2005-06

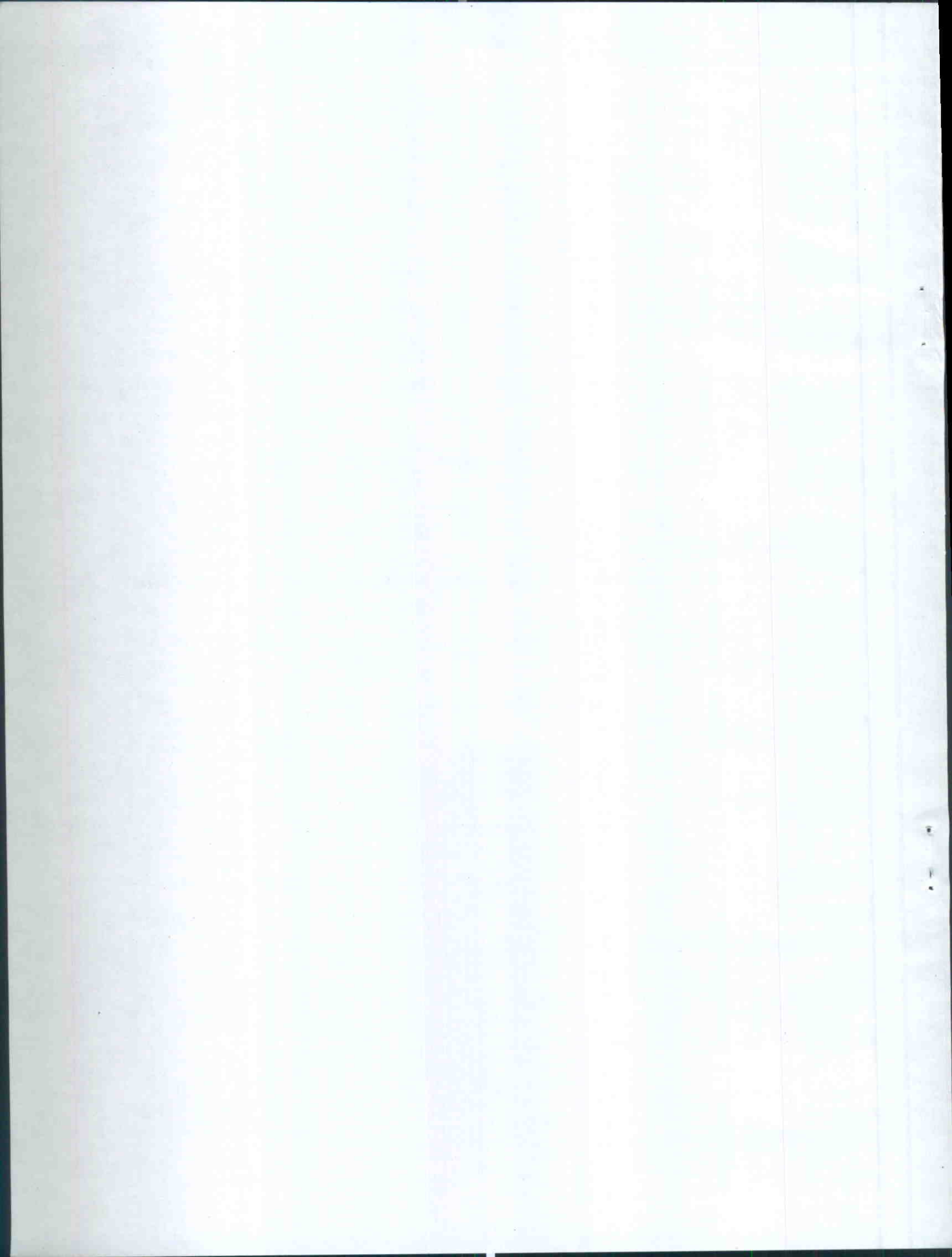
**Economic Framework
and
Public Sector Development Programme**

**Government of Pakistan
PLANNING COMMISSION
Islamabad
June 2005**



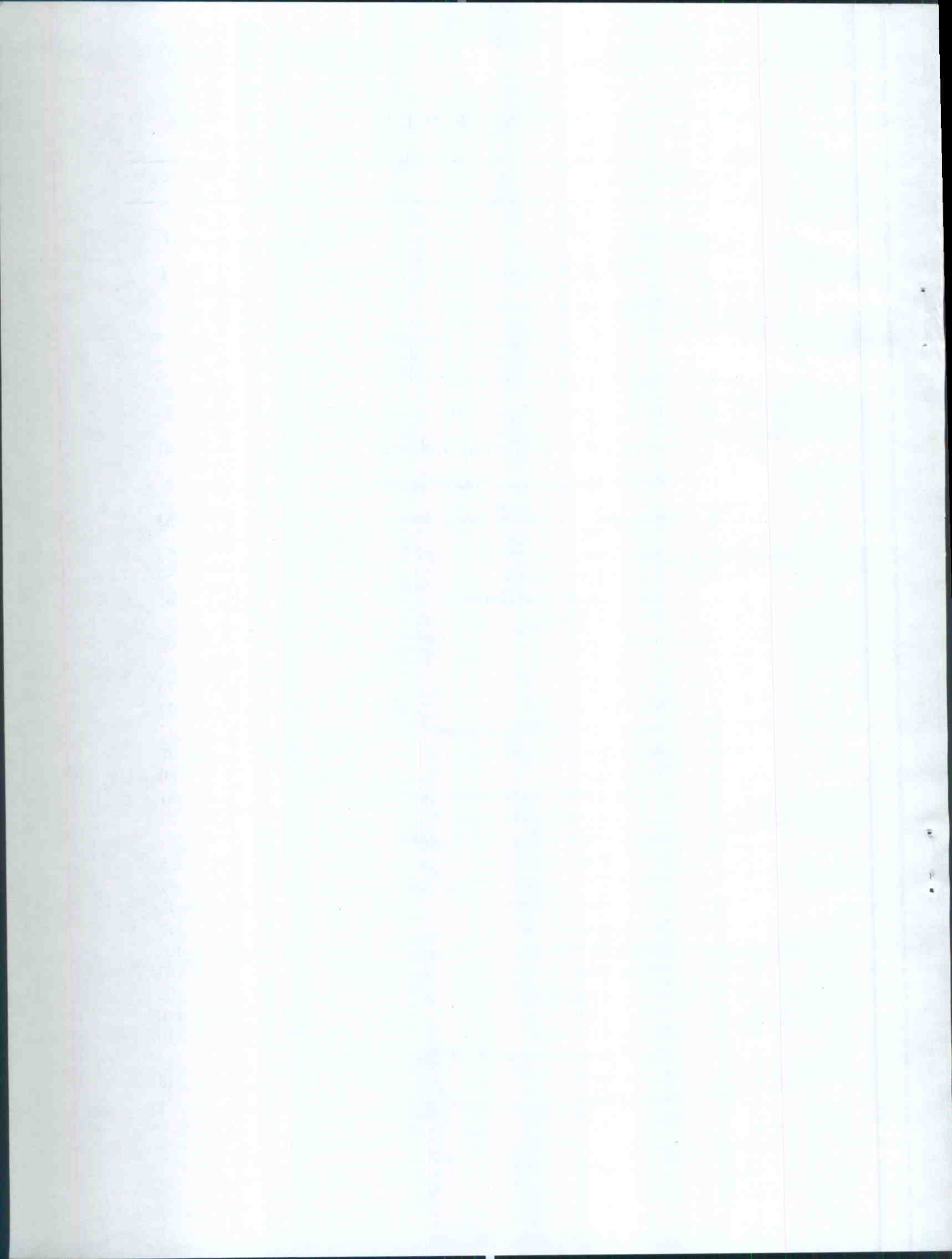
Vision 2030

*Developed, industrialized, just and prosperous Pakistan through rapid
and sustainable development in a resource constrained economy by
deploying knowledge inputs*



CONTENTS

Chapter	Page
Foreword	(v)
Part I Macroeconomic Framework	1
1. Growth, saving and investment	3
2. Balance of payments	17
3. Fiscal and monetary development	25
4. Public sector development programme 2005-06	33
Part II Achieving Millennium Development Goals	41
5. Poverty reduction and human development	43
Part III Main Features of Sectoral Programmes	53
- Agriculture development	55
- Livestock and fisheries	59
- Water resources development	61
- Energy security	
i) Power	67
ii) Fuel	69
- Manufacturing	70
- Minerals	72
- Transport sector development	73
- Physical planning and housing	78
- Mass media	80
- Culture, sports, tourism and youth affairs	81
- Basic and college education	83
- Development of knowledge economy	
i) Higher Education	85
ii) Science and Technology	89
- Information technology	92
- Health and nutrition	97
- Population welfare	102
- Employment	103
- Women development	108
- Social welfare	110
- Rural development	110
- Drought emergency relief assistance programme	113
- Environment	118
- Good governance	121



FOREWORD

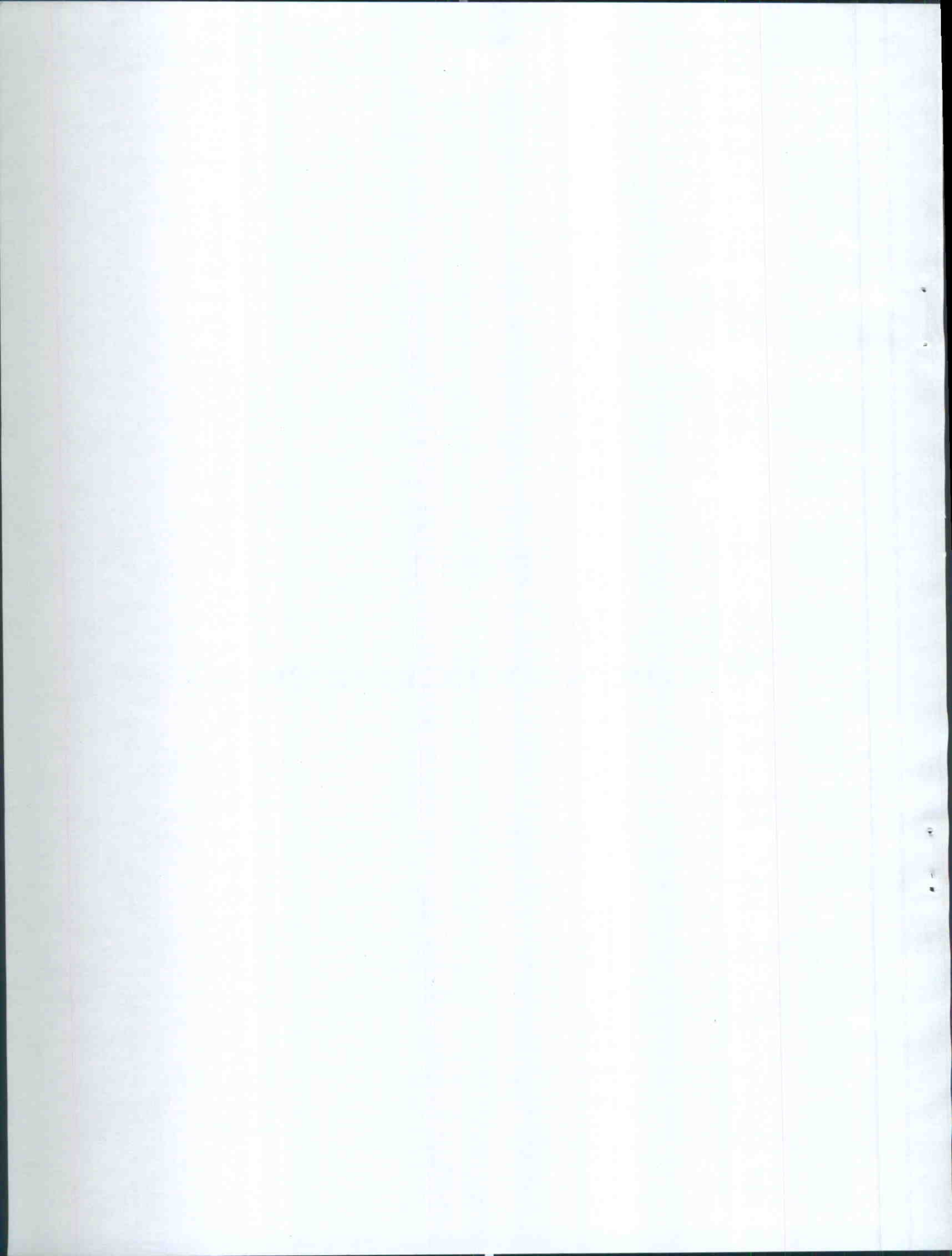
The National Economic Council at its meeting held on May 27, 2005 approved the Annual Plan 2005-06 and authorized the Planning Commission to release it at the time of presentation of the Federal Budget. The Plan covers the 1st Year of Medium Term Development Framework (MTDF) 2005-10. It comprises Growth, Saving and Investment, Balance of Payments, Fiscal and Monetary Development, Poverty Reduction and Human Development and main features of PSDP and Sectoral Programmes. It is in line with the Government's agenda, priority and programmes highlighted in the MTDF. This agenda marks a paradigm shift towards the knowledge economy through an integrated approach. Financial and physical review of Annual Plan 2004-05 and projections and prospects for the year 2005-06 are also given.

Islamabad : June 2005

Dr. M. Akram Sheikh
Deputy Chairman
Planning Commission

PART I

Macroeconomic Framework



CHAPTER -1

GROWTH, SAVING AND INVESTMENT

Overview

The economy of Pakistan has entered a stage of sustained revival after it had taken the turnaround a couple of years ago. This revival is duly reflected in higher than targeted growth rate in the real GDP, containment of budgetary deficit and significant improvement in the external sector especially in the merchandize exports and remittances and accumulation of foreign exchange reserves with coverage of about 11 months of imports. By implementing wide-ranging structural reforms during the last five years, the government of Pakistan has been able to achieve the mutually competing objectives of macroeconomic stability and stimulated economic growth. Due to effective macroeconomic management, bumper cotton and wheat crops and impressive performance of services and manufacturing sectors, the GDP growth rate has been estimated at 8.4 percent for the year 2004-05, the second highest since 1985.

1.2 Despite unprecedented challenges, the country is moving towards a balanced, internationally competitive, technology-driven and knowledge-based economy with prospects of becoming an industrialized nation in the foreseeable future. The economy has ample room for improvement, especially in IT, telecom, construction, engineering and services sectors. The government is making all out efforts to make the best use of available resources and improve the physical infrastructure including water reservoirs, small and large dams, roads, railways, ports and telecommunications. Pakistan, with a rating of B2/B+ by Standard and Poor and Moody International, is one of the few Asian countries to float sovereign Euro bonds of \$ 500 million and Sukuk bonds (Islamic Bonds) of \$ 600 million in the international market and received a very good response from investors offering \$ 1.2 billion bids for the five-year tenure. This has helped the country to augment foreign exchange reserves to a level of \$ 12,707 million, comprising \$ 10,000 million held by the State Bank of Pakistan and \$ 2,707 million by commercial banks as on 21st May 2005. The total investment rose to a level of Rs 1,102.6 billion and the monetary expansion has been estimated at about Rs 360.0 billion (14.48 percent) for the year 2004-05. The prices, however, came under pressure and inflation rate (CPI) rose to 9.27 percent during July-April 2004-05 as against the target of 5.0 percent for the full year.

1.3 The policies of deregulation, privatization and liberalization followed during the last five years have helped in realizing the expected results. A package of well-defined growth-inducing reforms has made the economy open and market friendly where foreign private investment and private sector are playing pivotal role in shaping structural changes in the economy. The current policy reform of the government is focused on sustaining the recently achieved stability in internal and external finance, investing heavily in social and physical infrastructure to meet the growing needs of the population as well as urbanization and bringing about significant reduction in poverty and unemployment in the country. The implementation of these reforms would help the country to consolidate the gains of recent recovery and meet the myriad challenges emerging from contemporary wave of globalization spearheaded by WTO.

Review of Annual Plan 2004-05

1.4 In order to sustain the growth momentum of the economy experienced in recent years, the GDP for the year 2004-05 was targeted to grow at 6.6 percent. Agriculture sector was targeted to grow by 4.0 percent comprising major crops (3.5 percent), minor crops (3.5 percent), livestock (4.4 percent), fishery (3.2 percent) and forestry (4.0 percent). The manufacturing sector was targeted to grow by 10.2 percent, comprising large-scale manufacturing 12.0 percent, small-scale 7.5 percent and slaughtering 3.0 percent. The services sector was projected to grow at 6.2 percent. The total investment was targeted at Rs 1,138.7 billion (18.8 percent of GDP) and national savings were targeted at Rs 1,157.7 billion (19.1 percent of GDP). Inflation (CPI) was targeted at 5.0 percent for the year 2004-05.

1.5 The overall GDP growth targets and the sectoral forecasts were made on the expectations that the ongoing process of second-generation reforms of the economy would serve as a catalyst for a sustained turnaround. For achieving higher growth rates in the economy, policy measures have been designed for ensuring availability of adequate credit to the private sector for investing in agricultural sector, establishing industrial zones, enhancing the exportable surplus and exploring new export markets.

GDP Growth

1.6 The growth rate of real GDP for 2004-05 has been estimated at 8.4 percent, which has surpassed the target of 6.6 percent by a significant margin of 1.8 percentage points. This growth is contributed by 7.5 percent growth in agriculture, 15.4 percent in large-scale manufacturing and 7.9 percent in services sector. The growth rates of real GDP and the different sectors along with absolute levels are given at Annex- 1.1. Total investment and national savings are estimated at Rs 1102.6 billion (16.8 percent of GDP) and Rs 987.9 billion (15.1 percent of GDP) respectively. The saving-investment gap to the extent of Rs 114.7 billion (around 1.8 percent of GDP) is likely to be filled from external resources.

Sectoral Growth Performance

1.7 **Agriculture:** The agriculture sector as a whole has exhibited impressive performance during the current year and is estimated to grow by 7.5 percent, exceeding the target of 4.0 percent by a significant margin. The share of major crops in agriculture sector has increased from 34.0 percent during 2003-04 to 37.1 percent in 2004-05. The major crops have shown exceptional performance and are estimated to grow by 17.3 percent, thus surpassing the target of 3.5 percent by a wide margin. The higher growth of 17.3 percent in case of major crops resulted from a low base growth of 1.9 percent during 2003-04 and the bumper crop of cotton, which has pushed up the growth rate of major crops. This outstanding performance of the agriculture sector has been made possible by favourable weather conditions reinforced by the policy measures including higher support prices, simplified credit policy, improved availability of fertilizers and pesticides and improved efficiency in water use. However, performance of minor crops (3.1 percent), livestock (2.3 percent), fishery (2.1 percent) and forestry (0.4 percent) have remained below the targeted growth rates.

1.8 **Major Crops:** The share of value added in cotton, sugarcane, rice and wheat crops is about 90 percent in the value added of the major crops. The wheat production was targeted at 20.8 million tonnes whereas its production is estimated at around 21.11 million tonnes, depicting growth of 8.3 percent over the last year and 1.5 percent over the target. The target for cotton production was fixed at 10.72 million bales. Due to bumper crop, cotton production is estimated at 14.60 million bales, bringing about a growth as high as 45.3 percent over the output of last year and 36.2 percent over the target. The rice production is estimated at 4.992 million tonnes (*basmati* rice 2.348 million tonnes and other rice 2.644 million tonnes) depicting an increase of 3.0 percent over the production of the last year despite the fact that the area under rice cultivation decreased by 3.2 percent against the targets. However, rice production was lower by 2.4 percent against the targets. The production of sugarcane is estimated at 45.316 million tonnes against the target of 50.875 million tonnes, which has shown a shortfall of 10.9 percent over the target and 15.2 percent over the output of the last year. The details of output of major crops and livestock are given at Annex- 1.2.

1.9 **Minor Crops:** The minor crops contributing 12.2 percent of the agriculture value added, recorded a growth rate of 3.1 percent against the targeted growth rate of 3.5 percent. However, this growth rate is higher than the last year's growth rate of 2.6 percent. One of the main reasons for the lower growth in minor crops is the low value addition of pulses and fruits which witnessed negative growth of 8.7 percent and lower growth of 0.3 percent respectively.

1.10 **Livestock:** The livestock, the major component of the agriculture sector contributing 46.8 percent to agricultural value added, is estimated to register a growth rate of 2.3 percent, which is below the targeted growth rate of 4.4 percent. The main cause of low growth is inter censusal procedure.

1.11 **Fishery and Forestry:** Fishery and forestry are estimated to register growth rates of 2.1 percent and 0.4 percent respectively, which are lower than targeted growth rates of 3.2 percent and 4.0 percent respectively. The lower growth rate of fishing sub-sector is attributed to low catchments, as its export have problems of international standard in processing. The lower growth in case of forestry is mainly due to ban on tree cutting.

1.12 **Industry:** The industrial sector, as a whole registered a growth rate of 10.2 percent as against the target of 9.8 percent. The main factors contributing towards this higher growth are large-scale manufacturing (15.4 percent) and construction (6.2 percent).

1.13 **Mining and quarrying:** Mining and quarrying sector is estimated to register a growth rate of 5.0 percent which is lower than target of 5.5 percent, but higher as compared with last year's growth rate of 3.8 percent. Crude oil, natural gas, coal, limestone and rock salt grew by 9.2 percent, 16.2 percent, 5.5 percent, 7.8 percent and 2.5 percent respectively.

1.14 **Construction:** The value added in construction sector grew by 6.2 percent as against targeted growth of 9.5 percent and has shown improvement when compared to negative growth of 6.9 percent in the last year. The main factor behind the lower

growth rate vis-a-vis the high targeted growth rate is due to increase in prices of construction materials.

1.15 Electricity, Gas and Water Supply: The electricity, gas and water supply sector exhibited growth rate 2.1 against the targeted growth rate of 10.0 percent. The main reason of lower growth rate is lowering of consumption of electricity for high power tariff on account of high prices of furnace oil in the international market. Energy generation during 2004-05 is expected to be 86,244 GWh compared to 81,821 GWh in 2003-04, growing at a rate of 5.4 percent. The gas output which grew by 16.2 percent, was the main factor behind the growth achieved in the sub-sector of electricity, gas and water supply.

1.16 Manufacturing: The manufacturing sector is estimated to grow by 12.5 percent against the target of 10.2 percent. During the year 2004-05, LSM is estimated to exhibit growth of 15.4 percent. A large number of industrial items have shown significant growth. The items expected to show higher growth are cotton cloth (30.2 percent), LCVs (59.9 percent), tractors (19.5 percent), trucks (16.3 percent), cooking oil (25.3 percent), cement (17.7 percent), liquid paints and varnish (59.0 percent), solid paints and varnish (54.2 percent), paper and paper board (4.0 percent) etc. The growth rates of mining and quarrying, constructions and electricity and gas distribution are estimated to be 5.0 percent, 6.2 percent and 2.1 percent respectively. The details of industrial and mineral production are given at Annex- 1.3.

1.17 Services: The services sector is estimated to grow by 7.9 percent with a contribution from the growth in finance and insurance (21.8 percent), wholesale and retail trade (12.0 percent), transport, storage and communications (5.6 percent), ownership of dwellings (3.5 percent), and community and social services (5.4 percent). However the value added of public administration and defence declined by 0.8 percent

Investment and Savings

1.18 For the year 2004-05, total investment was targeted at Rs 1,138.7 billion (18.8 percent of GDP) at current market prices as compared to an investment of Rs 959.0 billion in 2003-04. Of this, total fixed investment was targeted at Rs 1,036.3 billion against the last year level of Rs 864.7 billion. The fixed investment in public sector was targeted at Rs 313.3 billion and in private sector Rs 723.0 billion. Keeping in view the government policy of encouraging the private sector to increase investment in productive sectors as well as the infrastructure projects, 69.8 percent of fixed investment was to be contributed by the private sector. According to provisional estimates, total investment is expected to rise by 15.0 percent from Rs 959.0 billion in 2003-04 to Rs 1,102.6 billion in 2004-05. The fixed investment is estimated to increase by 15.6 percent from Rs 864.7 billion in 2003-04 to Rs 999.3 billion in 2004-05. The macroeconomic framework given at Annex- 1.4 provides the relevant details.

1.19 The **private sector investment** is estimated to increase by 19.3 percent from Rs 597.6 billion to Rs 713.2 billion in 2004-05 and this increase is mainly contributed by an increase of 23.9 percent in manufacturing sector over the last year (23.2 percent in large-scale manufacturing and 26.6 percent in small-scale manufacturing),

construction 79.9 percent, and wholesale and retail trade 27.4 percent etc. In the private investment, LSM has a major share of 24.9 percent and is followed by ownership of dwellings 16.2 percent, transport and communications 14.2 percent and social, community and personal services 11.9 percent. **Public and general government sector investment** estimated to increase by 7.1 percent during 2004-05.

1.20 **National Savings:** The national savings for 2004-05 are estimated to show a decline of 4.4 percent from Rs 1,033.8 billion in 2003-04 to Rs 987.9 billion. As a ratio of GDP, it decreased from 18.7 percent to 15.1 percent.

1.21 **Foreign Private Investment:** The foreign private investment during July-April, 2004-05 amounted to \$ 1,027.0 million including foreign direct investment (FDI) of \$ 891.5 million and portfolio investment \$ 135.5 million, compared to \$ 629.1 million of foreign private investment, comprising FDI of \$ 760.4 million and portfolio investment \$ (-)131.3 million in the corresponding period last year. The foreign private investment thus registered an overall increase of 63.2 percent. However, the FDI increased by 17.2 percent. Sector-wise FDI is given in Table 1.1

Table -1.1
Foreign Direct Investment (FDI)

Economic Groups	(Million US \$)	
	July- April	
	2003-04	2004-05
Financial Business	238.3	206.1
Mining, quarrying- Oil & Gas	169.6	165.9
Transport, Storage & Communication	111.7	124.3
Chemicals, Pharmaceuticals & Fertilizers	23.7	68.9
Power	14.9	61.8
Trade	27.2	42.1
Construction	24.1	33.8
Transport Equipment	2.3	28.0
Textiles	26.8	27.4
Others	121.8	133.2
Total	760.4	891.5
Change (%)	-	17.2

1.22 Due to government's all out efforts to attract FDI, the foreign private investment is picking up. The regional security scenario is encouraging. Concentrated efforts are being made to improve domestic law and order situation. The investment-friendly regulatory framework and viable infrastructure, which are some of the factors that spur the inflow of foreign investment, are being put in place. The country's sovereign rating made by the various international agencies has improved remarkably. In order to attain a higher level of foreign investment, efforts will have to continue to make the overall environment more investment and business friendly. It is expected the foreign direct investment is likely to be one billion dollars by the close of the year 2004-05.

Proposed Annual Plan 2005-06

GDP Growth

1.23 The year 2005-06 would be the first year of Medium Term Development Framework. MTDf has been conceived in the light of recent socio economic performance of the country, continuing supportive public policies and challenges and opportunities emerging from the global economy. Wide-ranging economic and financial reforms have made the economy open, liberalized and market friendly. As a result, private sector has begun to play an active role in shaping structural changes in the economy. The performance of the economy during 2004-05 is extraordinary, with GDP growth rate of 8.4 percent. However, recurrence of such a high level of growth is unlikely next year. This growth emanated from fast growing agriculture sector, contributed by bumper cotton and wheat crops and manufacturing sector growing at a very fast pace. The performance of agriculture and manufacturing sectors is not likely to repeat itself. Production of cotton and wheat crops resulted from a combination of policy measures and extremely favourable weather conditions, a combination which is rare in occurrence. Similarly, in manufacturing sector, slack in capacity utilization has picked up and the sector is operating almost at full capacity. Improvement in efficiency and addition to capacity, the two drivers of growth, will accelerate growth in the manufacturing sector with a time lag. Further, due to inflationary pressures the economy is heating up and needs some slowing down. Realism demands that the growth rate for the next year should be lower than that of this year. The GDP growth rate for 2005-06 is therefore, placed at 7.0 percent. Real GDP and sector-wise growth rates during 2004-05 and targets for 2005-06 are summaries in Table-1.2.

Table-1.2
Real GDP Growth Rates

Sectors	(Percentages)		
	2003-04 (Revised)	2004-05 (Provisional)	2005-06 (Targets)
Agriculture	2.2	7.5	4.8
Major crops	1.9	17.3	6.6
Manufacturing	14.1	12.5	11.0
Large-scale	18.2	15.4	13.0
Services	6.0	7.9	6.8
GDP (fc)	6.4	8.4	7.0

1.24 **Agriculture sector:** The agriculture sector is envisaged to grow by 4.8 percent against the growth rate of 7.5 percent achieved in 2004-05. The target would be achievable in view of expectation of better performance of agriculture including major and minor crops, livestock, fishing and forestry.

1.25 **Major crops:** The value added of major crops is targeted to grow by 6.6 percent compared to 17.3 percent witnessed during 2004-05. The target of cotton production has been set at 15.0 million bales compared to the output of 14.6 million bales in 2004-05. The sugarcane production is targeted at 50.095 million tonnes as against the level of 45.316 million tonnes achieved in the year 2004-05. The wheat

production is targeted at 22.139 million tonnes against the level of 21.109 million tonnes likely to be achieved during 2004-05. Rice and maize production are targeted at 5.000 million tonnes and 2.905 million tonnes against achievements of 4.992 million tonnes and 2.775 million tonnes respectively in the year 2004-05. The higher growth targets in the agriculture sector have been envisaged on the expectations of favourable weather conditions, adequate water availability, improved seeds and supply of fertilizer at affordable price.

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

1.27 The **minor crops** are targeted to grow by 4.0 percent, which is higher than the achieved growth of 3.1 percent for the year 2004-05.

1.28 The **livestock sub-sector** is targeted to grow by 3.5 percent, a rate higher than the achieved growth of 2.3 percent during 2004-05. Keeping in view the share of livestock about 46.8 percent in agriculture and its strong linkages with poverty reduction and employment generation in rural areas, an increased emphasis would be placed on its growth. Measures for the promotion of the sector would be taken in collaboration with the provinces. This sector has great potential to grow at a much faster rate and can significantly contribute in GDP growth.

1.29 The **fishery and forestry sub-sectors** are targeted to grow by 4.0 and 5.1 percent respectively during the year 2005-06 against the estimated growth rates of 2.1 percent and 0.4 percent respectively during 2004-05. There is a great potential for promotion of fish culture in some of the areas of Sindh with brackish water which otherwise is not suitable for crops, but is quite suitable for fish farming. To achieve target of fishery processing method should be improved according to the international standards.

1.30 The growth target for **mining and quarrying sector** is fixed at 5.2 percent for the year 2005-06, which is higher than the growth of 5.0 percent as estimated to be achieved during 2004-05.

1.31 The **manufacturing sector** is targeted to grow by 11.0 percent, a growth rate envisioned to consolidate the higher growth rates achieved on the average of 9.5 percent during the period 2001-05. The targeted growth rate of the manufacturing sector is premised on the growth of the large-scale manufacturing sector of 13.0 percent, small and household manufacturing sector of 7.4 percent and slaughtering of 3.1 percent. The automobiles (comprising jeeps, cars, tractors and motorcycles), petroleum products, chemicals, cement, cotton yarn and cotton cloth, textiles made-ups, engineering goods, air conditioners, motor tyres, fertilizers and electronic items like refrigerators, TV sets and electric transformers would be the main growing

industries. In order to achieve the higher growth target, policy measures will be designed for ensuring availability of adequate credit to the private sector, export orientation with competitive edge in the world market and establishing new industrial zones and exploring new foreign markets.

1.32 The SMEs sector has an important role to play in increasing investment and creating job opportunities. The reduction in the mark-up rates and lower tariffs on essential inputs would further encourage investment in this sector. The SMEs Bank is being restructured to play a proactive role in promoting the development of SMEs. The commercial banks are also opening SMEs windows to supplement the flow of funds into this sector.

1.33 **Construction:** A major growth momentum is expected for the construction industry, which is forecasted to grow by 7.5 percent as against an estimated growth rate of 6.2 percent during 2004-05.

1.34 The growth prospects for **electricity, gas and water supply sector** for the year 2005-06 are likely to be bright as large hydropower generation would be available and its recovery from the adverse impact of drought and a higher oil bill would be possible. The sector, as a whole, is projected to grow at the rate of 3.5 percent during the year 2005-06 which is higher than the estimated growth of 2.1 percent in 2004-05.

1.35 The **services sector**, as a whole, is targeted to grow by 6.8 percent. The main contributors of value added in this sector will be sub-sectors such as transport and communication, wholesale and retail trade, finance and insurance and social, community & personal services, which are targeted to grow by 5.8 percent, 9.3 percent, 6.7 percent and 5.8 percent respectively.

Savings and Investment

1.36 **Investment:** The total investment is targeted at Rs 1369.2 billion (18.1 percent of GDP) during 2005-06. The increased flow of investment is based on the assumption of a favourable investment climate for foreign as well as domestic investors free from all types of irritants. About 68.5 percent of fixed investment will be covered by the private sector and remaining 31.5 percent by the public sector. The investment targets along with other elements of macroeconomic framework may be seen at Annex- 1.4.

1.37 The government is taking numerous measures to enhance both indigenous and foreign investors' confidence. These measures include rationalization of tariffs with a view to improving the competitiveness of Pakistan's industry, constant review of tax laws and tax machinery for building confidence of the business community, improvement in the process of refunds and removal of procedural bottlenecks for complying with tax laws, a reformed banking sector catering to the needs of private sector and removal of all irritants that have the potential to impose undue cost of business. The government is providing incentives to the private sector for investment in SMEs, housing and agriculture sectors, all of which have the potential to create new job opportunities. As a ratio of GDP, public and private sector investments are targeted to be at 5.2 percent and 11.3 percent respectively. The targeted allocations in

the PSDP for 2005-06 at Rs 272.0 billion (3.6 percent of GDP) are 34.7 percent higher than the PSDP allocation of Rs 202.0 billion (3.1 percent of GDP) in 2004-05.

1.38 **National savings:** For the year 2005-06 the national savings are envisaged to grow by 21.8 percent from Rs 987.9 billion (15.1 percent of GDP) to Rs 1202.9 billion (15.9 percent of GDP). To bridge saving-investment gap Rs 166.3 billion (2.2 percent of GDP) would be required from the external resources.

Conclusion

1.39 During 2004-05, the economy of Pakistan registered a growth rate of 8.4 percent. This growth has been generated by a buoyant growth of agriculture and remarkable growth of large-scale manufacturing sector. One of additional factors supporting the higher growth relates to the consistent policies pursued by the government under the structural adjustment programme. As a consequence of these developments, the economy has become open and market friendly, which provides ideal conditions for the foreign and domestic investors. The growth target for the year 2005-06 has been fixed at 7.0 percent and for achieving this growth target, total investment is envisioned at Rs 1369.2 billion (18.1 percent of GDP).

1.40 The private sector faced with challenges of liberalization and opening of the economy is bound to improve its competitiveness in domestic as well as in the foreign markets. To improve competitiveness in the manufacturing and services sectors, the private sector will have to enhance its productivity through the induction of modern and efficient technologies and improved management practices. The large PSDP spending on education and skill development, infrastructure and provision of support services would help enhance the efficiency and productivity of both private and public sectors. At the same time, the higher level of investment in agriculture in the form of human resource development, R&D, improved water availability through lining of canals and water courses, support services, infrastructure development and supporting policies would significantly contribute in raising the factor productivity of agriculture sector. The private sector dynamism and the government resolve to play the role of a facilitator for private sector by providing a conducive, knowledge-based and supporting environment would greatly help achieve the investment and growth targets of Annual Plan 2005-06.

GROSS DOMESTIC PRODUCT
(At 1999-2000 Prices)

Items	(Million Rs)						
	2003-04	2004-05		2005-06	% Change		
		(R)	(T)		(P)	(T)	(P)
I COMMODITY SECTORS	1,957,980	2,118,870	2,131,490	2,285,102	7.0	8.9	7.2
A AGRICULTURE	962,527	1,003,570	1,034,292	1,083,517	4.0	7.5	4.8
Major Crops	327,463	341,966	384,216	409,574	3.5	17.3	6.6
Minor Crops	122,583	123,973	126,366	131,421	3.5	3.1	4.0
Livestock	473,202	494,542	484,034	500,975	4.4	2.3	3.5
Fishery	13,611	14,047	13,898	14,454	3.2	2.1	4.0
Forestry	25,668	29,043	25,778	27,093	4.0	0.4	5.1
B INDUSTRY	995,453	1,115,300	1,097,198	1,201,586	9.8	10.2	9.5
Mining & Quarrying	61,509	62,532	64,609	67,969	5.5	5.0	5.2
Manufacturing (I+II+III)	727,733	796,939	818,448	908,310	10.2	12.5	11.0
I) Large-Scale Manufacturing	492,937	546,881	568,987	642,955	12.0	15.4	13.0
II) Small & Household	176,841	190,104	189,767	203,810	7.5	7.3	7.4
III) Slaughtering	57,955	59,953	59,694	61,545	3.0	3.0	3.1
Construction	86,402	108,715	91,783	98,667	9.5	6.2	7.5
Electricity, Gas & Water Supply	119,809	147,114	122,358	126,641	10.0	2.1	3.5
II SERVICES	2,176,564	2,296,902	2,348,360	2,506,988	6.2	7.9	6.8
Transport, Storage & Communication	470,015	482,341	496,171	524,949	4.5	5.6	5.8
Wholesale & Retail Trade	764,688	828,032	856,531	936,188	8.4	12.0	9.3
Finance and Insurance	135,972	127,226	165,553	176,645	3.5	21.8	6.7
Ownership of Dwellings	126,764	131,879	131,214	135,938	3.8	3.5	3.6
Public Administration & Defence	269,959	298,761	267,750	277,121	6.5	-0.8	3.5
Social, Community & Personal Service	409,166	428,663	431,141	456,147	5.1	5.4	5.8
GDP(fc)	4,134,544	4,415,772	4,479,850	4,792,091	6.6	8.4	7.0

MAJOR CROPS AND LIVESTOCK

ITEMS	UNITS	2003-04	2004-05		2005-06 Targets	Percent Change	
			Targets	Prov.		2004-05/2005-06/ 2003-04	2004-05
I. KHARIF CROPS							
Rice	(000 MT)	4,847.6	5,114.0	4,992.0	5,000.0	3.0	0.2
Basmati	(000 MT)	2,522.3	2,540.0	2,348.0	2,400.0	-6.9	2.2
Others	(000 MT)	2,325.3	2,574.0	2,644.0	2,600.0	13.7	-1.7
Bajra	(000 MT)	273.7	225.0	193.0	300.0	-29.5	55.4
Maize	(000 MT)	1,897.4	2,209.0	2,775.0	2,905.0	46.3	4.7
Jawar	(000 MT)	238.1	262.0	186.0	292.0	-21.9	57.0
Sugarcane	(000 MT)	53,419.0	50,875.0	45,316.0	50,095.0	-15.2	10.5
Cotton	(Mln Bales)	10.05	10.72	14.60	15.00	45.3	2.7
II. RABI CROPS							
Wheat	(000 MT)	19,499.8	20,800	21,109.0	22,139.0	8.3	4.9
Barley	(000 MT)	97.6	125.0	96.0	120.0	-1.6	25.0
Gram	(000 MT)	611.1	648.0	761.0	833.0	24.5	9.5
Sesamum	(000 MT)	24.7	30.0	30.0	30.0	21.5	0.0
Rap. & Mustard	(000 MT)	221.0	239.0	227.0	240.0	2.7	5.7
Tobacco	(000 MT)	86.2	96.2	84.0	90.0	-2.6	7.1
III. LIVESTOCK							
Milk	(000 MT)	28,624.0	29,472.0	29,472.0	30,357.0	3.0	3.0
Meat	(000 MT)	2,192.0	2,263.0	2,275.0	2,346.0	3.8	3.1
Wool	(000 MT)	40.0	40.3	40.3	40.6	0.7	0.8
Hides	(Mln No)	8.4	8.6	8.6	8.8	2.0	2.4
Skins	(000 Nos)	46,830.0	42,577.0	47,880.0	48,930.0	2.2	2.2

Sources	Crops	
1	2003-04	MINFAL(Economic Wing) & NAC (FBS)
2	2004-05	MINFAL & NAC (FBS)
3	2005-06	Rice, Sugarcane, Cotton & Maize (MINFAL) Wheat, Gram, Tobacco & Others (Food & Agri. Section, P & D Div)
	Livestock	2004-06 Livestock Division (MINFAL)

INDUSTRIAL AND MINERAL PRODUCTION

ITEMS	UNITS	2003-04 Final	2004-05		2005-06 Targets	% Change		
			Targets	Provisional Estimates		2004-05/ 2003-04	2005-06/ 2004-05	
A. INDUSTRIAL PRODUCTION (Large-Scale Manufacturing)								
1	Cotton Yarn	Mln Kg	1,929	2,089	2,068	2,192	7.2	-1.0
2	Cotton Cloth	Mln SQ Mtr	683	727	889	987	30.2	22.3
3	Vegetable Ghee	000 MT	888	850	910	955	2.5	7.1
4	Sugar	000 MT	4,021	3,808	4,081	4,264	1.5	7.2
5	Paper & Paper Board	000 MT	405	435	421	450	4.0	-3.2
6	Nitrogenous Fertilizer	000 NT	2,234	2,431	2,290	2,381	2.5	-5.8
7	Phosphatic Fertilizer	000 NT	286	280	365	401	27.6	30.4
8	Soda Ash	000 MT	287	305	292	322	1.7	-4.3
9	Caustic Soda	000 MT	188	198	210	231	11.7	6.1
10	Paints & Varnish (L)	000 Ltr	38,115	82,595	60,603	66,663	59.0	-26.6
11	Paints & Varnish (S)	MT	5,406	6,893	8,336	9,169	54.2	20.9
12	Petroleum Products	Mln Litr	11,434	12,105	12,795	14,714	11.9	5.7
13	Cement	000 MT	12,862	14,185	15,139	16,652	17.7	6.7
14	Billets	000 MT	429	450	435	457	1.4	-3.3
15	HR/CR/Sheets	000 MT	698	730	708	744	1.4	-3.0
16	Trucks	Nos	2,022	2,778	2,352	2,822	16.3	-15.3
17	Buses	Nos	1,380	1,710	1,775	2,130	28.6	3.8
18	LCVs/Jeeps	Nos	14,896	21,335	23,819	29,773	59.9	11.6
19	Cars	Nos	99,263	114,703	122,887	153,608	23.8	7.1
20	Tractors	Nos	36,103	43,766	43,143	49,614	19.5	-1.4
21	Air Conditioners	Nos	64,420	40,782	75,580	90,696	17.3	85.3
22	Refrigerators	000 Nos	617	600	743	892	20.4	23.8
23	TV Sets	000 Nos	843	900	902	1,127	7.0	0.2
24	Bicycles	000 Nos	664	670	675	742	1.7	0.7
25	Electric Transformers	000 Nos	34	37	49	58	44.1	32.4
26	Electric Supply Meters	000 Nos	1,429	1,980	1,572	1,887	10.0	-20.6
27	Coke	000 MT	786	825	810	850	3.1	-1.8
28	Cigarettes	Mln Nos	55,399	55,864	60,274	62,082	8.8	7.9
29	Jute Goods	MT	104	125	103	108	-1.0	-17.6
30	Motor Tyres	000 Nos	1,302	1,536	1,547	1,779	18.8	0.7
31	Motor Tubes	000 Nos	587	620	605	665	3.1	-2.4
32	Pig Iron/Hot Metals	000 MT	1,180	1,190	1,211	1,272	2.6	1.8
33	Shuttles	000 MT	92	107	107	116	16.3	0.0
34	Electric Motors	Nos	18,040	26,270	18,852	22,622	4.5	-28.2
35	Power Looms	Nos	661	684	684	759	3.5	0.0
36	Tea Blended	Tonnes	59,269	62,304	60,750	65,003	2.5	-2.5
37	Liquid Syrups	000 Ltr	36,039	45,440	36,219	39,840	0.5	-20.3
38	Ointments	000 Kg	971	1,009	1,009	1,060	3.9	0.0
39	Cooking Oil	000 MT	190	180	238	250	25.3	32.2
B. MINERAL PRODUCTION								
1	Crude Oil	BPD	62,320	68,074	68,074	74,881	9.2	0.0
2	Natural Gas	MMCFD	3,243	3,767	3,767	4,144	16.2	0.0
3	Coal	000 MT	3,601	3,800	3,800	4,180	5.5	0.0
4	Limestone	000 MT	8,195	8,835	8,835	9,719	7.8	0.0
5	Rock Salt	000 MT	805	825	825	883	2.5	0.0

Source: i) Federal Bureau of Statistics/National Accounts Committee (NAC).
ii) M/o Industries, Production and Special Initiatives
iii) Draft MTDf 2005-10 (Growth Rates for 2005-10)

Macroeconomic Framework
(At Current Market Prices)

(Rs Billion)

Items	2003-04	2004-05		2005-06	Growth (%)	
	Final	Targets	Provisional	Targets	2004-05/	2005-06/
		Estimates	2003-04		2004-05	
GDP (fc)	5142.6	5655.7	6129.7	7104.3	19.2	15.9
Indirect Taxes (Net)	390.1	396.1	417.9	460.4	7.1	10.2
GDP (mp)	5532.7	6051.8	6547.6	7564.7	18.3	15.5
Net Factor Income from Abroad	124.5	95.7	125.2	130.0	0.6	3.8
GNP (mp)	5657.2	6147.5	6672.8	7694.7	18.0	15.3
External Resources Inflow (Net)	-74.8	-19.0	114.7	166.3	253.3	45.0
Total Resources/Uses [GNP(mp)+External Resources]	5582.4	6128.5	6787.5	7861.0	15.3	15.8
Total Consumption	4623.4	4989.8	5684.9	6491.8	23.0	14.2
Total Investment	959.0	1138.7	1102.6	1369.2	15.0	24.2
Fixed Investment	864.7	1036.3	999.3	1248.2	15.6	24.9
Public	267.1	313.3	286.1	393.4	7.1	37.5
(PSDP)	160.5	202.0	202.0	272.0	25.9	34.7
Private	597.6	723.0	713.2	854.8	19.3	19.9
Changes in Stocks	94.3	102.4	103.3	121.0	9.5	17.2
National Savings	1033.8	1157.7	987.9	1202.9	-4.4	21.8
GNP Per Capita (\$)	611.3	650.0	683.5	803.7	11.8	17.6
As % of GDP (mp)						
Total Investment	17.3	18.8	16.8	18.1		
Fixed Investment	15.6	17.1	15.3	16.5		
Public	4.8	5.2	4.4	5.2		
(PSDP)	2.9	3.3	3.1	3.6		
Private	10.8	11.9	10.9	11.3		
Changes in Stocks	1.7	1.7	1.6	1.6		
National Savings	18.7	19.1	15.1	15.9		
External Resources Inflow (Net)	-1.4	-0.3	1.8	2.2		

CHAPTER - 2

BALANCE OF PAYMENTS

The Annual Plan 2004-05 had visualized deterioration in the trade balance because of much larger growth in imports as compared to exports. The exports (fob) were projected at \$ 13130 million during 2004-05, an increase of 8.0 percent from \$ 12158 million in 2003-04. The growth in exports was predicated on sustained increase in agriculture and manufacturing sector production, diversification of exports by commodity and by market, improvement in the industrial base and enhancement of overall competitiveness of external sector. Imports (fob) were anticipated at \$ 14462 million during 2004-05 by 12.0 percent increase from \$ 12913 million in 2003-04. The trade deficit during 2004-05 was thus projected to increase to \$ 1332 million against a deficit of \$ 755 million (provisional) during 2003-04. Balance on the invisible account was expected to be in surplus \$ 1663 million against surplus of \$ 2368 million in 2003-04. With significant increase in the trade deficit, the current account surplus was projected to decline to \$ 331 million (0.3 percent of GDP) in 2004-05 from provisional estimates of \$ 1613 million (1.7 percent of GDP) during 2003-04.

2.2 The latest estimates for the year 2004-05 indicate a high trade deficit due to significant increase in imports. During July-April 2004-05 exports increased by 15.28 percent to \$ 11529.52 million from \$ 10001.02 million in July-April 2003-04. Imports during July-April 2004-05 increased by 36.36 percent to \$ 16372.10 million from \$ 12006.09 million in July-April 2003-04, resulting in a significant increase of 141.52 percent in the trade deficit over the same period last year. Workers remittances during the first nine months (July-March 2004-05) increased by 6.10 percent to \$ 3050.51 million from \$ 2875.26 million during the same period of last year. According to the latest estimate prepared on the basis of data so far available, past trends and future assessment, indicates that the current account deficit (without official transfers) is likely to be \$ 1912 million (1.75 percent of GDP) in 2004-05 as against the surplus (Actual/provisional) of \$ 1300 million (1.35 percent of GDP) during 2003-04.

2.3 **Exports:** During July- April 2004-05, exports stood at \$ 11529.52 million as compared to \$ 10001.02 million, up by 15.28 percent over the same period last year. The improvement is due to increase in export receipts of raw cotton, rice, cotton cloth, Knitwear, towels, made-up articles, POL products, leather tanned, leather manufactures, plastic materials, carpet & carpeting, engineering goods and pharmaceuticals. Export items for which data on both volume and price are available showed a growth of 9.28 percent. Decomposition of this growth into volume and price effect revealed an increase of 8.17 percent in volume and 1.11 percent in price.

2.4 It is expected that exports would pick up during the coming months and total exports (fob) for full year 2004-05 are estimated at \$ 14.0 billion as against the target of \$ 13.13 billion (A.P) for 2004-05. Annex- 2.1 gives a detailed account of estimated exports.

2.5 **Imports:** Imports during July–April 2004-05 have increased by 36.36 percent to \$ 16372.10 million over the corresponding period last year \$ 12006.09 million largely on account of a significant increase (27.39 percent) in import of petroleum crude, increase in volume (15.22 percent) and increase in price (10.56 percent) and an increase (20.88 percent) in the import of petroleum products in volume (7.10 percent) and in price (12.87 percent). Import of machinery group has shown a significant increase of 57.42 percent from \$ 2870.82 million in July-April 2003-04 to \$ 4519.37 million during July-April 2004-05 . Import of textile machinery has shown an increase of 57.82 percent, construction and mining machinery 48.46 percent, agriculture machinery and implements by 75.93 percent and electrical machinery 25.11 percent. Import of sugar, pulses, synthetics fiber, fertilizer, insecticides, iron & steel scrape, iron & steel and rubber tyres and tubes have also gone up. Import of Machinery group and petroleum group (only two groups) have increased by \$ 2258.65 million during July April 2004-05 over the same period last year . Imports of items for which data on both volume and prices are available showed a growth of 31.38 percent. Decomposition of this growth into volume and price effect revealed an increase of 21.91 percent in volume and 9.47 percent in price. Imports (fob) for full year are estimated at \$ 17.56 billion . Details of imports projection are at Annex- 2.2.

2.6 **Invisibles Account:** During July-March 2004-05, home remittances amounted to \$ 3050.51 million, higher by 6.10 percent over the same period last year (\$ 2875.26 million). Remittances for the full year 2004-05 have been estimated at \$ 4000 million. After allowing for other invisibles receipts and payments, the invisibles balance is estimated to surplus by \$ 1643 million in 2004-05 as against a surplus of \$ 2508 million (Actual / provisional) of the last year.

2.7 **Current Account Balance:** With the trade deficit at \$ 3555 million and invisibles surplus of a \$ 1643 million, the current account deficit for the financial year 2004-05 is estimated to increase to \$ 1912 million (1.75 percent of GDP) from last years level of a surplus \$ 1300 million (1.35 percent of GDP). Details are at Annex-2.3.

2.8 **Capital Account:** Gross aid disbursements are estimated to increase from \$ 1354 million in 2003-04 to \$ 2246 million in 2004-05. Allowing for other capital flows, the capital requirement is estimated to increase from \$ 2846 million during 2003-04 to \$ 3985 million in 2004-05. The financing of these requirements would be made through normal disbursements of medium and long-term loans, capital and foreign investment (net) and exceptional financing to be financed through multilateral institutions. Other capital including foreign direct investment and portfolio investment (net) is anticipated to decrease from \$ 511 million during 2003-04 to \$ 210 million in 2004-05. The gap will be financed through exceptional financing.(Details are at Annex- 2.3) Pakistan has entered the international capital market in February 2004 and issued \$ 500 million Euro Bonds and has also launched Sukuk Bonds (Islamic Bonds) in the international market and received a very good response from investors offering \$ 1.2 billion bids for the five-year tenure. The government has accepted \$ 600 million bids.

Annual Plan 2005-06

2.9 **Trade Account:** It is expected that 2005-06 may experience an increase in the trade balance due to higher imports than exports. Projections of exports are based on sustained increase in agricultural production and manufacturing sector and improvement in the overall competitiveness of the external sector. The imports are anticipated to increase due to increased payments for capital goods, raw materials, POL, fertilizers and edible oils. However, the trade account is projected to be in deficit by \$ 4160 million in 2005-06 against an estimated deficit of \$ 3555 million in 2004-05.

2.10 **Invisibles Account:** Prospects for the invisibles balance will continue to be governed mainly by the behavior of the workers' remittances and other private transfers. For 2005-06, remittances have been projected at \$ 4020 million against \$ 4000 million during 2004-05. Allowing for other invisibles receipts and payments, the surplus on invisibles account is anticipated to decrease to \$ 1461 million against a surplus of \$ 1643 million during 2004-05.

2.11 **Current Account Balance:** With a deficit of \$ 4160 million on the trade account and a surplus of \$ 1461 million on the invisibles account, the current account deficit is estimated to increase to \$ 2699 million (2.19 percent of GDP) in 2005-06 from a deficit of \$1912 million (1.75 percent of GDP) in 2004-05.

2.12 **Capital Account:** Gross aid disbursements are estimated to decrease from \$ 2246 million in 2004-05 to \$ 1428 million projected for the year 2005-06. Allowing for other capital flows, the capital requirement is estimated to increase from \$ 3985 million during 2004-05 to \$ 4624 million in 2005-06. The financing of these requirements would be made through normal disbursements of medium and long-term loans, capital and foreign investment (net) and exceptional financing to be financed through multilateral institutions. Other capital including foreign direct investment and portfolio investment (net) is anticipated to increase from \$ 210 million during 2004-05 to \$ 260 million in 2005-06. The gap will be financed through exceptional financing. Details are at Annex- 2.3.

MAJOR EXPORTS

Items	\$ Million		
	2003-04 Actual	2004-05 Estimate	2005-06 Projection
I. Primary Commodities	683	875	887
Cotton	49	102	85
Total Rice	634	773	802
Basmati Rice	422	463	487
Other Rice	212	310	315
II. Cotton based Manufactures	7635	7815	9183
Yarn	1127	1185	1323
Cloth	1711	1775	2103
Readymade Garments	993	1025	1107
Tents and Canvas	75	80	84
Hosiery	1459	1500	1712
Made ups (incl.towels & Bedwear)	2270	2250	2854
III. Other Traditionals	1095	950	1295
Fish and Fish Preparation:	153	160	193
Leather	240	255	294
Carpets	231	225	252
Synthetic Textiles	471	310	556
IV. All Others	2900	4410	4335
Total (Gross)	12313	14050	15700
Total (fob)	12396	14000	15670

MAJOR IMPORTS

\$ Million

Items	2003-04	2004-05	2005-06
	Actual	Estimate	Projection
Edible Oils	659	714	765
Palm Oil	613	660	700
Soyabean Oil	46	54	65
POL	3167	3216	3411
Crude Oil	1765	2058	2363
Fuel Oil	245	218	223
Others	1157	940	825
Fertilizers	285	270	309
Capital Goods	4220	5123	5628
All Others	7261	9969	11678
Total (c&f)	15592	19291	21791
Total (fob)	13604	17555	19830

BALANCE OF PAYMENTS

(\$ Million)

Items	2003-04	2004-05	2005-06
	Actual/prov.	Estimate	Projections
TRADE BALANCE	-1208	-3555	-4160
Exports (fob)	12396	14000	15670
Imports (fob)	13604	17555	19830
INVISIBLES BALANCE	2508	1643	1461
Services (net)	-3179	-4662	-4929
Invisibles Receipts	2947	2585	2615
Invisibles Payments	6126	7247	7544
Freight & Insurance	1189	1736	1961
Public & Guaranteed Debt	747	791	763
Others	4190	4720	4820
Private Transfers	5687	6305	6390
Remittances	3872	4000	4020
F.C.A. (Resident Pakistanis)	367	350	390
Others	1448	1955	1980
CURRENT ACCOUNT BALANCE	1300	-1912	-2699
percent of GDP	1.35	-1.75	-2.19
Reserve position (End period)	10564	10969	10120
Capital requirements	2846	3985	4624
Current Account Balance	1300	-1912	-2699
Amortization	2744	1498	1415
Reserves Buildup	1402	575	510
Financing	2846	3985	4624
Normal disburs. M/L term loans	1354	2246	1428
Others private Long term & short term capital (net)	511	210	260
Exceptional financing *	981	1529	2936

* To be financed through Multilateral Institutions and other short term borrowings

CHAPTER - 3

FISCAL AND MONETARY DEVELOPMENT**Review of 2004-05****Fiscal Policy 2004-05**

The principal objectives of fiscal policy are to generate adequate resources to meet developmental needs of the country by regulating the budgetary expenditure, containing non-development expenditure, providing sufficient funds for social and community services and poverty alleviation and encouraging domestic as well as foreign investment. These objectives are being achieved by adopting an appropriate mix of policy measures. Under the structural reforms, the government has undertaken various initiatives in the fiscal sector which *inter-alia* include overhauling of taxation system and its administration, policy restraints on the overall expenditure along with changes in its composition, privatization of public sector units, containment of fiscal deficit and debt management.

- 3.2 The taxation system has been greatly reformed with a shift of dependence from taxes on foreign trade to taxes on domestic consumption. The base of direct taxation has been expanded while the rates have been reduced. The import tariffs have been drastically slashed. The net of General Sales Tax (GST) which is ultimately to be converted into true VAT, is being expanded and is also substituting excise duty which is likely to be phased out.
- 3.3 Tax administration is also undergoing a process of restructuring with a view to reducing evasion and avoidance as well as to fostering confidence of the tax payers in the tax collection machinery. These tax reforms are being implemented by CBR under their "Tax Administration Reform Programme(TARP)" project funded by the World Bank.
- 3.4 Many public sector units have been privatized and the proceeds have been used to retire public debt. This has reduced their direct burden on the budget.
- 3.5 The debt rescheduling on bilateral external debt was sought through the Paris Club and Debt Policy Co-ordination Office (DPCO) has been established to monitor the debt situation.
- 3.6 Auditing and accounting functions have been separated and "Fiscal Responsibility and Debt Limitation Law (FRDLL)" has been passed by the National Assembly. Under this law the government is expected to eliminate revenue deficit by reducing it to zero by the end of June, 2008 and reduce its public debt ensuring that up to 30th June, 2013 it does not exceed sixty percent of the estimated GDP for that year and thereafter maintain the total public debt below sixty percent of GDP for any given year. For this, it is to be ensured that public debt is reduced by 2.5 percent of GDP every year within 2003-2013.

3.7 The debt-GDP ratio during 2004-05 is estimated to be at about 70.0 percent. Social and poverty alleviation related expenditures are not to be reduced below 4.0 percent of GDP. Further, the National Finance Commission (NFC) has also been reconstituted to decide about the fresh award to provinces from the federal divisible pool.

Consolidated Budget 2004-05

3.8 The budget for 2004-05 aimed at enhancing government revenues from Rs 791.1 billion in 2003-04 (RE) to Rs 851.3 billion in 2004-05 as per modified budget estimates (MBE) showing an increase of 7.6 percent. The tax revenues (including surcharges) were expected to increase from Rs 608.4 billion during 2003-04 to Rs 662.6 billion in 2004-05 up by 8.9 percent and non-tax revenues to increase from Rs 182.7 billion in 2003-04 to Rs 188.7 billion in 2004-05 showing an increase of 3.3 percent over the previous year. Total government expenditures were budgeted to increase from Rs 955.9 billion in 2003-04 to Rs.1050.4 billion in 2004-05 (up by 9.9 percent). The current expenditures as ratio of GDP were envisaged to marginally decline from 14.0 percent in 2003-04 to 13.2 percent in 2004-05 while expenditure on development (PSDP) was envisaged to increase from 2.9 percent of GDP in 2003-04 to 3.1 percent of GDP in 2004-05. In view of these developments, fiscal deficit was estimated to increase from the level of 2.3 percent of GDP in 2003-04 to 3.0 percent of GDP during 2004-05.

Federal Tax Collection during July – April, 2004-05

3.9. The target of Federal Tax collection during fiscal year 2004-05 had been set at Rs 580.0 billion, 11.4 percent higher as compared to actual collection of Rs 520.8 billion during 2003-04. This projection was based on the assumption that during 2004-05, the real GDP growth will remain at 6.6 percent, with agriculture sector growth of 4.0 percent, large scale manufacturing sector 12.0 percent and imports 12.0 percent. The share of direct taxes and indirect taxes in the total CBR collections during 2004-05, was anticipated to be around 31.4 percent and 68.6 percent respectively.

3.10 During July-April 2004-05, CBR collected Rs 451.1 billion as against taxes Rs 397.2 billion in the corresponding period last year (up by 13.6 percent). It constitutes 77.8 percent of yearly target for 2004-05. The collection under direct taxes amounted to Rs 132.9 billion during July-April, 2004-05 against Rs 118.7 billion collected during July-April, 2003-04, showing an increase of 12.0 percent. Under indirect taxes, an amount of Rs 318.2 billion was collected during July-April 2004-05 against Rs 278.5 billion collected during corresponding period last year, showing an increase of 14.2 percent. Within the indirect taxes, the main increase was witnessed in the customs duty (27.9 percent) and central excise (17.9 percent), which was due to increased economic activity as well as higher imports.

3.11 As a result of initiatives and facilitation measures taken by the government and in view of ten month's performance, it is expected that tax revenue target of Rs 580.0 billion for 2004-05 will be achieved. The details of CBR revenues for 2003-04 (actual), 2004-05 (target) and the collections during July-April 2004-05 are given in Table- 3.1 below:

Table 3.1
FEDERAL TAX COLLECTION BY CBR
(July – April, 2004-05)

Heads	2003-04 (Actual)	2004-05 (Targets)	Collection July – April			July - April 2004-05 as % of yearly Targets
			2003-04	2004-05	% Change	
Direct Taxes	165.1	181.9	118.7	132.9	12.0	73.1
Indirect Taxes	355.7	398.1	278.5	318.2	14.2	79.9
Sales Tax	219.2	249.2	173.0	186.8	8.0	75.0
Central Excise	45.5	45.7	35.3	41.6	17.9	91.0
Customs	91.0	103.2	70.2	89.8	27.9	87.0
Total:	520.8	580.0	397.2	451.1	13.6	77.8

Source: Revenue Division/CBR.

Monetary and Credit Policy

3.12 The monetary and credit policy has to be in line with other macroeconomic policies devised for promoting economic growth, achieving price stability and poverty reduction. In Pakistan, M2 is the broad monetary aggregate used to measure the quantum of money circulating in the economic system. The growth of M2 is targeted on the basis of an estimated money demand function that takes into consideration the targeted growth rate of real GDP and the inflation rate.

3.13 The original Credit Plan for the fiscal 2004-05 envisaged money growth at 11.3 percent (Rs280 billion), which was premised on GDP growth target of 6.6 percent and inflation rate target of 5.0 percent. But in view of developments during the first half of the year and rising trend in inflation (above 8 percent), the State Bank of Pakistan (SBP) revised the Credit Plan. Under the revised Credit Plan, the broad money is estimated to grow by 14.5 percent (Rs 360.0 billion), with domestic credit expansion at Rs 330.0 billion against the expansion of Rs 250.0 billion envisaged under the original Credit Plan, while build up in net foreign assets (NFA) was expected to remain at the original estimates of Rs 30.0 billion. The revised Credit Plan envisaged the credit to government sector to expand by Rs 65.0 billion (original target Rs 47.0 billion) and the non-government sector to expand by Rs330.0 billion against Rs190 billion estimated earlier, while the credit to private sector (excluding PSEs) was targeted to increase by Rs350.0 billion against Rs200.0 billion estimated originally by the SBP.

3.14 During July to May 14, 2005, the monetary expansion amounted to Rs 373.66 billion (15.0 percent) as against the revised target of Rs360.0 billion (14.5 percent) for the entire fiscal year 2004-05, and as compared to an expansion of Rs 319.96 billion (15.4 percent) during the corresponding period of last year. The major factors for expansion have been an increase in the net domestic credit expansion (NDA) which rose to Rs 320.51 billion against the whole year target of Rs 330.0 billion and expansion of Rs 258.41 billion during the corresponding period last year as well as an increase in the net foreign assets (NFA) which rose to Rs 53.15 billion against the yearly target of Rs 30.0 billion and expansion of Rs 61.55 billion

during corresponding period last year. The credit in the government sector expanded to Rs 50.74 billion against the revised yearly target of Rs 65.0 billion for 2004-05 and an expansion of Rs 57.10 billion in the corresponding period last year. It was due to increased tax collection by the government and enhanced external inflows due to issuance of Islamic Bond "Sukuk" in the month of January, 2005. Net foreign assets (NFA) also increased due to enhanced net external inflows. The credit expansion to private sector, however, remained at Rs 371.04 billion as against Rs 271.24 billion expanded during corresponding period last year. The distribution of credit among various sectors remained broad based. All the major sectors (agriculture, manufacturing, telecommunications, household, domestic & external trade, and construction) shared this large expansion. Within the manufacturing sector, textiles sector was the largest recipient of the bank credit. Credit plan for 2004-05 and its implementation during July, 2004 to May 14, 2005 is given in table 3.2 below:-

Table 3.2
Credit Plan and its Implementation

Sectors	2003-2004		2004-2005 (Rs. Billion)	
	Achievement	Implementation upto 15-05-04	Revised Credit plan Targets	Implementation upto 14-05-05
I. Government Sector Borrowing (Net)	<u>58.11</u>	<u>57.10</u>	<u>65.00</u>	<u>50.74</u>
a) Net Budgetary borrowing	63.70	70.71	60.00	32.90
b) Commodity Operations	-8.17	-15.43	5.00	15.86
c) Effect of Zakat Fund/ Privatization Proceeds etc.	2.58	1.82	-	1.98
II. Non-Government Sector	<u>315.41</u>	<u>236.15</u>	<u>330.00</u>	<u>352.51</u>
a) Credit to Private Sector	325.22	271.24	350.00	371.04
b) Credit to PSEs including Autonomous Bodies	-2.92	-28.77	-15.00	-12.47
c) Other Financial institutions (SBP credit to NBFIs)	-6.89	-6.32	-5.00	-6.06
III. Other Items (Net)	<u>-9.19</u>	<u>-34.84</u>	<u>-65.00</u>	<u>-82.74</u>
IV. Net Domestic Credit Expansion (I+II+III)	<u>364.33</u> (23.67%)	<u>258.41</u> (16.79%)	<u>330.00</u> (17.34%)	<u>320.51</u> (16.84%)
V. Net Foreign Assets (NFA)	<u>43.52</u>	<u>61.55</u>	<u>30.00</u>	<u>53.15</u>
VI. Monetary Expansion (M2) (IV+V)	<u>407.85</u> (19.62%)	<u>319.96</u> (15.39%)	<u>360.00</u> (14.48%)	<u>373.66</u> (15.03%)
Growth Rate				

Source: State Bank of Pakistan

Inflation

3.15. Change in prices is measured by three indices namely; the Consumer Price Index (CPI), the Wholesale Price Index (WPI) and the Sensitive Price Indicator (SPI), which are estimated with base of 2000-01. The CPI covers the retail prices of 375 items in 71 markets of 35 major cities and shows roughly the cost of living in the

urban areas. The WPI (1550 quotations) covers the wholesale prices of 424 items (with 106 major items) prevailing in the 18 cities and 18 markets of the origin of commodities. The SPI covers 53 essential items prices of which are collected from 17 urban centres.

3.16 The rate of inflation (CPI) for the year 2004-05 was targeted at 5.0 percent. This target was to be achieved by increasing the supply of essential commodities and through judicious monetary policy. The prices, however, have come under pressure. During the period July – April, 2004-05, the rate of inflation (CPI) remained at 9.27 percent as against 3.93 percent during the corresponding period of the year, 2003-04. The SPI registered even higher increase--11.98 percent as against 5.80 percent during the corresponding period of 2003-04. The main increase in CPI was witnessed in the food and beverages group (12.82%), followed by house rent (11.14%), transport and communication (7.58%), household, furniture equipment etc. (6.14%), cleaning, laundry & personal appearance (4.44%), fuel and lighting (3.49%), apparel textile & footwear (2.56%), education (2.67%) and medicare (1.03%). It is, however, estimated that the rate of inflation for the year 2004-05 will remain at about 9.7 percent. The inflation rates based on SPI, CPI and WPI for the period July – April, 2004-05 and their comparison with the corresponding period of last year are shown in table 3.3 below:

Table 3.3
Changes in Price Indices (2000-01=100)

	(Percentages)	
	July – April	
	2004-05	2003-04
Sensitive Price Index	11.98	5.80
Consumer Price Index	9.27	3.93
Wholesale Price Index	6.89	7.05

3.17 The prices have presently come under pressure mainly due to domestic supply shocks in some essential food items and external factors like the hike in international prices of oil products. Price stabilization measures are therefore important when there are unusual variations in the prices. Presently, the government, in line with its policy of decontrol, deregulation and liberalization, plans to tackle the inflationary pressure through economic measures rather than formal price controls. Close vigilance is, however, kept on prices through fortnightly meetings of the Sensitive Items Prices Committee (SIPC) chaired by the Deputy Chairman, Planning Commission and regular reviews by the ECC of the Cabinet. In view of the abnormal rise in prices this year, the Prime Minister's Committee on Prices has also been constituted under the chairmanship of the Advisor to the Prime Minister on Finance, Revenue, Economic Affairs and Statistics to monitor the price situation.

Capital Market

3.18 The capital markets play an important role in the mobilization of resources for capital formation. Under the existing scenarios of scarce external aid significance of capital markets as resource mobilizers have increased manifold. At present, three stock exchanges are functioning in the country, one each at Karachi, Lahore and

Islamabad. The Karachi Stock Exchange (KSE) is the premier institution, which represents over-all behaviour of the stock markets in Pakistan.

3.19 The share prices at Karachi Stock Exchange (KSE) registered a significant growth during July-April, 2004-05 as investment from overseas Pakistanis flowed in and low interest rates increased participation from the banks, individuals and financial institutions. The privatization policy of the Government also played a significant role in boosting the capital markets. The KSE 100 Shares Index reached the record level of 10,303.13 mark with the highest market capitalization of Rs 2813.36 billion on March 15, 2005, and then started to decline and lost about Rs 640 billion of its capitalization. The market was rescued by involving banks, financial and other institutions. This fall exposed the hidden weaknesses of the stock market and brought to focus the need for developing safeguards to avoid such an occurrence in the future. The KSE 100 Shares Index which was at 5279.18 mark at the end of the last financial year stood at 6,707.56 points on May 30, 2005. The KSE 100 Shares Index gained momentum amidst considerable liquidity and sustained investor interest in energy and telecommunication sector. The leading contribution of the fuel and energy, telecommunication (PTCL), textiles, banking and chemical and fertilizer sector shares helped the Index to establish new record. The normalization of relations with India also provided positive stimulus to the investors.

3.20 The listed capital, which was Rs 374.1 billion at the end of financial year 2003-04 increased to Rs 435.8 billion on May 27, 2005. Similarly, Market Capitalization, which stood Rs 1421.58 billion at the end of June, 2004 increased to Rs 1882.89 billion on May 30, 2005.

Privatization Through Stock Market

3.21 In order to provide benefits to the general public the government has approved divestment of the government shares and government owned assets through stock exchanges. Accordingly, shares of many profitable corporations and companies including OGDCL, PSO, PPL and KAPCO were floated. Public response was enthusiastic and government thus realized billions of rupees during July – May, 2004-05 from the sale of shares through stock markets. These transactions through stock exchanges would further enhance the market capitalization and deepen the market base.

Steps Taken by SECP

3.22 The Securities and Exchange Commission of Pakistan (SECP) carried out wide-ranging reforms relating to governance, risk management, transparency and streamlining of rules and regulations like rationalization of the carry-over trade (COT) system, issuance of Margin Trading Rules 2004 and regulations by the SECP & SBP, induction of the independent professional management system at the stock exchanges, formation of the Central Depository Company, implementation of the automated national clearing and settlement system, induction of the T+3 systems, establishing a code of conduct under the Brokers Registration Rules, strengthening the margin requirements, implementation of the capital adequacy limits on broker exposure, replacement of the "Blank Selling" by generally accepted and carefully regulated "Short Selling" and implementation of the "Un-disclosed trading system",

during the period under review. These reforms would play an effective role in the development of capital markets in the country.

Annual Plan 2005-06

Fiscal Policy

3.23 During the year 2005-06, the fiscal policy will remain consistent with the fiscal stance already adopted by the Government. The main thrust would be on enhancement of revenues through broadening the tax base and improved tax collection by federal, provincial and district governments by adopting facilitative and educative measures for the tax payers. The main objective of fiscal policy would be to make available adequate amount of resources for social and community related services, poverty reduction and development purposes (PSDP) with a view to achieving sustained growth rate of about 7.0 percent during the year 2005-06.

Monetary Policy and Credit Plan

3.24 Monetary stocks up to end June, 2005 are estimated at Rs 2846.6 billion. The monetary expansion during the year 2004-05 was targeted at Rs 360.0 billion (14.5 percent), commensurate with the growth momentum of the economy providing required amount of credit to private sector to serve as the engine of growth, but at the same time keeping strict vigilance on exchange rate and price stability and curbing inflationary expectations. Credit expansion target is, however, determined by the State Bank of Pakistan in consultation with the National Credit Consultative Council (NCCC).

Inflation

3.25 A lower level of inflation is a key component of stable macro-economic environment. Concerted efforts, therefore, will be made to bring it down during the next year and beyond. The target rate of inflation (CPI) during 2005-06 has been placed at 8.0 percent compared to 9.7 percent last year. Reduction in the rate of inflation will be achieved by a tight monetary policy and increasing supply of essential items.

Capital Market

3.26 The prospects for the capital market during the year 2005-06 are expected to be good, notwithstanding sharp decline in the KSE 100 shared index after mid March 2005. The good performance of capital market is predicated on government's plan to privatize corporations/enterprises and sell their shares to general public through stock exchange. High performance of the economy and improved environment in the region is also expected to provide a stimulus to the capital market.

CHAPTER -4

PUBLIC SECTOR DEVELOPMENT PROGRAMME 2005-06

Review of PSDP 2004-05

Sector allocations: The Public Sector Development Programme (PSDP) 2004-2005 was approved by the National Economic Council (NEC) in its meeting held on 1st June, 2004 at Rs.202.0 billion (3.1% of GDP) with Rs.148 billion including foreign aid component of Rs.36.0 billion as Federal Development Programme. Of Rs.148.0 billion, Rs.87.1 billion (58.8 %) was for Infrastructure sectors, Rs.44.3 billion (30.0 %) to the Social sectors, Rs.3.6 billion (2.4 %) to the Production sectors (Agriculture, Industry and Minerals) and Rs.13.0 billion (8.7 %) to others / remaining sectors. Special emphasis was laid on Infrastructure sectors (Water, Transport & Communications, Power, Physical Planning & Housing and Fuels) followed by Social sectors (Health & Nutrition, Education & Training, Higher Education, Population Welfare, Women Development, Social Welfare, Manpower & Employment, Special Programmes and Special Areas Programme), Other/remaining sectors (Science & Technology, Information Technology, Research Statistics & Planning, Mass Media, CSTY, Governance, Rural Development and Environment) and Production sectors (Agriculture, Industry and Minerals).

4.2 Realizing the development needs of the Provinces, it was assessed that the provinces would spend Rs. 54.0 billion through their ADPs. However, to cater for their actual needs the Provinces are free to incur extra expenditure through their own resources.

4.3 Special Programmes which is part of the Social sectors as mentioned above has been allocated Rs.9.4 billion in PSDP 2004-05. Main Programmes under this head are i) Khushal Pakistan-I (Old Tameer-e-Pakistan Programme) ii) Khushal Pakistan Programme-II (Old Federal Priority Projects) Rs.5.3 billion were allocated to KPP-I to meet the development needs of the constituencies of MNAs and Senators. The schemes under this Programme are spread over the provinces including FATA will assist in supplementing efforts for recovery of economy and to improve quality of life and incomes. The schemes relating roads, electricity, gas and telecommunication qualify for funding from this programme. In addition, an amount of Rs.4.1 billion have allocated to KPP-II for financing schemes proposed by the MNAs / Senators / Public Representatives in their respective constituencies.

4.4 Special Areas Programme which is also part of the Social sectors has been provided Rs. 11.5 billion in PSDP 2004-05. Area wise allocation is given in Table 4.1.

Table 4.1
SPECIAL AREAS ALLOCATION UNDER PSDP 2004-05

Area	Allocation (Revised) (Billion Rs.)
Azad Jammu & Kashmir	4.5
Northern Areas	2.8
FATA (including Special Programme and Two Dams in Waziristan)	4.2
Total :	11.5

Quarterly Reviews

4.5 The NEC in its meeting held on June 1, 2004 while approving the PSDP 2004-05 inter alia decided:

- i) Funds to projects should be released on the basis of cash plans prepared strictly in accordance with their actual requirements and performances.
- ii) Quarterly reviews of PSDP should be held with the Principal Accounting Officers to overcome implementation obstacles for timely completion of projects.
- iii) The Planning & Development Division was authorized to make adjustment, if needed, within the same size of the programme to accommodate fast moving and important projects on the basis of quarterly review of the progress of the projects.

4.6 In pursuance of the above decisions, the Planning Division assisted the Ministries/Divisions in preparing cash plan/work plans. Detailed quarterly reviews of development projects included in the PSDP 2004-05 were conducted in October, 2004 (1st quarter), January, 2005 (2nd quarter) and April, 2005 (third quarter) with the Principal Accounting Officers (PAOs) of all the Ministries/Divisions. It was emphasized that the Ministries/Divisions and executing agencies must ensure that projects are completed on time, within the approved cost and in accordance with the project objectives.

4.7 The actual federal expenditure during July 2004-April 2005 was Rs 96.3 billion (65.1%) including foreign aid of Rs 11.6 billion. The expenditure of 65.1% is higher than the development expenditure of 53% incurred during July 2003 – March 2004 last year owing mainly to (a) quarterly review of PSDP with the PAOs and their personal involvement in the development process and (b) releases to projects are based on cash plans prepared in accordance with their actual requirements and performance. The review of the utilization of PSDP for the current year reveals that a total number of 353 schemes costing Rs 115 billion completed within current year investment of Rs 14 billion. If we take the average economic rate of return on this investment at 10% the total benefit every year accrued to the economy comes to the tune of Rs 11.5 billion. This is invisible contribution to the economic growth as it is not within the accounting system. The provinces reported spending of Rs 60.2 billion through their Annual Development Plan against an indicative figure of Rs 54 billion proposed in the overall Public Sector Development Programme during the period July – April of the current financial year.

PSDP 2005-06

4.8 The PSDP 2005-06 being the 1st year of the Medium Term Development Framework (MTDF) 2005-10 has been formulated to achieve its objectives such as reducing poverty, achieving the MDGs, ensuring equitable development of regions and various social groups, empowering women and minimizing wastages. Its

strategic thrust is to facilitate the development of human capital and private sector as the engines of growth. To this end sufficient investment has been proposed in physical, intellectual and technological infrastructure. The National Economic Council (NEC), which met on May 27, 2005 has approved the size of PSDP 2005-06 at Rs 272.0 billion, as provided in the MTDf 2005-10. It includes foreign aid of Rs 65.3 billions, showing an increase of 34.7% over the previous year. The approved size of the PSDP for 2005-06 includes Rs 68.0 billion to be spent by provinces through their ADPs while the Federal size is Rs 204.0 billion. In addition outside PSDP, WAPDA is likely to spend Rs. 34.0 billion. WAPDA has also been asked to raise Rs. 8.0 billion through bonds against sovereign guarantee and NHA to raise at least Rs. 5.0 billion from the commercial banks through securitization of toll revenue and federal receipts. This will be in addition outside the budgeted PSDP, leading to a total outlay of Rs. 306.0 billion.

4.9 The overall size of PSDP of Rs. 272.0 billion for financial year 2005-06 represents 3.6 percent of projected GDP (mp) for 2005-06 which is higher than the last year's PSDP / GDP ratio of 3.1 %. The Ministry-wise summary of PSDP 2005-06 is at Annex- 4.1 The overall position is given in Table – 4.2.

Table-4.2
Comparative Allocations of PSDP 2004-05 and PSDP 2005-06

Description	(Billion Rs)		
	PSDP Allocation 2004-05 (Revised)	PSDP Allocation 2005-06	Percentage Change
A. Federal Ministries Programmes	95.2	136.3	43.2
B. Special Areas Programmes	11.5	13.7	19.1
C. Special Programmes	9.4	17.9	90.4
D. Corporations	31.9	36.1	13.2
Total (Federal Dev. Programme)	148.0	204.0	37.8
E. Provincial Dev. Programme	54.0	68.0	25.9
Total (PSDP)	202.0	272.0	34.7
(F. Aid)	56.4	65.3	
(Local)	145.6	206.7	

4.10 The broad sectoral distribution of Federal PSDP is as under: -

(Rupees in Billion).

• Infrastructure Sectors	92.3
• Social Development Sectors	73.1
• Other Sectors	38.6
Federal:	204.0
Provincial:	68.0
TOTAL	272.0

Significant Features

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

- i) To complete major water projects, allocation for water has been increased by 64% which now stands at 20% of the PSDP, as compared to 17% in 2004-05. This will help accelerate agricultural growth in the medium term and promote construction-related jobs in the process of implementation.
- ii) Major investment to the extent of Rs 6 billion against Rs 4 billion during 2004-05 is programmed for the improvement of water courses which will lead to productive use of scarce water resources.
- iii) Sufficient allocation has been made to roads linking Gwadar Port with up country which will contribute to a better investment climate and trade in the area. This will also promote national integration and harmony.
- iv) The NHA has been advised to establish a *Roads Development Fund*. The annual budgeted amounts for NHA and the toll collected by it would form part of this fund. The NHA would securitize it to raise additional sums of money, at least Rs. 5 billion during 2005-06, from the banks to complete the development projects in time and repay loans to the banks in five year. Speedier completion of projects would mean lesser cost and avoid excessive increase in project costs as is currently the case.
- v) The demand of WAPDA for funds for Mangla Raising Project during 2005-06 is Rs 18 billion. Against this amount, Rs 10 billion are being allocated from PSDP. To complete the project in time and to avoid cost and time over-run, WAPDA has been advised to raise Rs 8 billion through bonds against sovereign guarantee.
- vi) An *Infrastructure Fund* to develop basic infrastructure is proposed to be set up with the cooperation of multilateral donors like World Bank and Asian Development Bank to promote public-private partnership. Rs. 1000 million have been allocated to this Fund during 2005-06. This fund is proposed to be managed by professional Fund Managers under Ministry of Finance.
- vii) In view of the future power requirements suitable funding is being earmarked for major Hydel Projects.
- viii) The allocation for education and vocational training has been increased by 50% with Higher Education being given an increase

of 28%. This will provide the knowledge and qualified manpower required for competing in the world market.

- ix) The allocation for the health sector has been increased by 72% reflecting continuing emphasis on maximizing the productivity of human capital.
- x) The IT and Science and Technology sectors have received an increased allocation of 57% and 52% respectively to give a spur to research and development and to employ the educated unemployed.
- xi) To improve governance, allocations to the reform programmes such as the Access to Justice Programme, the Police Reform Project and the Devolution Support Programme have been increased. This will facilitate private investment and encourage effective service delivery.
- xii) The allocations for special areas (AJK, NA & FATA) have been enhanced by 21% from their original allocation with a view to accelerating development in less developed areas.
- xiii) An allocation of Rs. 1 billion has been proposed to develop less developed districts of the provinces.
- xiv) To alleviate poverty and generate employment, a Khushhal Pakistan Programme (KPP) Fund with Rs. 5 billion is proposed to be established. This fund will be in addition to the allocation of Rs. 12 billion being proposed for KPP I & II.

Steps for better implementation

4.12 To improve the pace and quality of utilization of PSDP and implementation of projects, following measures have been taken :

- i) Quarterly review of PSDP by the Deputy Chairman Planning Commission with PAOs to overcome implementation obstacle for timely completion of projects.
- ii) Funds are being released on the basis of approved cash /work plans beginning of each quarter.
- iii) Project Directors are being trained in the Project Planning & Management Institute of the Planning Division to improve management capacity.
- iv) Enhancement of delegated powers at the ministry and project levels to facilitate project implementation.

- v) Faster land acquisition procedures by the Provincial Governments in view of this being major cause of project delay.
- vi) Establishment of a monitoring and evaluation cell in every Division. This has been approved by ECNEC in view of the primary responsibility of Ministries to plan and monitor their own projects.
- vii) Adequate funding for the completion of ongoing projects to ensure reduced throwforward and completion of projects already started.

4.13 The above actions have already resulted in some improvement and would help further streamline the release process and facilitate better implementation of public sector projects.

BUDGETARY PSDP 2005-06
(Ministry/Division-wise Summary)

(Million Rupees)

Sl. No.	Ministry/Division/Agency	Allocation for 2004-05 (Revised)			Allocation for 2005-06				
		Foreign Loan	Rupee	Total	PSDP (Budgetted)			Outside PSDP	Total Development Outlay
					Foreign Loan	Rupee	Total (Budget)		
1	2	3	4	5	6	7	8	9	10
A	Federal	35622.8	112377.2	148000.0	41203.7	162796.3	204000.0	34023.0	238023.0
	Infrastructure	29856.4	42836.7	72693.1	27143.2	65103.0	92246.2	34023.0	126269.2
1	Water & Power Division (Water Sector)	1580.0	19825.2	21405.2	3091.0	32538.9	35629.9	8000.0	43629.9
2	WAPDA (Power)	13714.00	500.0	14214.0	13350.0	2730.0	16080.0	21023.0	37103.0
3	Pakistan Atomic Energy Commission	2093.0	2047.9	4140.9	1433.0	4306.4	5739.4	0.0	5739.4
4	Pakistan Nuclear Regulatory Authority	0.0	0.0	0.0	0.0	110.6	110.6	0.0	110.6
5	Petroleum & Natural Resources Division	0.0	1078.3	1078.3	0.0	459.7	459.7	0.0	459.7
6	Communications Division (incl. NHA)	2738.4	14990.9	17729.3	4157.0	16477.0	20634.0	5000.0	25634.0
7	Ports & Shipping Division	2938.0	1766.8	4704.8	594.0	3150.0	3744.0	0.0	3744.0
8	Railways Division	6793.0	2627.6	9420.6	4518.2	5330.4	9848.6	0.0	9848.6
	Social	3536.7	46884.2	50420.9	7187.3	65925.1	73112.4	0.0	73112.4
9	Finance Division	1375.3	7953.4	9328.7	3347.5	6301.5	9649.0	0.0	9649.0
10	Special Programmes	0.0	9440.0	9440.0	0.0	17920.0	17920.0	0.0	17920.0
	i) Khushal Pakistan Programme-I	0.0	5340.0	5340.0	0.0	4420.0	4420.0	0.0	4420.0
	ii) Khushal Pakistan Programme-II	0.0	4100.0	4100.0	0.0	7500.0	7500.0	0.0	7500.0
	(a) New projects				0.0	5500.0	5500.0	0.0	5500.0
	(b) On-going projects				0.0	1000.0	1000.0	0.0	1000.0
	(c) Village Electrification				0.0	1000.0	1000.0	0.0	1000.0
	iii) Khushal Pakistan Fund	0.0	0.0	0.0	0.0	5000.0	5000.0	0.0	5000.0
	iv) Development of Less Developed Districts of Pakistan	0.0	0.0	0.0	0.0	1000.0	1000.0	0.0	1000.0
11	Education Division	221.9	1807.8	2029.7	180.0	4360.6	4520.5	0.0	4520.5
12	Higher Education Commission	0.0	9104.4	9104.4	720.3	10979.7	11700.0	0.0	11700.0
13	Health Division	892.7	4705.1	5597.8	1038.2	8400.9	9439.1	0.0	9439.1
14	Population Welfare Division	135.0	2457.1	2592.1	225.4	4145.4	4370.9	0.0	4370.9
15	Women Development Division	0.0	167.0	167.0	0.0	488.5	488.5	0.0	488.5
16	Social Welfare & Special Education Div.	0.0	577.7	577.7	0.0	786.7	786.7	0.0	786.7
17	Labour and Manpower Division	4.9	63.3	68.2	0.0	561.5	561.5	0.0	561.5
18	KA & NA Division	906.9	6358.2	7265.1	1895.8	8830.2	8526.1	0.0	8526.1
19	SAFRON Division	0.0	4250.2	4250.2	0.0	5150.0	5150.0	0.0	5150.0
	Others	2229.7	22656.3	24886.0	6873.3	31768.2	38641.5	0.0	38641.5
20	Information Technology & Telecommunications Division	0.0	2430.4	2430.4	0.0	3300.7	3300.7	0.0	3300.7
21	Science & Technological Research Div	145.0	1560.9	1705.9	37.9	3033.4	3071.3	0.0	3071.3
22	Culture, Sports & Youth Affairs Division	0.0	562.1	562.1	0.0	961.6	961.6	0.0	961.6
23	Tourism Division	0.0	51.0	51.0	0.0	30.8	30.8	0.0	30.8
24	Works Division	0.0	1004.4	1004.4	0.0	1559.0	1559.0	0.0	1559.0
25	Defence Division	0.0	1051.9	1051.9	0.0	705.0	705.0	0.0	705.0
26	Food Agriculture and Livestock Division	433.4	6631.8	7065.2	1073.7	8062.1	9135.8	0.0	9135.8
27	Environment Division	73.7	300.2	373.9	75.4	2855.2	2930.6	0.0	2930.6

BUDGETARY PSDP 2005-06
(Ministry/Division-wise Summary)

(Million Rupees)

Sl. No.	Ministry/Division/Agency	Allocation for 2004-05 (Revised)			Allocation for 2005-06			Outside PSDP	Total Development Outlay
		Foreign Loan	Rupee	Total	PSDP (Budgetted)				
					Foreign Loan	Rupee	Total (Budget)		
1	2	3	4	5	6	7	8	9	10
28	Local Government & RD Division	270.0	2.3	272.3	44.0	6.0	50.0	0.0	50.0
29	Industries and Production Division	321.3	38.9	360.2	552.1	38.0	590.1	0.0	590.1
30	Interior Division	493.9	5248.0	5741.9	120.0	6468.6	6588.6	0.0	6588.6
31	Law, Justice and Human Rights Division	163.7	2241.8	2405.5	4569.6	200.0	4769.6	0.0	4769.6
32	Establishment Division	0.0	4.6	4.6	0.0	43.9	43.9	0.0	43.9
33	Cabinet Division	161.2	503.8	665.0	156.3	509.3	665.6	0.0	665.6
34	Information & Broadcasting Division	0.0	428.5	428.5	0.0	454.2	454.2	0.0	454.2
35	Narcotics Control Division	122.5	42.1	164.6	193.9	73.8	267.7	0.0	267.7
36	Planning and Development Division	5.0	455.6	460.6	30.0	3174.3	3204.3	0.0	3204.3
	i) P M's Package for DERA, Balochistan	0.0	0.0	0.0	0.0	1000.0	1000.0	0.0	1000.0
	ii) Allocation for un-funded projects	0.0	0.0	0.0	0.0	1000.0	1000.0	0.0	1000.0
	iii) Pre-feasibility/ Feasibility studies	0.0	30.0	30.0	0.0	200.0	200.0	0.0	200.0
37	Statistics Division	0.0	48.0	48.0	0.0	92.1	92.1	0.0	92.1
38	Commerce Division	40.0	0.0	40.0	20.5	100.0	120.5	0.0	120.5
39	M/o Foreign Affairs	0.0	50.0	50.0	0.0	100.0	100.0	0.0	100.0
B	Provinces	20800.0	33200.0	54000.0	24108.0	43892.0	68000.0	0.0	68000.0
Total (Development Outlay)		56422.8	145577.2	202000.0	65311.7	206688.3	272000.0	34023.0	306023.0

PART II

**Achieving Millennium
Development Goals**

CHAPTER – 5

POVERTY REDUCTION AND HUMAN DEVELOPMENT

Poverty reduction is one of the main objectives of the Government's reform agenda. More importantly, the concept of poverty has taken broader connotations in recent years. A shift from the narrow definition - caloric intake based poverty - has taken place by greater attention to address the broader concept of poverty of opportunities (including health, education, income) and powerlessness. Government recognizes that poverty can only be brought down through a holistic approach i.e. by promoting pro-poor growth, creating opportunities for employment, improving governance, ensuring that fruits of devolution reach the grass roots and protecting vulnerable segments of the society. To arrest this rising poverty trend, the Government chalked out a comprehensive plan in the shape of Poverty Reduction Strategy Paper (PRSP) within the broader framework of Millennium Development Goals (MDGs). The PRSP also incorporates a more focused human development strategy that recognizes the central role of the Provincial and Local Governments in achieving human development goals.

5.2 Implementation of the macroeconomic reform agenda of the present Government has resulted unprecedented GDP growth of 8.4% during 2004-05. Economy depicted healthy upturn of most of economic indicators which imply that the trend of sharp rise in poverty has been arrested. The Government realizes that economic growth alone cannot fulfil all the needs of the poor, social mobilization is also essential for distributing the fruits of government's anti-poverty Programmes to the target segments of society.

5.3 Adopting UN Development Agenda of MDGs is itself reflective of Government's strong commitment to the fight against poverty. Pakistan's commitment to MDGs is reflected in PRSP released in December 2003. The poverty reduction and social targets in PRSP are aligned with the Millennium Development Goals. The Medium Term Development Framework (MTDF 2005-10) carries this assurance forward by aligning medium term targets with longer term MDGs. It reinforces the objective and vision for improving the human development indicators and sustainable development. The Annual Plan 2005-06, being the first year of MTDF 2005-10, provides a credible basis to the sincere intentions of the Government towards achieving the Millennium Development Goals by the year 2015.

Review of 2004-05

5.4 Macroeconomic stability achieved during 2004-05 supported by stabilization measures, above target growth (10.2%) in industry, 15.4% in large-scale manufacturing and 7.5% in Agriculture, significant rise in anti-poverty expenditure, and special Programmes implemented to reduce vulnerability of the destitute and the poor helped create employment and income opportunities. These Programmes have largely benefited the poor households.

5.5 The Government has taken the following steps to arrest the rising trend of poverty:

- Emphasis of public spending on the sectors having greater potential for

- employment generation e.g. agriculture – particularly agro-based industry and livestock, small and medium enterprises, housing and construction;
- Better access to basic social services in health, education, water supply & sanitation and population welfare sectors;
 - Accelerated allocation of resources in human capital formation;
 - Devolution and de-centralization to significantly improve efficiency of service delivery mechanism;
 - Adult literacy Programme with focus on female literacy;
 - Engaging the private sector and civil society to participate in meeting social sector goals;
 - For extremely poor and vulnerable segments, the strategy is to induce Social Safety Nets, which include the system of Zakat with emphasis on Permanent Rehabilitation Programme, Employees Old Age Benefits, Workers Welfare Fund, availability of micro-credit facilities for the poor, Social Security Plans etc.

5.6 Increase in the funds for anti-poverty Programmes from Rs. 167 billion in 2001-02 to 278 billion in 2004-05 has restrained the growth in poverty and helped reduce vulnerability of the poor segments of population. Now that the growth has picked up, it is hoped that poverty will start reducing with a time lag. Sector-wise annual budgetary expenditure for 2001-02 to 2003-04 and allocation for 2004-05 are summarized below (Table- 5.1).

Table – 5.1
Pro-Poor Budgetary Expenditure/Allocation
(Million Rupees)

Sector	Actual Expenditure			Allocation 2004-05
	2001-02	2002-03	2003-04	
Roads, Highways, Buildings	6,340	13,145	16,455	16,575
Water Supply and Sanitation	4,644	3,421	4,176	4,875
Education	66,290	78,613	97,959	102,375
Health	19,211	22,368	26,581	36,075
Population Planning	1,311	3,120	4,913	4,875
Social Security and Welfare	3,664	1,301	4,142	3,900
Natural Calamities	189	410	543	488
Irrigation	10,133	15,535	22,938	32,370
Land reclamation	1,838	1,759	1,997	2,438
Rural Development	12,325	16,883	18,379	7,228
Rural Electrification	-	-	1,977	1,000
Food Subsidies	5,513	10,859	7,845	14,625
Food Support Programme	2,017	2,236	2,804	3,900
Tawana Pakistan	800	590	400	500
Low Cost Housing	-	60	-	-
Administration of Justice	1,981	2,247	2,444	3,413
Law and Order	31,004	36,293	40,000	43,388
Totals	167,250	208,840	253,796	278,025

Source: PRSP Secretariat, Finance Division, Islamabad

5.7 Finance Division regularly monitors the PRSP budgetary expenditures. During the first half of 2004-05, total budgetary expenditure stood at Rs. 124.7 billion

(Rs. 27.8 billion by the Federal Government and Rs. 96.9 billion by the Provincial Governments). This is approximately 27% higher than the expenditure incurred during the same period of the year 2003-04 (i.e. Rs. 98.5 billion including Rs. 20.7 billion by the Federal Government and Rs. 77.8 billion by the Provincial Governments). PRSP expenditure during July-Dec. 2004 was more than 2% of GDP as compared to 1.8% during the corresponding period of the last year. This improvement was achieved through better monitoring mechanism and involvement of the local governments in the implementation process.

5.8 Now, the real challenge is to direct the benefits of high economic growth to the poor. Various steps taken by the Government in this regard include approval of the Fiscal Responsibility Law, which brings the Government under obligation for spending at least 4.5% of GDP on the pro-poor sectors. The pro-poor expenditures as percentage of GDP have gradually been increasing. Direct benefits to the poor particularly through micro-finance have also increased over time. The total budgetary and non-budgetary pro-poor expenditures during the last five years (2000-2005) stood at Rs. 1,000 billion. The acceleration in the macro economy with the increased pro-poor expenditures appears to have contributed in employment generation in the country.

5.9 Majority of human development indicators have shown visible improvement in terms of coverage and quality. The adult literacy rate shows an increase from 54% in 2003-04 to 56% in 2004-05. Primary school participation rate has witnessed improvement from 90% in 2003-04 to 92% in 2004-05 particularly female participation rate has increased from 81% to 82% within the same period. Effective implementation of Programmes has helped in reducing infant mortality rate from 75 (per 1000) in 2003-04 to 73 (per 1000) in 2004-05. In health sector, additional ten thousand Lady Health Workers were employed to improve coverage of target population from 70% in 2003-04 to 80% in 2004-05. Population growth rate reduced from 1.92% in 2003-04 to 1.87% in 2004-05. Access to safe water to the rural and urban population increased from 64% in 2003-04 to 65% in 2004-05, particularly access to safe drinking water increased to the rural population from 53% to 55% within the same period. Sanitation coverage improved to 42% in 2004-05 from 41% in 2003-04, while in rural areas the sanitation coverage improved from 29% to 30% in the same period (Annex - 5.1).

Gaps in Poverty Monitoring and Evaluation

5.10 The importance of Monitoring and Evaluation for Poverty Reduction is increasing with the increasing awareness of the multidimensional nature of poverty and the need to factor in perceptions of the poor into its definition and into the strategies for its reduction adds to the complexity of the challenges. Only in-depth monitoring and impact evaluation can confirm the relevance, efficacy and efficiency of the resources spent for poverty reduction. However, the prevailing system of monitoring poverty needs to be improved. Capacity of the Federal as well as Provincial Departments needs to be developed for this purpose. Effective follow-up and implementing remedial measures and reinforcement of accountability for results requires dissemination of results of intermediate and outcome indicators among stakeholders in order to have their feedback for improving policy adjustments.

Key Features of Annual Plan 2005-06

5.11 The Government within the framework of PRSP and MDGs is seeking to address some of the critical constraints in service delivery, by focusing on education, health, nutrient deficiencies, and communicable diseases and population welfare, with a view to reducing the social gap. For 2005-06, Government has allocated Rs. 324.57 billion for pro-poor expenditure (16.7% higher than the 2004-05 allocation). The PSDP 2005-06 assigns high priority to generating social assets for the poor by way of improving social services to the poor—health & nutrition, education, population welfare, water supply & sanitation, especially reducing gender gap and environment protection. Major components of the poverty reduction and human development strategy are:

Sustainable Economic Growth

5.12 The global economy is adjusting to a new environment – an environment where oil prices have risen to an unprecedented height on account of demand pressure on the one hand and supply constraints on the other; rising inflation fuelled by food and energy prices, and a rising interest rate reflecting a gradual tightening of monetary policy to counter inflationary expectations. In spite of this international economic scene, revitalizing growth by correcting macroeconomic imbalances and stabilizing the economy has been made the central pillar of the Government's economic revival Programme. Together with macroeconomic stability, development of sectors, which generate additional employment opportunities: infrastructure development, agriculture, small & medium enterprises (SMEs), and Information Technology are important areas in this regard. Development of agricultural sector is critical to poverty reduction, because overwhelming majority of the poor live in rural areas; majority of the poor are illiterate and majority of the population lacks health and other livelihood services. Efforts during 2005-06 will be made to consolidate high growth in the economy (7% growth in GDP, 9.5% growth in Industry and 4.8% growth in Agriculture sectors is envisaged), 34.6 % increase in the size of Public Sector Development Programme (PSDP) 2005-06 and 16.7 % higher pro-poor expenditure. Enhanced allocations under PSDP to Infrastructure, Social Sectors and Special Programmes i.e. Khushal Pakistan Programme –I, Khushal Pakistan Programme-II, Khushal Pakistan Fund and Development of Less Developed Districts of Pakistan will certainly help in reducing poverty particularly in Rural Areas.

Human Development

5.13 It is imperative that with economic growth, more equitable distribution of income is achieved to improve the well being of the poor households. This requires creation of physical assets like shelter and availability of financial resources to the poor and small landholders. Under the PRSP and MDGs efforts are being made to reduce the vulnerability of poor and reduce social gap. Improving social assets for the poor (education, health etc.) also indirectly empower the poor by improving their earning capabilities and withstanding shocks. Implementation of PRSP indicates improvement in physical and social indicators.

Education

5.14 The Education Sector Reform (ESR) Action Plan addresses development of education sector comprehensively by investments in school rehabilitation, teacher

training, adult literacy, mainstreaming the *madrassa*, school nutrition Programme, technical stream in secondary schools, and reform of examination & assessment. The ESR also envisages partnerships among the private sector, civil society organizations, and the public sector. These steps are expected to address the major problems faced by the Education sector viz. participation, preparation, completion, affordability and benefits. Multifaceted efforts include filling up the missing infrastructure, narrowing gender gap, bringing *madrassas* into the main stream. Government is moving forward hands in hand with the private sector in achieving these objectives.

5.15 During 2005-06, 23% more funds will be allocated for education. Shift in the strategy from expenditure orientation to outcome orientation would result in improvement in the quality of services. The adult literacy rate is expected to increase to 57% in 2005-06. Primary School Participation will further improve to 93% (female participation rate 84%) during 2005-06 (Annex- 5.1).

Health and Nutrition

5.16 The Health Policy aims at raising public sector health expenditures with a focus on prevention and control Programmes, especially in the area of communicable diseases, reproductive health, child health, and nutrient deficiencies. Programmes include adoption of strategies against TB and malaria, measures for preventing the spread of Hepatitis B, and HIV/AIDS through immunization and public health campaigns. The strategy also aims at promoting gender equity through targeted interventions like the Lady Health Workers Programme and the Women's Health Project.

5.17 During 2005-06, ongoing National Health Programmes expected to reduce further IMR to 71/1000, Child Mortality (1-5 years) to 97/1000 and raise immunization coverage (for infants 0-11 months) to 80%. It is expected that Maternal Mortality Rate (MMR) will improve from 400 (per 100,000) to 380 (per 100,000) by the end of 2005-06. Details are at Annex- 5.1. Total allocation for Health Sector for 2005-06 is 20% higher over the allocation for the last year.

Population Welfare

5.18 Growing number of people contributes to poverty directly as well as through multiplicity of factors including environmental degradation due to urban expansion, and deforestation and cultivation of marginal lands in rural set up. Thus the quality of life, particularly that of the poor, is negatively affected. The Population Growth Rate (PGR) has declined from over 3% in previous decade to its current level of 1.87%. Efforts are being made to reduce the PGR further to 1.8% by the end of 2005-06. Total Fertility Rate (TFR) will reduce from 3.7% in 2004-05 to 3.5% during 2005-06. Life expectancy is targeted to increase from 62.6 years in 2004-05 to 63.3 years in the year 2005-06 (Annex- 5.1).

Water Supply and Sanitation

5.19 Eighty percent of diseases (illness and mortality) are caused by unsafe drinking water as a result of exposures both to infectious agents and to chemical pollutants. Availability of safe drinking water helps reduce health related risks particularly for the vulnerable. Lack of sanitation facilities is another cause of the health related risks. The target for Water Supply and Sanitation is to achieve 66.5% and 43.5% coverage respectively by 2005-06 (Annex - 5.1).

Reducing Vulnerability to Shocks

5.20 Poverty Alleviation Strategy of the Government provides a built-in social security mechanism for the vulnerable to deal with shocks through the instruments like Zakat, Rehabilitation Grants, Food Support Programme. Other social protection mechanisms, like private philanthropy also helps poor tackle vulnerability shocks. Significant amount of public resources are allocated for providing social protection to the poorest of the poor segments of society, through initiatives such as Food Support Programme (FSP), cash transfers through Zakat, Employees' Old Age Benefits Institution (EOBI), Provincial Social Security Institutions, and micro-credit disbursements by Khushhali Bank (KB), Pakistan Poverty Alleviation Fund (PPAF), SME Bank, First Women Bank and the Zarai Taraqiati Bank (ZTBL). Table- 5.2 below shows the extent to which these arrangements benefit the poor in terms of funds disbursed under programmes and the beneficiaries.

Table – 5.2
Anti-poverty initiatives and beneficiaries

Social Security Schemes	2003-04		2004-05 (Upto March 2005)	
	Disbursement (Million Rupees)	Beneficiaries (000)	Disbursement (Million Rupees)	Beneficiaries (000)
Zakat	6,377	2,413	1,095	495
EOBI	1,707	114	1,394	117
WWF	2,277	..	2,092	..
Micro Credit (Banks)*	5,823	292	8,619	473
PPAF	2,436	370	2,275	367
Food Support Programme	3,000	1,117	3,000	1,200
ESSIs (Balochistan, NWFP & Sindh)	487	286	411	488

Source: Zakat and Ushr Division, Finance Division, Pakistan Bait-ul-Maal, EOBI, ESSIs of Balochistan, NWFP & Sindh, WWF and PPAF.

.. Information not available.

* Khushhali Bank, SME Bank, First Micro-Finance Bank, First Women Bank, ZTBL

5.21 Social safety net programmes have limitations like inadequate coverage due to low level of funding, lack of co-ordination resulting in duplicity of functions and governance problems. These factors dilute the impact of these measures and needs to be looked into. Government has already initiated detailed studies to find out the causes to improve effectiveness of these Programmes. Together, the different social safety net programmes reach less than 35%, of the total 7 million poor households, with size of benefit being meagre to extricate the recipients out of poverty. The coverage of measures under labour welfare schemes of Workers Welfare Fund and Social Security Institutions is also very small (4% of the non-agricultural workforce).

Monitoring and Evaluation

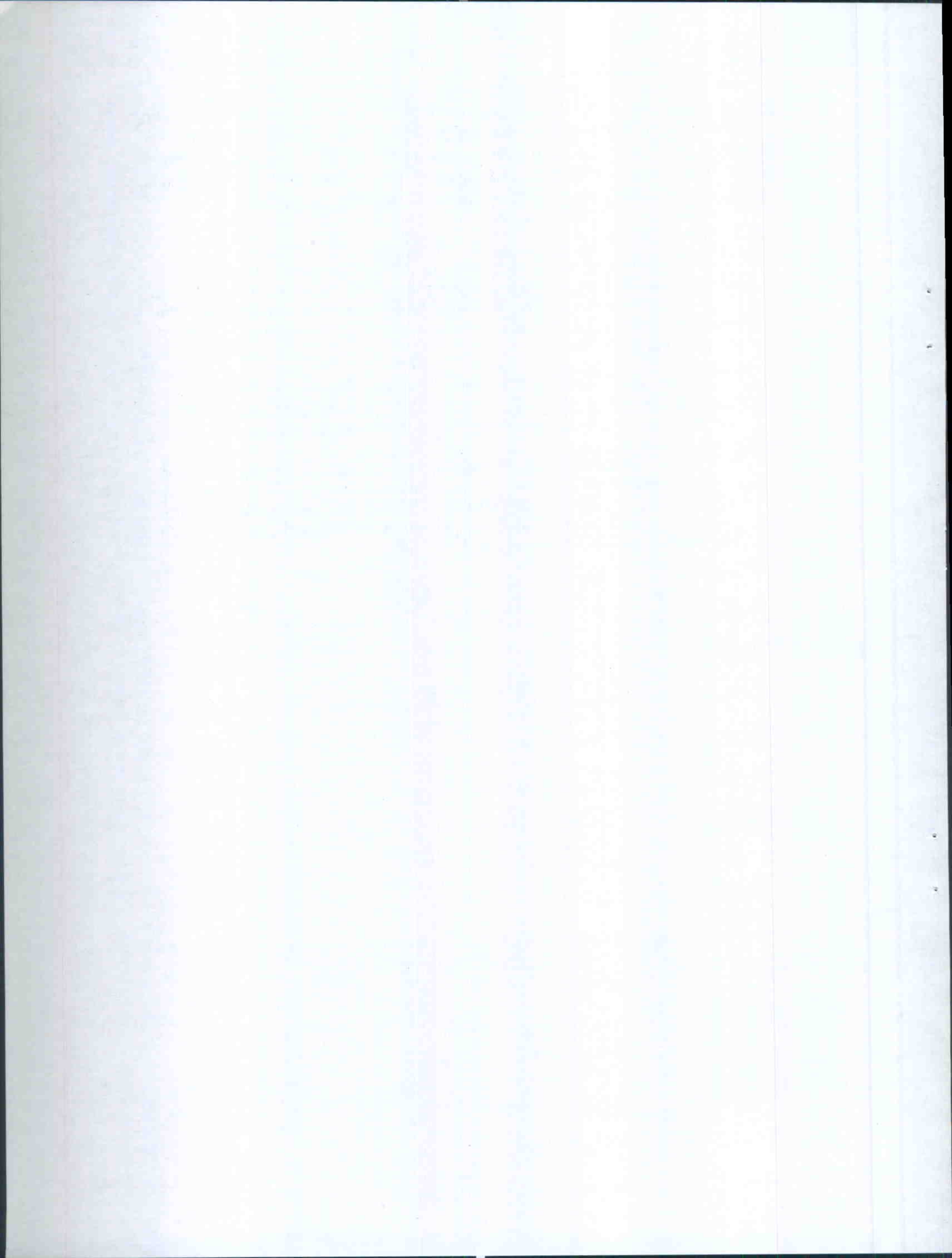
5.22 For effective monitoring and evaluation, monitoring framework of the PRSP focuses on regular tracking of input, intermediate and outcome indicators. Government, in collaboration with development partners, has finalized the intermediate and outcome indicators in education, health and population welfare planning sectors. These indicators will be monitored periodically which will help gauge service delivery and satisfaction level of the beneficiaries.

5.23 In 2004, the Federal Bureau of Statistics launched Pakistan Social and Living Standard Measurement Survey (PSLSM) and Core Welfare Indicator Questionnaire (CWIQ) to collect household data at province and district levels for assessment of poverty, health, education, population welfare, rural water supply, employment, income/expenditure, household amenities and sanitation etc. The PSLSM results are

expected at the end of the current year would provide district baseline data to be monitored through the subsequent rounds of the survey. The findings of the CWIQ at the Federal, Provincial and District levels would help in monitoring the progress in several intermediate and outcome indicators. With the availability of CWIQ and PSLSM, a considerable improvement is expected in the PRSP monitoring system.

Conclusion

- Poverty Reduction through improved governance is the challenge that the Government is focussing. The performance of the Government during last four years reflected in the socio-economic indicators suggests that the economy is on the way to address these problems. However, there is no short cut to these problems.
- PRSP of the Government outlines the development agenda of the Government and provides a sound basis for poverty reduction. PRSP is therefore focusing on outcomes that can be monitored in clear terms.
- Government recognizes that through proper institutional arrangements and capacity development, effective monitoring of the short, medium (PRSP & MTFD) and long-term goals (MDGs) of human development and poverty reduction can be realized. Accordingly, policy-making and implementation of programmes needs to be moulded.



Human Development Indicators
Review of 2003-04 & 2004-05 and Targets For 2005-06

SECTOR & INDICATOR	REVIEW		TARGETS
	2003-04	2004-05	2005-06
BASIC EDUCATION			
Primary School Participation Rate (%)	90	92	93
▪ Male	99	100	100
▪ Female	81	82	84
Adult Literacy Rate (%)	54	56	57
• Male	61	62	63
• Female	42	44	45
BASIC HEALTH			
Infant Mortality Rate (per 1,000)	75	73	71
Under-five Mortality Rate (per 1,000)	103	100	97
Immunization Coverage (%) (Infants 0-11 months)	65	75	80
Maternal Mortality Rate (per 1,00,000 births)	400	400	380
Trained Personnel attending Pregnancies (%)	20	20	22
Lady Health Workers (000)	72	82	95
▪ Coverage of target population (%)	70	80	85
Prevalence of TB ((No. of cases/ 100,000)	160	160	160
NUTRITION			
Prevalence of Malnutrition among pre-school children (%)	35	34	33
Anaemia in Women of children bearing age (%)	40	36	33
Low Birth Weight Babies (%)	22	22	22
POPULATION			
Population Growth rate (%)	1.92	1.87	1.80
T.F.R. (%)	3.8	3.7	3.5
Life Expectancy (years)	62.5	62.6	63.3
• Male (years)	62.5	62.6	63.4
• Female (years)	62.5	62.6	63.2
EMPLOYMENT			
Rate of unemployment (%)	7.69	6.71	6.80
Share of women in wage employment in non-agriculture sector (%)	9.7	9.8	10
RURAL DEVELOPMENT			
Farm to Market Roads (Km)	..	97881	..
Village electrification (No. of villages)	7224	9438	2500
WATER SUPPLY & SANITATION			
Water supply - population coverage (%)	64	65	66.5
• Urban (% of urban population)	83	85	87
• Rural (% of rural population)	53	55	57
Sanitation- population Coverage (%)	41	42	43.5
• Urban (% of urban population)	63	65	66
• Rural (% of rural population)	29	30	32
ENVIRONMENT			
Proportion of land area covered by forests (%)	4.8	4.9	5
Land area protected to maintain biological diversity (%)	11.3	11.3	11.3
GDP per unit of Energy use (as proxy of energy efficiency) (Rs.)	NA	27,000	27,200

PART III

**Main Features of Sectoral
Programmes**

CHAPTER – 6

AGRICULTURE DEVELOPMENT**Review of 2004-05****Financial**

An allocation of Rs. 7,289.7 million was made in the PSDP 2004-05 for the projects of Ministry of Food, Agriculture and Livestock. The expected utilization is around Rs. 7,000.0 million.

Physical

6.2 The agriculture sector including livestock and fisheries registered an impressive growth rate of 7.5 per cent against the target of 4.0 per cent. It was possible due to favorable weather conditions, timely widespread rains coupled with policy measures of ensuring proper price to growers, simplified credit policy, timely availability of fertilizer and pesticides and measures adopted for efficient use of water. There was record production of wheat and cotton. Wheat production is estimated at 21.1 million tonnes against target of 20.8 million tonnes showing an increase of 1.4 per cent against the target and 8.2 per cent against last year's production of 19.5 million tonnes. The cotton production of 14.6 million bales was 36.2 per cent higher than the target of 10.7 million bales. Maize production of 2.8 million tonnes was 2.9 per cent higher than target and 46.2 per cent higher than actual production during 2003-04. The production of rice was 4.99 million tonnes, which was close to its target of 5.1 million tonnes and 3.0 per cent higher than last year's production of 4.8 million tonnes. However, sugarcane production of 45.3 million tonnes was 11.0 per cent below the target, which was mainly due to reduction in area by 4.2 per cent. The main reason for reduction in area was water shortage and problems between growers and sugar mills. The production of potato and onion was 1,888 and 1,854 thousand tonnes against their targets of 1970 and 1800 thousand tonnes, respectively.

6.3 The growth rate of major crops was 17.3 per cent and minor crops was 3.1 per cent against target of 3.5 per cent each. The livestock and fisheries sub-sectors registered a growth rate of 2.3 and 2.1 per cent against the target of 4.4 and 3.2 per cent. The targets and achievements of crops are given at Annex- 6.1. The livestock and fisheries sectors are discussed separately.

Programme for 2005-06**Financial**

6.4 An amount of Rs.9135.8 million has been allocated to the development projects of the Ministry of Food, Agriculture and Livestock in PSDP 2005-06. In

addition to this, an amount of Rs 17.441 million has been earmarked for agriculture projects of the Islamabad Capital Territory (ICT), Interior Division.

Physical

6.5 The policies, strategies and programmes of Medium Term Development Framework (MTDF) will be implemented in order to achieve self-reliance in agricultural commodities, ensure food security and improve productivity of crops. The high-value crops will be promoted and their production will be increased for export. The oilseed crops will be promoted in order to reduce the import bill of edible oil. Water conservation and its efficient use will receive high priority through watercourse lining, precision land leveling and introduction of high efficiency irrigation systems. The timely availability of agricultural inputs particularly improved seed, fertilizer and pesticides will be ensured and their efficiency will be improved. The integrated pest management (IPM) approach will be promoted in order to avoid indiscriminate use of pesticides and protect environmental degradation.

6.6 The growth rate of agriculture sector including livestock and fisheries has been targeted at 4.8 per cent during 2005-06. The major and minor crops will contribute 6.6 per cent and 4.0 per cent, respectively. The contribution of livestock and fisheries sub-sectors will be 3.5 per cent and 4.0 per cent, respectively.

6.7 The fertilizer off-take during 2004-05 has been estimated at 3,409 thousands nutrient tonnes (N=2630, P=754 and K=25 thousand) against the target of 3,270 thousand nutrient tonnes (N=2560, P=680 and K=30 thousands). A target of 3,544 thousand nutrient tonnes (N=2709, P=807 and K=28 thousand) has been fixed for 2005-06.

6.8 About 208 thousand tonnes of improved/certified seed was distributed during 2004-05. For the year 2005-06, a target of 226 thousand tonnes has been fixed.

Major Programmes

6.9 Sufficient funds have been allocated in the PSDP 2005-06 for on-going and 14 new projects of agriculture sector. The major programmes are discussed in the subsequent paragraphs.

Conservation of Irrigation Water and its Efficient Use

6.10 The national programme for improvement of 87,000 water courses in the country launched in 2003-04 to conserve the available water by reducing the conveyance losses will be continued. A new project for promotion and expansion of trickle irrigation system in Balochistan and other water scarce areas of remaining provinces will be launched for efficient use of water.

National Integrated Pest Management (IPM) Project

6.11 Under the National IPM project, 840 Farmers Field Schools will be established in 20 districts to provide training in IPM techniques to 55,000 farmers. Moreover, 20 trainings for facilitators and 25 trainings for master trainers will be arranged. An IPM information network and website will be established.

IPM Approach for Cotton in Sindh

6.12 The project entitled, "Adaptation of IPM Approach for Cotton Crop in Sindh" will be continued. Under the project, the insect rearing laboratory and training hall will be completed at Central Cotton Research Institute, Sakrand. The training in IPM techniques in cotton will be arranged for extension staff, NGOs and cotton growers. Research studies on population dynamics, host plant resistance and biological control of cotton insects will also be carried out.

Agricultural Land Use Plan

6.13 The ongoing project "National Agriculture Land Use Plan (Phase-I)" will be continued to update land resource inventory, land evaluation research and prepare soil maps on district basis according to land capability and its present use.

Agri Mechanization

6.14 A new project entitled "Land and Water Resources Development Project for Poverty Reduction in Pakistan" will be launched during this year. Under the project, 300 bulldozers (100 for NWFP and 200 for Balochistan) will be procured for the development of un-cultivable waste land and small scale irrigation water developments works.

Agricultural Research

6.15 The research activities under on-going project on "Managing Burewala Strain of Virus" will be continued for studies on molecular characterization of virus, virus-vector relationships and screening of germplasm leading to evolution of cotton varieties resistant to Burewala strain of cotton virus. Transfer of technology to the farmers through field demonstrations, trainings, workshops/seminars, field days and radio broadcast, etc. under "Integration of Agricultural Research & Extension Activities" project will be continued. The implementation of the project on the "Use of Electronic/Print Media" for technology transfer will be continued to accelerate the pace of transfer of agricultural technologies developed by the Pakistan Agricultural Research Council (PARC) to the farmers so that endusers could be benefited through enhancement in agricultural productivity. The "Tea Research and Development Programme" at Mansehra, Abbottabad and Swat" will be continued to raise nursery plants for tea plantation on 100 acres. Other on-going projects on "Introduction of Sugarbeet" in Punjab, Sindh, NWFP; "Introduction of Medicinal Herbs & Spices" in all provinces and "Nuclear Techniques Assisted Management of Salt Affected Lands/Brackish Water" in Punjab and Sindh will be continued. A new project entitled, "Restructuring and Strengthening of National Agricultural Research System, Balochistan - Phase-I" will be launched during the year 2005-06. It will improve and strengthen the existing research institutions and establish new research stations in different agro-ecological zones to address the problems faced by the farmers in arid and semi-arid regions of Balochistan and enhance their productivity.

Crop Maximization Project

6.16 It is an on-going project and is being implemented in 109 villages of 15 districts of all the provinces and AJ&K. The project activities on improvement and

lining of watercourses, laser land leveling and furrow-bed/zero tillage wheat planting will be continued. The project will build a mechanism for sustaining productivity enhancement and food security. The "Peri-Urban Agriculture Programme: Phase-I" project will be continued to promote cultivation of fruits (dates, citrus, ber, etc.) and vegetables in green belts alongwith transfer of technology to the farmers around peri-urban areas of Balochistan.

Agriculture Sector Development Programme

6.17 This programme is ADB-assisted and will be continued in all the four provinces. It will help to improve productivity and profitability of agriculture sector and carry out reforms. The project will (i) promote efficient markets for major commodities including wheat, cotton, rice and sugarcane in order to promote market based incentives for farmers especially small holders, (ii) liberalize markets for fertilizer and seed, (iii) strengthen support services in small farmer extension and trainings, research and regulation to improve quality control. A feasibility study already under implementation with technical assistance from ADB regarding this programme will be continued. The technical assistance aims to suggest various policy reforms for improving agricultural productivity and profitability and monitoring of implementation of policy reforms.

Agribusiness Development and Diversification Project

6.18 It is a new project which will be launched in the all provinces, AJK, FATA/FANA during 2005-06 with the assistance of ADB. It aims to promote private sector agro-enterprises development throughout the whole value chain. It includes creation of enabling policy/institutional environment, restructuring/strengthening of institutions to facilitate development of agribusiness, capacity building and enhanced coordination. The primary focus of the project will be the development of agribusiness in horticulture, livestock and dairy sub-sectors. It will help in production and export of high value added crops such as fruits, vegetables, flowers, livestock and dairy products.

Oilseed Development

6.19 The on-going olive promotional programme entitle "Rapid Conversion of Wild Olive into Oil Bearing Species" for conversion of existing wild olive to fruit bearing trees will be continued. Two new projects on sunflower cultivation in NWFP and Balochistan will be started to increase the production of oilseeds edible oils in the country. Another project on oilpalm development will be launched during the year 2005-06 in Sindh and Balochistan in order to continue oilpalm promotional programme for increasing the production of edible oils. The project will establish model farms on 250 acres each in both the provinces and install a village level oilpalm mill of 20 tonnes per day crushing capacity of fresh fruit bunches for palmoil extraction.

LIVESTOCK AND FISHERIES

Review of 2004-05

6.20 The livestock and fisheries sub-sector registered a growth of 2.3 per cent and 2.1 per cent, respectively. The production of meat was 2,275 thousand tonnes against a target of 2,263 thousand tonnes. The milk production target of 29,472 thousand tonnes was achieved. The production of fish was 574 thousand tonnes against a target of 567 thousand tonnes.

Programme for 2005-06

6.21 The policies, strategies and programmes of the Medium Term Development Framework (MTDF) will be implemented to achieve self-reliance in livestock products and increase the productivity of meat and milk. Emphasis will be laid on improvement of animal breed, better feeding and management practices and maintenance of healthy and well-nourished herd. The production of fish will be increased on sustainable basis through proper exploitation of marine resources and development of aquaculture facilities for inland fisheries. The growth rates of livestock and fisheries for the year 2005-06 have been projected to 3.5 and 4.0 per cent, respectively. It is expected that 30,357 thousand tonnes of milk, 2,346 thousand tonnes of meat and 597 thousand tonnes of fish will be produced during 2005-06. The physical targets and achievements of livestock products and fisheries are given at Annex - 6.2.

Major Programmes

6.22 The major programmes are discussed in subsequent paragraphs.

Strengthening of livestock services for livestock diseases control in Pakistan - Eradication of rinderpest

6.23 The project will undertake comprehensive disease control cover for foot and mouth disease, rinderpest and common bacterial diseases through vaccination and other prophylactic measures. It will enhance efficiency and effectiveness of veterinary health services through strengthening of epidemiological units for realizing systematic disease investigation and reporting system. Disease diagnostic facilities will be provided especially for identification of viral strain and vaccine production will be expanded in the country.

Milk collection/processing and dairy production and development programme

6.24 It will improve the milk production, collection and processing with a view to improve the income and livelihood of the farmers. It will contribute in the reduction of poverty in rural areas.

Livestock production and development and meat production

6.25 It will promote the production of meat through improvement of breed, fodder/feed and health coverage. Programmes will be prepared for fattening of animals through nutritious feed.

National coordinated research and development project on improvement of wool quality

6.26 Under the project, selective breeding and distribution of superior rams of different sheep breeds will be undertaken to increase wool production. Wool shearing centers will be established in the sheep production areas. The shearing centers will arrange technical training programmes for farmers on quality like clean fleece, staple length and mechanical shearing. Documentation of wool characteristics of different sheep breeds will be carried out.

Establishment of laboratory for detection of drug residue in animal products at Karachi

6.27 The laboratory will analyze food stuff of animal origin for drug residues and provide central certification services to the exporters and importers of animal and animal product to meet the international trade requirements.

Up-gradation of animal health laboratory at NARC to serve as national reference laboratory for poultry diseases

6.28 It will provide rapid disease diagnostic tests for poultry infections, and will serve as a reference center for diagnosis of poultry diseases in the country.

Establishment of Animal Quarantine Station at Quetta

6.29 The project envisages to provide quarantine services to the public and importers/ exporters of animals and animal products. Construction of office, laboratory and quarantine houses will be carried out during 2005-06.

Monitoring of deep-sea fishing vessel through establishment of 03 GPS base stations and deputation of MFD representatives on each vessel

6.30 The project will monitor the vessels operating in the Exclusive Economic Zone (EEZ) of Pakistan. It will help in keeping the deep-sea fishing vessels within the limits specified in the new deep-sea fishing policy. Staff will be posted on the vessels for field verification and collection of information on fish catch.

Strengthening of quality control laboratories at the Marine Fisheries Department, Karachi

6.31 Improvement in the laboratories of the Marine Fisheries Department will be carried out to meet the international trade obligations such as application of sanitary and phyto-sanitary measures under the World Trade Organization (WTO) regime. Quality control services will be provided to seafood exporters. Export consignment will be tested to meet the requirement of the importing countries.

Major repair work of Jetty structures and production of port/fish handling equipment for Korangi Fisheries Harbour

6.32 The repair work of jetty will be carried out on the entire surface area of unloading jetty, supply jetty, waiting jetty and approach bridges. A number of port and fish handling equipment viz. marine radios, walky-talkies, fire fighting equipment and conveyor for fish unloading will be procured.

WATER RESOURCES DEVELOPMENT

Review of 2004-05

Financial

6.33 An expenditure of Rs. 25098 million that is 98.7% of the revised financial allocation of Rs. 25417 million (original allocation Rs. 24879 million) for 2004-2005 is expected to be incurred by the end of June 2005.

Physical

6.34 The overall water availability was 16.63 Mhm (134.88 MAF) in 2003-04 and is expected to be 16.74 Mhm (135.68 MAF) in the year 2004-05. Out of total water available during 2004-2005 (16.74 Mhm) about 10.57 Mhm (85.66 MAF) was made available from surface water supplies and 6.17 Mhm (50.02 MAF) from underground water. **Under Irrigation sub-sector** the overall physical progress of fast track (high priority) projects namely Mirani, Raising of Mangla, Sabakzai and Satpara Dams, Greater Thal, Kachhi and Raineer Canals, Extension of Pat Feeder canal, remained satisfactory except Gomal Zam Dam where the works was stopped due to law and order situation. Sufficient allocations were made to these projects for their timely completion. The progress of irrigation system rehabilitation in Punjab and Sindh remained slow due to in-adequate funding and late releases.

6.35 Planning & Development Division regularly monitored the physical progress of these projects besides other projects costing more than Rs. 40 million for their timely completion.

6.36 **Under Drainage sub-sector** One project in Punjab " Fordwah Eastern Sadiqia" was completed whereas RBOD-II and III are behind their schedule due to land acquisition and other related problems. The overall physical progress of National Drainage Programme was 50% against 45% financial expenditure. A sum of Rs. 1500 million was allocated for the year 2004-05 to continue the on-going activities. The programme was being restructured due to non-extension of World Bank loan.

6.37 National Programme for water-course improvement is being implemented to achieve the target of 3035 watercourses in all the four provinces. A sum of Rs. 4000 million was allocated which was transferred to the provinces. The process of recruitment of staff, procurement of equipment and appointment of consultants has been completed and the work on lining of watercourses has been speeded up in an effort to achieve the targets. The above mentioned programme was in addition to OFWM-IV project which was being undertaken in the provinces on decentralized basis for which the financial allocations had been reflected in the Provincial ADPs.

6.38 Under ADB assisted Flood Sector Project the physical progress remained slow due to initial late preparation of sub-projects, which were also awarded late. A number of steps had been taken to expedite implementation of the sub-projects including a request for extension of loan beyond June 2005. Under Normal Flood Programme contracts of 58 approved small flood protection schemes were awarded. A draft national water policy was prepared by Pakistan Engineering Council with input

from highly professional experts in water resources from all over the country. The policy prescribes an integrated water resources management with guiding principle of equity, efficiency, participatory decision making, sustainability and accountability. It indicates priorities for water allocation for drinking and sanitation including requirements for livestock, irrigation including land reclamation, industry, hydropower, fisheries, navigation, recreation, water related sports, environmental sustainability and up-gradation, forestry including social forestry and lakes and water bodies. Sub-sector-wise physical achievements are given in table 6.1.

Table 6.1

Physical Targets and Achievements during 2004-2005

S.No.	Item	Unit	Targets 2004-2005	Achievements 2004-2005(Exp.)	% age Ach.
1.	Irrigation				
a)	Water Availability (Cumulative)	Mhm MAF	16.74 135.68	16.74 135.68	100
2.	Drainage & Reclamation				
a)	Disastrous area protected	Mha	0.24	0.20	83
b)	Surface Drains (Earthwork) (Extension, rehabilitation & remodelling)	MCM	17.90	85.40	477
c)	Transfer of FGW Tws	No	1000	793	79
d)	Rehabilitation of SGW Tws	No	220	515	234
3.	<u>Flood Control Programme</u> <i>Small flood protection schemes</i>				
a.	(IInd Flood Project)	No	103	50	49
b.	Under Normal Flood Program	No	58	20	35
4.	<u>OFWM Programme</u>				
	Watercourse Improvement	No	7500	3,995	53

Programme for 2005-2006

Financial

6.39 A total sum of Rs. 41,806 million including foreign aid of Rs. 2,960 million has been allocated to the Water Sector projects/programmes in the PSDP 2005-2006

Physical

6.40 It is expected that overall water availability will remain around 138.58 MAF (17.09 Mhm) in 2005-06. Out of total 138.58 MAF, about 85.56 MAF (10.55 Mhm) would be available from surface water supplies through canal withdrawals, watercourse improvement, canal remodelling, irrigation system rehabilitation

programme and small irrigation schemes. The remaining 50.02 MAF (6.17 Mhm) would be extracted from underground fresh water aquifer mainly by private tubewells. The water availability will continue to be sustained through water conservation means like remodeling/revamping/lining of canals and watercourses. The improvement in water availability is expected after completion of on-going mega projects, which are being implemented on fast track basis. **In the Drainage Sub-sector** 0.24 Mha of disastrous area is planned to be reclaimed from water logging & salinity through rehabilitation/replacement of 119 saline ground water tube-wells, transitioning of 474 SCARP tubewells and excavation of 27.12 MCM of earth for surface drains.

6.41 **Under OFWM Programme** about 10,824 watercourses (824 W/C under NDP & other small projects, more than 10,000 in OFWM-IV & National OFWM Program) will be improved, 56 ha of land will be precisely levelled and 14 water storage tanks would be constructed. It has been planned to complete 78 sub-projects under normal and ADB assisted programmes. Detailed physical targets for 2005-2006 are given in Annex – 6.3. Main programmes / projects to be implemented during 2005-2006 are given below:

Irrigation

6.42 Under this sub-sector nine on-going dam/canal projects (Gomal Zam, Raising of Mangla, Mirani, Sabakzai, Satpara Dams, Greater Thal, Kachhi and Raineer canals and modernization of barrages in Punjab have been fully protected whereas adequate funds have been allocated for revamping/rehabilitation of irrigation system of Sindh & Punjab, extension of Pat Feeder canal and construction of 43 minors in Balochistan. An amount of Rs. 24,980 million (60% of the total water sector's allocation) has been allocated to irrigation projects for their timely completion. The major irrigation projects are as under:

Major On-going Projects

- **Raising of Mangla Dam** Construction of main dam, intake embankment, land acquisition/ compensation, infrastructure development in new city, Dhanghali bridge, Sukian Dyke, Jari dam/rim works and resettlement works would continue during the year 2005-06. An amount of Rs. 10,000 million would be utilized for timely completion of above works. It has been proposed to raise Rs. 8000 million through floating bonds by WAPDA.
- **Mirani Dam** Earthwork of 0.70 MCM and 0.04 MCM of concrete/stone work for dam embankment and main dam, spillway, irrigation system and construction of 62 structures would be undertaken. Sufficient allocation of Rs. 1,500 million has been provided to accelerate the on-going works during the year 2005-06.
- **Gomal Zam Dam** The physical progress of the project was stopped by the contractor on October 2004 due to law and order situation. The works relating to main dam, spillway, irrigation system, land acquisition and hydropower would continue during the next financial year. An amount of Rs. 800 million including F.Aid of Rs. 500 million has been allocated during the year 2005-06.
- **Satpara Dam** having a storage capacity of 0.045 MAF, length of 518 m, height of 34.5 m would irrigate 19,920 acres of land in Skardu Valley. During the next

financial year an amount of Rs. 1,000 million would be utilized on irrigation system, Shatung diversion, coffer dam/outlet structures, power house & spillway works.

- **Sabakzai Dam** About 20% works on main dam; powerhouse, irrigation system and 100% of land acquisition have been completed. The remaining works would be achieved during the next financial year. An allocation of Rs. 550 million has been made for excavation of 1.75 MCM for dam embankment, spillway and construction of 300 structures.
- **Greater Thal Canal** The earthwork from RD 00+425 to RD 15+00 (GTC-01), RD 15 to 64 (GTC-02), RD 64+112 has been already been completed whereas 86% of earthwork from RD 00 to RD 112 + 700 (GTC-03) and 46% construction of regulators and distributaries (GTC-04) is expected to be achieved upto June 2005. A sum of Rs. 1,800 million has been allocated during the year 2005-06 for 8 MCM of earthwork and 0.11 MCM of concrete lining.
- **Kachhi Canal** 0.64 MCM of earthwork under KC-I and 6.93 MCM of earthwork under KC-II for main canal has already been completed. Land acquisition of 11,050 ha, 0.1 MCM and 0.3 MCM concrete work for lining of canal under (KC-2) and KC-4 respectively are expected to be completed upto June 2005. An amount of Rs. 1500 million has been earmarked for 4.0 MCM of earthwork for construction of main canal and 0.15 MCM of lining, construction of 34 structures, land acquisition of 2314 ha for the year 2005-06.
- **Rainee Canal** The total length of canal is 164 Km. Overall physical progress of about 9.0 MCM of earthwork, 0.05 MCM of concrete lining, construction of 20 structures and 1580 ha of land acquisition is expected to be achieved upto June 2005. An amount of Rs. 1200 million has been made for construction of 3.3 MCM of earthwork, 0.13 MCM of concrete work of main canal & distributaries, 270 structures and 1,619 ha of land acquisition during the year 2005-06.
- **Revamping/rehabilitation of Irrigation & Drainage System in Sindh** The project costing Rs. 12,963 million includes strengthening of 8,082 Km of canals/drains, silt clearance of 3635 Km of branches, stone pitching of 380 Km of canal banks, repair/remodeling of 241 regulators and rehabilitation of 1596 SCARP tubewells. The physical progress of the project remained slow due to late releases of allocated funds. Out of total revised allocated amount of Rs. 750 million only 500 million has been released upto May 2005. A sum of Rs. 2,200 million has been earmarked for the next financial year to achieve the above mentioned targets.
- **Punjab Irrigation System Rehabilitation Punjab (cost Rs. 19,519 M)**, 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/remod. of 17500 modules. An amount of Rs. 1500 million has been allocated for this program for the year 2005-06.

- **Punjab Barrages Modernization Phase-I** (cost Rs. 745 M for emergent repair works), keeping in view the need for emergent repair to barrages and their modernization, Rs. 460 M has been utilized so far. The balance amount of Rs. 285 million has been allocated for 2005-06 to complete the remaining emergent repair works during the next financial year.
- **Extension of Pat Feeder canal** (cost Rs. 2244 million), Khirther Canal (cost Rs. 1000 million) and Construction of 43 new minor canals in the command of Pat Feeder Extension (cost Rs. 700 million). A sum of Rs. 800 million has been earmarked for these projects.

ii) DRAINAGE AND RECLAMATION PROGRAMME

6.43 This programme will receive 19% (i.e. Rs. 7900 million) of total Water Sector's allocations. The sub-sector includes 4 drainage projects (3 in Sindh and one in Balochistan), in addition to NDP that has been shown separately. Adequate allocations have been made for, Left Bank Outfall Drain (LBOD), Lower Indus Right Bank Drain (RBOD-I, II & III) for their timely completion.

- **National Drainage Programme (NDP)** This program costing Rs. 25,047 million envisages rehabilitation/extension of 10,000 Km of existing & new surface drains, rehabilitation/ replacement of 1140 saline groundwater TWs, installation of 250,000 acres of tile drainage, 1050 watercourses, construction of 400 Km interceptor drains and transfer of 1500 fresh groundwater Tws. The program is a mix of institutional and policy reforms, physical works, coordination, motivation of beneficiaries, research and studies in drainage. For this purpose a sum of Rs. 3000 million including foreign aid of Rs. 2000 million, as share of Federal Government, has been allocated. The provincial's allocations will be reflected in the provincial ADPs.
- **Right Bank Outfall Drain from Sehwan to Sea (RBOD-II)** The project costing Rs. 14,000 million includes construction of 273 Km of drain for disposal of 2271 cusecs of drainage effluent into sea. The physical progress of the project is satisfactory, about 29 MCM of earthwork & 35 MCM of stonework for the main drain, acquisition of 2408 ha of land, construction of 10 structures are expected to be completed upto June 2005. An amount of Rs. 2500 million has been earmarked during the year 2005-06 to complete 30 MCM earthwork/stonework, construction of 74 structures and acquisition of 5952 ha of land.
- **Balochistan Effluent Disposal into RBOD (RBOD-III)** During the next financial year Rs. 500 M has been earmarked for earthwork of 2.80 MCM of main drain, construction of 79 structures and land acquisition of 245 ha costing Rs. 4,485 million.

iii) ON-FARM WATER MANAGEMENT (OFWM)

6.44 The OFWM programme aims at reducing conveyance losses and field losses by improving watercourses, precision land leveling, organization water user Associations and establishing demonstration plots. In addition water storage tanks are constructed and lifting devices installed on streams so as to provide irrigation water to barani agricultural land. Water-course improvement would be accelerated to save

water or minimize water loss and alleviate poverty. The remaining 86,500 water-courses have been proposed to be improved during the five years resulting in saving of about 8 MAF (based on studies by WAPDA & Water Management Training Institute, Lahore). A sum of Rs. 6000 million has been made to meet the target of improvement of 10,000 watercourses under the national on-farm water management programme costing Rs. 66,373 million. The above-mentioned programme is in addition to OFWM-IV project, which is being undertaken in the provinces on decentralized basis for which the financial allocations will be reflected in the Provincial ADPs.

iv) FLOOD PROTECTION PROGRAMME.

6.45 The flood control works are undertaken under two main programmes namely normal/emergent Flood Works and Second Flood Sector Project (Asian Development Bank assisted). The programmes aim at protecting village abadies, private property and public infrastructure situated along the rivers. These programmes during 2005-2006 envisage execution of more than 38 priority/emergent nature of small schemes (under normal flood program) and 40 schemes (under Second Flood Protection Sector Project) in Punjab, Sindh, NWFP, Balochistan, FATA, Northern areas and AJK. A total of Rs. 1600 million including foreign aid of Rs. 300 million has been allocated for the above mentioned programmes.

v) SURVEY, INVESTIGATION AND RESEARCH.

6.46 Survey, Investigation and Research is a continuing programme being carried out by WAPDA. During the year 2005-2006, the work will continue on a number of important schemes such as Study on water escapages below Kotri barrage, WAPDA's engineering studies for small dams, Feasibility study for construction of new small dams, Feasibility study for Tank Zam dam, Flood Forecasting System for Nullah lai Project, International Waterlogging & Salinity Research Institute, Mona Reclamation & Experimental Project and Lower Indus Water Management & Reclamation Research Project. A sum of Rs.611 million has been allocated to this programme.

ENERGY SECURITY

POWER

Review of 2004-05

Financial:

6.47 Allocation of Rs. 32435 million (including Foreign aid of Rs. 15278 million) was made for power sub-sector during 2004-05 including budgetary corporations and excluding non-budgetary corporations. Against the above allocations, the revised estimates for 2004-05 are Rs. 24574 million (including Foreign aid of Rs. 7665 million).

6.48 Long term Energy Security Plan has been prepared and approved by the Prime Minister where in main thrust has been laid to meet the emerging demand energy with emphasis on exploration / exploitation of indigenous resources including Hydel, coal, domestic / imported gas and renewable in a firmly manner. It was also decided that sectoral efficiency will be improved, institution strengthening and private sector involvement enhanced.

6.49 Energy Security Plan will require a total investment of US \$ 150 billion over the next 25 years. The public sector share is expected to be around US \$ 50 billion and the private sector of around US \$ 100 billion.

Physical:

6.50 The present Government is perusing a policy to enhance the power generation by harnessing more indigenous resource based generation like hydel, coal and gas etc. In order to improve the hydel thermal mix towards hydel as well as to augment the existing water storage facilities, more hydel based projects have been approved for implementation.

6.51 Contract has been signed in May, 2004 between China National Nuclear Corporation (CNNC) and PAEC for construction of 325 Mwe Chashma Nuclear Power Plant Unit-2 for which infrastructure facilities have already been started at site. The plant is scheduled to start electricity generation in 2011.

6.52 The major improvement in the power sector is the successful privatization of KESC by the Privatization Commission after many abortive attempts during last 10 years. With the privatization, funds of over Rs.20 billion have become available to the Government of Pakistan.

6.53 The optimal utilization of hydroelectric potential is accorded priority in the power development programme. The Government of Pakistan has accorded approval for construction of seven medium hydro electric projects i.e. Malakand-III 81 MW, Khan Khwar 72 MW, Allai Khwar 121 MW, Duber Khwar 130 MW, Kayal Khwar 130 MW, Golan Gol 106 MW, Jinnah Low Head Hydel 96 MW in Public Sector and New Bong Escape 79 MW and Rajdhani 132MW in the private sector.

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

6.55 The Power Policy 2002 received encouraging response from private investors. Investors were attracted due to growing demand for electricity, competitive fiscal incentives and improved macro-economic conditions. As a result Private Power Infrastructure Board (PPIB) received 67 Expressions of Interest for raw sites with a total capacity of 13,920 MW at various locations of the country. PPIB also advertised a 450 MW coal fired project based on Lakhra field. PPIB also issued letters of Interests (LOI) for 13 projects worth 2406 MW out of which seven (7) are gas based (1148 MW), five (5) hydel (1108 MW) and one oil based project (150 MW).

6.56 The total installed generating capacity of the country increased from 19403 MW in 2003-04 to 19497 MW in the year 2004-05. The retired two power plants Quetta G.T and Shahadara G.T has been re-commissioned in 2004, each of respectively 35 MW and 59 MW. The total increase in installed capacity in 2004-05 is 94 MW. The peak demand of the national grid system increased from 13402 MW in 2003-04 to 14394 MW in 2004-05. The total energy generation is expected to increase from 81821 GWh in 2003-04 to 86244 GWh in 2004-05. It is also expected that the losses in the system would decrease from 27.5 % in the year 2003-04 to 26 % in the year 2004-05.

6.57 During 2004-05, 844500 new connections are expected to be provided by WAPDA and KESC. It is also expected that WAPDA would electrify about 9438 villages/abadies during the period. The detail of physical achievement is given at Annex – 6.4.

Programme for 2005-06

Financial

6.58 Allocation of **Rs. 41415.6** million (Rs. 20392.6 million from PSDP and Rs. 21023.0 as self financing by WAPDA) including Foreign aid of **Rs. 14813** million (excluding Rs. 4600 million FEC component WAPDA) is made for power sub-sector during 2005-06 including budgetary corporations and excluding non-budgetary corporations.

Physical

6.59 In the year 2005-06, the maximum power demand of the country is expected to increase to 15511 MW. This maximum power demand would be met with the existing installed capacity as no additional capacity is expected during the year. However, KESC may not be able to meet its demand due to shortage of generating capacity as well as limitations on import of power from WAPDA system. Meanwhile, the interconnection of Hub power station with KESC is in progress to meet the future growing demand of KESC system. The target set for the total energy generation (including private sector) is fixed at 93257 GWh in 2005-06. It shows an increase of

8.13% over the energy generated in 2004-05. About 1037315 numbers of new connections would be provided by WAPDA and KESC besides electrification of 2500 new villages/abadies during 2005-06. The detail of targets for 2005-06 is given at Annex – 6.4.

6.60 For investors interested in gas power projects, the Private Power and Infrastructure Board (PPIB) has decided for International Competitive Bidding (ICB) for the setting up of three Thermal Power projects worth \$ 1.3 billion which will be located in Lahore, Faisalabad and Uch with a combined power generation capacity in the range of 1200-1400 MW. For investment in hydel projects, PPIB has already advertised 7 raw hydel site projects with cumulative power generation capacity of about 1800 MW.

Fuel

Review of 2004-05

6.61 An allocation of Rs. 321.2 million was made for Fuel Sector during 2004-05 excluding non-budgetary corporation programme. Against the above allocation, the revised estimates are Rs. 270.0 million.

6.62 Crude production during 2004-05 is expected to be about 73917 BPD against the target of 68074 BPD showing an achievement of 108% and gas production is expected to be 4033 MMCFD against the target of 3767 MMCFD, showing 107% achievement. A total of 54 wells both in Public and Private Sector comprising of 22 exploratory and 32 development/appraisal wells, are expected to be drilled showing 100% achievement. The Liquefied Petroleum Gas (LPG) production is expected to be 1450 tonnes per day against the target of 1600 tonnes per day showing 91% achievement. Estimated production of coal during 2004-05 is 3.9 million tonnes per annum as compared to target of 4.0 million tonnes per annum showing 97.5 % achievement. M/s Rehien Braun Engineering of Germany has completed a Bankable Feasibility Study on Thar Coal Mining.

6.63 Regarding use of Compressed Natural Gas (CNG) in automotive sector, about 370 provisional licenses for setting up CNG stations have been issued and about 270 CNG stations are expected to be constructed.

Commissioning of White Oil Pipeline Project

6.64 Pak-Arab Refinery Limited (PARCO) has completed commercial Commissioning of White Oil Pipeline Project at an estimated cost of US \$ 481 million, having a length of 817 Kilometers with a capacity to handle the movement of HSD of 12 million tonnes per annum from Karachi to Mahmood Kot for White Oil i.e. High Speed Diesel in the country.

Natural Gas

6.65 The utility companies laid 529 km gas transmission and 4640 km distribution lines during 2004-05. Around 250550 new connections to domestic consumers, 4700

to commercial consumers and 525 to general industries were provided during the year 2004-05. Natural gas supply was extended to 270 more towns/villages in the country.

Programme for 2005-06

6.66 An allocation of Rs. 642.4 million has been proposed during 2005-06 for Fuel Sector, excluding the non-budgetary corporation programme.

6.67 During 2005-06, the crude production is planned to be 71635 BPD against estimated production of 73917 BPD in 2004-05 showing a decrease of 3.1% over the previous year. The gas production is planned to be 4189 MMCFD against estimated production of 4033 MMCFD in 2004-05 showing 3.8% increase over previous year. The LPG production is planned to increase to 1600 tonnes per day from 1450 tonnes per day showing 9.3% increase over the previous year. The coal production is planned to be 3.9 million tonnes during 2005-06. In the year 2005-06, additions of 155 Km transmission line and 5268 Km distribution line are planned. Efforts are being made by research organization such as Hydro Carbon Development Institute of Pakistan to convert public transport to CNG instead of HSD. The policy of present Government aims to encourage oil and gas exploration in the country and to increase the share of coal. As a result of the policy the number of wells to be drilled during 2005-06 will be increased to 100. Moreover the mixing of 5% fuel ethanol in motor spirit is planned to be undertaken. About 0.1 million light vehicles are expected to be switched over to CNG.

6.68 Ministry of Petroleum and Natural Resources is undertaking a feasibility study to ascertain techno economic viability of Thar Coal gasification and extraction of chemicals. In addition, Sui Northern Gas Pipeline Limited (SNGPL) is also undertaking a feasibility study for setting up a pilot coal gasification Plant at Bhakkar, Punjab. Both these studies are expected to be completed during 2005-06.

6.69 Physical targets/achievements during 2004-05 and Targets for 2005-06 are given at Annex- 6.5.

MANUFACTURING

Review of 2004-05

Industrial Production:

6.70 Against the target of 10.2 percent for the year 2004 – 05, a growth of 12.5 percent is estimated in the manufacturing sector. The large-scale manufacturing (LSM) is estimated to grow by 15.43 percent as against the target of 12.0 percent while small scale is estimated to grow by 7.3 percent against the target of 7.5 percent. During the year under review, large number of industrial items have shown significant growth. The items expected to show higher growth over the previous year are: LCVs/Jeeps (59.9 percent), buses (28.6 percent) trucks (16.3 percent), cars (23.8 percent), tractors (19.5 percent), Cement (17.7 percent), paint and varnish (59.0 percent), phosphatic fertilizer (27.6 percent), petroleum products (11.9 percent), electric transformers (44.1 percent), airconditioners (17.3 percent), refrigerators (20.4

percent), TV sets (28.7 percent), motor tyres (18.8 percent), cotton cloth (30.2 percent) and cooking oil (25.3 percent). The detail of large-scale industrial production is given at Annex – 6.6.

PSDP Allocations/ Utilizations

6.71 An allocation of Rs 392.432 million was made for 04 industry sector projects including technical assistance/ aid of Rs 321.34 million from Government of Japan against which Rs 256.072 million are estimated to be utilized by June 2005. The major projects carried out during the year under review include Balancing and Modernization of Workshop facilities at Pakistan Industrial and Technical Assistance Centre (PITAC), Lahore, Metal Processing Centre (PITAC), Lahore, Up-gradation of Plastic Technology Centre, Karachi and Up-gradation of Automotive Testing and Training Centre, Karachi. These projects envisage to ensure quality and promote industry in the private sector.

Prospects for 2005-06

Industrial Growth

6.72 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 rather than a marginal change, 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 private sector is the key stakeholder in the growth strategy, and would receive due emphasis, while the role of public sector would be that of a catalyst and an efficient regulator to ensure competitive market structure.

6.73 In order to ensure a sustainable growth and in view of competitive international environment, a growth rate of 11 percent has been targeted for the manufacturing sector for 2005-06 consisting of 13 percent in the large scale manufacturing and 7.4 percent in the small scale manufacturing. The auto industries, chemical industries and electrical/ electronic industries are expected to play a major role in achieving a sustainable growth in the manufacturing sector. Production targets for large-scale industries are given at Annex - 6.6.

6.74 Special incentives are planned to be offered to Small and Medium Enterprises (SMEs) by the Government to upgrade existing skills, processes and technologies, as well as in becoming part of the international supply chain. Such SMEs have a major role in employment generation in the country.

PSDP Allocations (2005-06)

6.75 PSDP allocation of Rs 1050.66 million has been earmarked for the year 2005-06 which is 168 percent higher than the previous year's allocation. The allocation mainly consists of Balancing and Modernization of Workshop Facilities at PITAC, Lahore (Rs 62.366 million), Up-gradation of Automotive Testing and Training Centre, Karachi (Rs 110.00 million), Up-gradation of Plastic Technology

Centre Karachi (Japan Grant), (Rs 286.400 million), Metal Processing Centre (PITAC), Lahore (131 million) and Rs 460 million for Supporting Participatory Development and Building Institutional Markets for Business Development Services and Credit for SMEs which is being carried out through ADB's soft loan.

MINERALS

Review of 2004-05

6.76 Pakistan has major metallic and non-metallic mineral reserves which are under various phases of exploration, development and utilization in the country. Of the 92 known minerals in the country, 58 are commercially exploited, with an annual production of 14 million metric tones (MMT). While 23 minerals are important contributors to the economy, the share of the top 5 (limestone, coal, aragonite / marble, gypsum, and dolomite) is nearly 95 percent. Major minerals/ raw materials imported are iron ores, coking coal, and phosphate rocks which take up nearly 50 percent of imports.

6.77 For the year 2004 - 05, allocation of only Rs 55.8 million was made for the mineral sector projects (other than fuel minerals) against which Rs 53 million are estimated reflecting 95 percent utilization. In addition to PSDP allocations Rs 24.75 million were also utilized through funds provided under President's directive for undertaking various training programmes. The major projects undertaken during the year include Construction of Laboratories and Office Building for the GSP at Peshawar, Accelerated Mineral Exploration Programme of GSP to identify new economic mineral deposits in the country and Ground Follow-up of Aeromagnetic Anomalies in District Chaghai Balochistan.

Prospects for 2005-06

6.78 The Mineral sector offers enormous potential for economic growth as well as employment generation. Sadly, it was neglected in the past. For the first time major foreign direct investment has come for copper ores, and this is planned to be emulated in other minerals also. The first major foreign investment in mining has come in the form of Tethyan Copper Company (TCC) using the resources of BHP Billiton to complete the exploration and development of the 'pilot' project in the Reqo Diq area, Baluchistan. This in fact will be a medium sized mine in global terms, as it contains nearly 2 billion pounds of copper with estimated value of around US\$2.4 billion (producing 42,000 tonnes of copper metal per annum for 12 years).

6.79 PSDP allocation of Rs 152.3 million has been made in the mineral sector indicating 173 percent increase over the previous year's allocations. The projects include Construction of Laboratories and Office Building for the GSP at Peshawar (Rs 5 million), Accelerated Mineral Exploration Programme of GSP to identify new economic minerals deposits in the country (Rs 8.83 million), Ground Follow-up of Aeromagnetic Anomalies in District Chaghai Balochistan (Rs 50 million), Feasibility Study for development and exploitation of Chechali iron ore and commissioning of Steel Mill at Kalabagh (Rs 50 million) and 06 other training programmes for

systematic evaluation, mining, cutting and polishing of precious and semi-precious stones.

TRANSPORT SECTOR DEVELOPMENT

Review of PSDP 2004-05

6.80 The public sector development programme for 2004-05 envisaged an outlay of Rs.34711 million for the federal public sector programme comprising Rs.16995 million for the budgetary programme and Rs.17715 million for the budgetary corporation programme (NHA). Against this an expenditure of Rs.33148 million has been incurred giving an overall utilization of 95 percent of the total outlay. An expenditure of Rs.13955 million has been incurred under the budgetary programme and Rs.19194 million under the budgetary corporation programme (NHA). Salient features of implementation of the programme are given below:

Railways

6.81 Against an allocation of Rs.9731 million an expenditure of Rs.7148 million has been incurred giving a utilization of 73 percent of development programme. The main thrust of the Pakistan railways was aimed at the improvement of infrastructure and procurement of essential material for locomotives, coaches, bogie wagons and track rehabilitation of the railway network. Work on Track Rehabilitation on PR network, 450 passenger coaches, procurement of 30 locos, 69 DE locos, 175 passenger coaches & 1300 high capacity wagons, was accelerated, in addition to completion of development projects under the on-going portfolio. Work for conversion of Mirpur Khas – Khokhropar section from meter gauge into broad gauge initiated to start interregional connectivity with India and CARs.

D.G. Ports & Shipping Wing

6.82 Against an allocation of Rs.4705 million an expenditure of Rs.4254 million has been incurred giving a utilization of 90 percent. Work on the Gwadar Deep Sea Port Project, which is expected to be completed during the financial year 2005-06 reached nearing completion. Whereas work on the Gwadar Fish Harbour cum mini port completed alongwith minor leftover works on the ice cold storage & desalination plant (which are important for making the port fully functional) and the port will be fully operational by next year

National Highway Authority (NHA)

6.83 Against an allocation of Rs.17715 million an expenditure of Rs.19194 million has been incurred on the development programme of the National Highways giving a utilization of 108 percent. The reason for incurring an expenditure more than the allocation was the payment made against outstanding liabilities of the completed projects, and ahead of schedule work on some projects like the Makran Coastal highway, Karachi Northern bypass, dualization of Chablat Nowshera Section of the National Highway N-5 including flyover and Improvement of N-70 Qilla Saifullah-Loralai-Bewatta Section etc. Work on dualization of National Highway (N-5) on other

different Sections, two interchanges of M-2 at Sial Mor & Khanqah Doghran, Islamabad- Peshawar Motorway (M-1), Lyari Expressway, Islamabad-Muzaffarabad Road, Mansehra-Naran-Jalkhad Road, Dera Allahyar – Nutal and Nutal – Sibi – Dhadar sections of N-65 & Ratodero-Shahdadt Kot-Khuzdar Road continued. Work on the Kohat Tunnel, Pindi Bhattian – Faisalabad Motorway (M-3), Improvement of Dera Allahyar – Nutal section of N-65 & Improvement of the Indus Highway (Phase-I&II) was completed. Preliminary works on construction of Chenab bridge at Shershah & 5 bridges on Gilgit – Skardu road and construction / improvement of existing sub-regional roads under NWFP road Development sector & sub-regional Connectivity project initiated. Expression of interests for construction of Lakpass tunnel on BOT basis were invited and after detailed negotiations, the project on BOT basis had been assigned to the FWO, which will be completed within two years.

Research (NTRC)

6.84 Against an allocation of Rs.14 million an expenditure of Rs.18 million has been incurred giving a utilization of 129 percent. The increase in utilization is due to expenditure incurred against the project namely National Transport Policy project, meant for developing a national policy covering all modes of transport, for which no allocation in the PSDP was made.

IT & Telecommunication Special Communication Organization (SCO)

6.85 The entire allocation of Rs.883 million was incurred against the works for the on-going projects in AJ&K and N.As. This include GSM project for provision of mobile telephone services in AJ&K, Int'l Gateway Exchange & Earth Station for AJ&K and N. Areas and Rural Digital Expansion Project for AJ&K (Phase-II) reached nearing completion. While work on the laying of Optic Fibre Cable alongwith Transmission System between Mansehra & Gilgit and Gilgit – Skardu and Expansion / Improvement of Telecom. Facilities in Norther areas was initiated.

Frequency Allocation Board (FAB)

6.86 The entire allocation of Rs.199 million has been incurred for procurement of necessary equipment for completion of work on the Upgradation of National Frequency Management and Monitoring System Project giving a utilization of 100 percent.

National Telecommunication Corporation (NTC)

6.87 Against an allocation of Rs.320 million an expenditure of Rs.318 has been incurred giving a utilization of 99 percent. Under this allocation of the works in respect of the project for establishing Optical Fibre based Transmission Link along the coastal highway from Karachi to Gwadar / Jiwani, and Karachi to Keti Bandar reached nearing completion and work on Hosting of GoP Portal and Govt. Websites completed.

SUPARCO

6.88 Against an allocation of Rs.434 million an expenditure of Rs.429 has been incurred giving a utilization of 99 percent. This includes the annual operating & lease payment for the PAKSAT-I (Phase-I) Satellite and completion of two feasibility and definition studies for PAKSAT-IR and Earth Observation Satellite System (EOSS).

Finance Division (CBR)

6.89 Against an allocation of Rs.350 million an expenditure of Rs.340 million has been incurred giving a utilization of 97 percent. This includes procurement / installation / operation of one container scanning unit out of six proposed units, at Port Qasim, Karachi.

Commerce Division

6.90 Against an allocation of Rs.40 million an expenditure of Rs.41 has been incurred on the World Bank financed project viz Trade and Transport Facilitation Project for preparation of documents of various transport acts relating to road, rail, sea and multi-modal network in Pakistan. The project is expected to be completed during the next financial year.

Programme for 2005-06

6.91 An allocation of Rs. 36206 million has been made for the development programme of the Transport & Communications Sector. This includes Rs.16156 million for the budgetary programme and Rs.20050 million for the budgetary corporations programme (NHA). Salient features of the programme are detailed below:

Pakistan Railways

6.92 An allocation of Rs.9849 million has been made for continuation of work on track rehabilitation of Pakistan Railway Network, Procurement of 69 DE locos, procurement / manufacture of 175 Passenger Coaches, procurement of 1300 Bogie High Capacity Wagons and rehabilitation of 450 passenger coaches, recommissioning of 55 Stabled DE locos, Doubling of Lodhran - Khanewal section alongwith other on-going projects. Works on the construction of doubling of Khanewal - Raiwind section and Underpass at Renala Khurd at Railway X-ing 147 will be undertaken and work on conversion of Mirpur Khas - Khokhropar section from meter gauge into broad gauge would be completed.

D.G. Ports & Shipping Wing

6.93 An allocation of Rs.3744 million has been made to complete balance work on the Gwadar Deep Sea Port Project and to initiate works for deepening of channel to enable it to handle bigger ships for transshipment.

National Highway Authority (NHA)

6.94 An allocation of Rs.20050 million has been made for continuation / completion of the on-going programme. The main thrust of the programme is aimed at the acceleration of work on the dualization of National Highway (N-5) on different sections, Islamabad-Peshawar Motorway (M-1), 2 interchanges on the Motorway M-2 at Khanqah Doghran & Sial Mor, Makran Coastal Road, Karachi Northern Bypass, Layari Expressway, Islamabad-Muzaffarabad Road (N-75), Mansehra Naran-Jalkhad Road, Nutal-Sibi-Dhadar Section (N-65), Ratodero- Shahdaddkot-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 & Bridge on River Jhelum at Azad Pattan. Work on the Lowari Tunnel, Lakpass tunnel on BOT basis, remaining sections of the Gwadar Ratodero Road (Khuzdar-Khori, Ratodero-Quba Saeed Khan & Gwadar- Turbat) & the remaining portion of the Indus Highway (N-55) (Sehwan-Dadu, Dadu-Larkana, Rajanpur-D.G.Khan & Malana Junction-Sarai Gambila Sections) will also be undertaken. Work will also be initiated on the improvement of N-65 from Jaccobabad Bypass to Shikarpur, Quetta-Kalat-Chaman road, Quetta Western bypass, Jhalkhad – Chilas Road, and the National Highway improvement programme co-financed by the World Bank and NWFP Road Sector programme funded by the ADB. Procurement of land for Additional Carriageway from Lodhran to Khanewal section of N-5 to be taken up under the World Bank's funding and Lakpass Tunnel & Rawalpindi By-pass projects to be undertaken on BOT basis would also be made. After completion, the projects will mainly contribute towards smooth and safe flow of vehicular traffic on the national highways and increase the total kilometrage of national highway network.

Research (NTRC)

6.95 An allocation of Rs.30 million has been made for continuation of research programme and work on the Pakistan Transport Plan Study in collaboration with JICA and initiation of work on National Transport Policy under the ADB financing.

National Highways and Motorway Police (NH&MP)

6.96 An allocation of Rs.404 million has been made for acquisition of land for the Establishment of police Posts and Offices of National Highways and Pakistan Motorway Police along National Highway, N-5.

IT & Telecommunication

Special Communication Organization (SCO)

6.97 An allocation of Rs.1079 million has been made for continuation of on-going works for Expansion / Improvement of Telecom. Facilities in Northern Areas under Phase-II, laying of optical fibre cable alongwith transmission system between Mansehra & Gilgit and Gilgit & Skardu, international gateway exchange & earth station for AJ&K and the Northern Areas, Rural Digital Communication uplift project for AJ&K (Phase-II), Provision of 15,000 Local Telephone Outside Plant (OSP) in major Cities / Towns of Northern Areas and work on Inter Transit Main Exchange Optical Fibre alongwith Transmission line System for AJ&K would be initiated.

National Telecommunication Corporation (NTC)

6.98 An allocation of Rs.200 million has been made for completion of the on-going work on the establishment of the optical fibre based transmission link for establishing coastal communication link between Karachi & Gwadar / Jiwani and Karachi to Ketu Bandar.

Planning and Development Division NLC

6.99 An allocation of Rs.300 million has been made for construction of work on the up-gradation and Expansion of the Existing NLC Communication Network.

Commerce Division

6.100 An allocation of Rs.6 million all in foreign exchange has been made to complete the balance work on the World Bank financed project i.e. Trade and Transport Facilitation Project for the establishment of multi-modal transport system & redrafting of laws for streamlining procedures for ports & custom clearance and freight forwarding.

Defence Division SUPARCO

6.101 An allocation of Rs.298 million has been made for payment of the next installment of the lease fee & operational cost of PAKSAT-I project to M/s Hughes Global System.

Pakistan Meteorological Department

6.102 An allocation of Rs.49.5 million has been made for completion of remaining works of an on-going project for the Establishment of Special Computerized Weather Analysis Centre & Hostel at the National Agrometeorological Centre for improving the efficiency of the department and strengthen its infrastructure and initiation of works for 5 new projects i.e. Establishment of 16 additional Met Observatories at different locations of the country and Special Repairs of offices / residential quarters / boundary walls at Karachi, Lahore and Astore.

Airport Security Force (ASF)

6.103 An allocation of Rs.40.18 million has been made to complete the balance works for the construction of barrack accommodations at 5 small airports i.e. Muzaffarabad, Gilgit, D.I.Khan, Rawalakot and Nawabshah and to initiate works for 5 new projects for the construction of barrack accommodations at Islamabad, Quetta, Multan, Faisalabad and one office accommodation for Chief Security Officer (CSO) North at Islamabad airport.

PHYSICAL PLANNING & HOUSING

6.104 Major PP&H sectoral issues include severe housing shortage, low water supply and sanitation coverage, and the haphazard growth urban areas. The Government will continue to facilitate the private sector for the construction of houses/flats by providing trunk infrastructure and ensuring adequate institutional credit for house construction. The following programmes are being funded through the PSDP :-

- i) Water Supply and Sanitation Services;
- ii) Government Offices and Buildings;
- iii) Government Servants Housing;
- iv) Development of Federal Capital Islamabad; and
- v) Gawadar Area Development Project.

Review of 2004-05

6.105 Overall sectoral size of the PSDP in 2004-05 was Rs 15,348 million, of which Rs 8,011 million or 52% were allocated for the Federal projects and Rs 6,995 million or 48% for the Provincial projects. Break-up of the allocation and anticipated utilization during 2004-05 are given in Table-6.2.

Table-6.2
PSDP Allocation & Utilization

	(Million Rupees)		
	2004-05		%age
	Allocation	Utilization	
I. Federal Programme	8,011	7,168	89
II. Provincial Programmes	7,337	6,995	95
Punjab	3,770	3,508	94
Sindh	1,405	1,380	98
NWFP	1,173	1,138	97
Baluchistan	989	969	98
Total: -	15,348	14,163	92

6.106 Major PP&H physical targets and likely achievements during 2004-05 are given in Table - 6.3.

Table -6.3
Physical Targets and Achievements

Item	Unit	Targets	2004-05
			Expected Achievements
i) Urban Residential Plots	Nos (in million)	0.120	0.100
ii) Urban Water Supply	Addl. Population served (in million)	2.000	1.400
iii) Urban Sewerage & Drainage	-do-	1.000	0.725
iv) Rural Water Supply	-do-	1.000	0.400
v) Rural Sanitation	-do-	1.000	0.300
vi) Govt. Servant Housing	Unit Nos.	1.000	500
vii) Government Offices/Buildings	Covered Area Sq.ft. (Million)	0.100	0.075
viii) Katchi Abadis Improvement	Addl. Population Served (in million)	0.500	0.300

Programmes of 2005-06

6.107 Against the Federal PSDP utilization of Rs 7168 million, the sectoral size of the PSDP in 2005-06 for Federal programmes would be Rs. 7,536 million, whereas the Provincial allocations will be shown in their respective ADPs for next year. Sub-sector-wise break-up of the PSDP allocations and physical targets for 2005-06 are given in Tables 6.4 & 6.5.

Table-6.4

PSDP Allocation

Sub-Sector	(Million Rs.)
	Allocation 2005-06
- Water supply/sewerage	4,000
- Urban roads/Development	2,000
- Office/Buildings	1,000
- Government Servants Housing	536
Total: -	<u>7,536</u>

Table – 6.5

Major Programmes & Physical Targets (2005-06)

Sr. No.	Sub-Sector	Targets
1.	Development of Residential Plots	To facilitate development of additional 1,50,000 small-size residential plots in "Site & Services schemes" in urban areas, and about 100,000 small size plots in rural areas, for construction of houses by the allottees.
2.	Water Supply and Sanitation/Sewerage	
2.1	Urban Water Supply	Increase urban population coverage from present 85 per cent to 87 per cent.
2.2	Urban Sewerage and Sanitary Drains	Increase urban population coverage from present 65 per cent to 66 per cent.
2.3	Rural Water Supply	Increase rural population coverage from present 55 per cent to 57 per cent.
2.4	Rural Sanitation	Increase rural population coverage from present 30 per cent to 32 per cent.
3.	Katchi Abadis/Slums Upgradation	Improvement of environmental conditions of additional 0.600 million population in Katchi Abadis/Slums.
4.	Government Employees Housing	Provision of additional 5,000 houses and flats for Government Employees in Islamabad and Provincial Capitals, including Government owned and "on ownership basis".
5.	Government Offices and Buildings	Construction of 1.20 million square-feet covered area for Federal/Provincial Government Agencies and Civil Armed Forces.
6.	Housing for Industrial Workers	Construction of 1,500 small-size plots and 500 houses/flats, by the Workers Welfare Fund.
7.	Houses for Overseas Pakistan	Implementation of on-going schemes in major cities by the Overseas Pakistanis Foundation.

MASS MEDIA

Review of 2004-05

6.108 The sector was provided Rs.428.538 million for ongoing schemes and three new projects of Pakistan Television Corporation. The major project during the year was the Replacement of Electronic Equipment costing Rs.2.2 billion which was given Rs.274 million. The project made headway in terms of procurement of equipment for modernization and digitalization of studios at 05 TV Stations Karachi, Lahore, Islamabad, Peshawar and Quetta and installation of Earth Stations in Lahore, Quetta and Peshawar. Three Mini Out Broadcast (OB) vans have been fabricated for Peshawar, Quetta and Islamabad for providing A class on spot live coverage to national events. AJK TV Station Muzaffarabad was the other major project, which was completed and commissioned during the year. Rupees 17.735 million have been allocated to AJK TV Station with seven rebroadcast stations located in Palandari,

Bimbar, Neela Butt, Mirpur, Kotli, Rawala Kot, and Bagh. Equipment has been imported for rebroadcast stations and land purchased for three RBCs. The other projects were Rebroadcast Stations in the left-out pockets of the country mostly in Balochistan and tribal areas aiming at providing TV signals to all parts of the country. Land for new RBS have been purchased and civil works will start during 2005-06. Pakistan Broadcasting Corporation received Rs.30 million for its ongoing project, 100 KMMW Transmitter and Broadcasting House at Turbat. The civil works were taken in hand at transmitter building during the year. Rupees 11.6 million were allocated for Digital Video (DVD) Laboratory at Islamabad. The equipment has been imported and being installed.

Programme for 2005-06

6.109 Under the ambitious national media development programme which aims at modernizing the country's TV, Radio and information infrastructure, thrust has been given to speedy implementation of all mass media projects. The sector has been provided Rs.454.235 million for ongoing schemes of TV, Radio and Directorate of Films and Publications. An amount of Rs.6.36 million has been provided to new scheme for up-gradation and advancement of technology in Associated Press of Pakistan (APP). The major chunk of the funds will go to PTV's Replacement of Electronic Equipment Programme, which has been provided Rs. 300 million. During the year, five more studios- one each at existing TV station, will be modernized and digitalized. The work on the main Out Broadcast (OB) Vans for Karachi and Islamabad will also start. The rest of the funds will go to ongoing Rebroadcast Stations in Punjab, Balochistan, Sindh, Northern Areas and the tribal areas. Rupees 30 million are allocated to RBC Shakargarh for civil works. The re-broadcast Stations at Umer Kot and Qilla Saifullah have been allocated Rs.15 million each for civil works. While the civil works at rebroadcast stations Pooran, Bisham, Buner and Kund Bangla will be commenced. The Rebroadcast Centres located in Orakazi (Samana), South Waziristan (Wana) and Mohmand Agencies will receive adequate funds to complete these projects.

6.110 PBC's project, 100 KMMW and BH Turbat has been provided remaining funds to complete the project. The building will be completed and equipment installed. Directorate of Films and Publications will continue the work on digitalization of its laboratory. Rupees 8.4 million are allocated for completion.

CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS

Review of PSDP 2004-05

6.111 An amount of Rs.613.04 million was allocated for Culture, Sports, Tourism and Youth Affairs which is expected to be utilized in full. The detailed break-up is as follows:-

Culture

6.112 In this sub sector Rs.165 are spent on the project of National Monument of Pakistan at Islamabad. The civil works of the project are in progress. The project of

National Art Gallery consumed Rs.138 million. This project has been revised at a cost of Rs.496 million. Rupees 20.5 million have been incurred on restoration works of archaeological sites from Rewat to Taxila. The conservation works and provision of public facilities are in progress. Funds have also been spent on various projects like Restoration and Preservation of Satgara Temple, Umerkot Fort, Harrappa Remains, Jehangir's Tomb, Shalamar Garden and Lahore Fort. Preservation and restoration works are in progress at all these places.

Sports

6.113 The major expenses were incurred on Boxing Gymnasiums at Islamabad, Peshawar, Lahore, Karachi and Quetta where civil works are in progress. The hockey stadium at Khushab and Sports Stadium Chakwal have received Rs.19.5 million for civil works. Other projects where work is in progress are sports complexes Sadiqabad, Haripur, Thatta, Badin and Skardu and renovation of existing Squash Courts at Quetta. Pesahwar and Rawalpindi.

Youth

6.114 The projects of Youth Development Cente at Quetta and Youth Development Centre Peshawar consumed Rs.4.742 and Rs.5 million respectively on civil works.

Tourism

6.115 Five ongoing projects namely Motels at Bunni, Baran Kalay and Chaman, restaurant at Hawks Bay and road side facilities at Astak (NA) have progressed during the year.

PSDP 2005-06

6.116 An amount of Rs.992.475 million has been allocated for Culture, Sports, Tourism and Youth sub sectors. The detail is given below :

Culture

6.117 Rupees 627.411 million have been allocated to this sub-sector which includes Rs.219 million for National Monument and Rs.210 million for National Art Gallery. Another Rs.33.416 million are provided for air-conditioning and electrical works of Ethnological Museum. Rupees 56.530 million are earmarked for National Monument Museum. The Rohtas Fort which is on the World heritage list will receive Rs.20 million for restoration works. The scheme of Museum and Educational and public facilities at Lok Virsa Complex Islamabad is earmarked Rs.25 million. Another Rupees 11.19 million will be allocated to the project of Master Plan for preservation, restoration and up-gradation of Quaid-e-Azam birth place Kharadar Karachi. Rupees Rs.5 million are allocated for preservation and restoration of Harrappa Remains and development of museum. Rupee 0.6 million are allocated for Development of Museum and conservation of Umer kot Fort. Also Rs.7.783 million have been allocated for acquisition of land for National Museum of Pakistan at Islamabad. All major conservation and restoration activities of Jehangir's Tomb, Archeological sites

from Taxila to Swat and Rewat to Taxila have been provided funds for restoration and conservation works to save rich cultural heritage.

Sports

6.118 An amount of Rs.313.973 million has been allocated for Sports sub - sector. This shows a quantum jump for sports projects which includes Boxing Gymnasiums, Sports Complexes at Sadiqabad, Thatta, Badin, Skardu, Haripur and Mardan and new sports stadia at Charsadda, Jang, Lodhran, Hango, Lakki Marwat, Kharan, Pishin and Sialkot. Rupees 4.393 million and Rs.28.865 million are allocated for laying of synthetic hockey turfs at Rawlakot and Khushab. Also Rs.9.557 and Rs. 6 million are earmarked for restoration of Pakistan Sports Board's coaching center, Quetta and for the feasibility study to convert old terminal building Lahore into world class sports complex. For provision of facilities in Qazi Mohib hockey stadium at Bannu, Rs. 6 million will be spent and for the improvement of Tennis Courts/ Hockey Ground at Qayyum Stadium, Peshawar Rs.2.6 million are provided.

Youth

6.119 Rupees 20.250 million are allocated for Youth Development Centre at Quetta and Youth Development Centre at Peshawar.

Tourism

6.120 Rupees 30.841 million are allocated for five ongoing and two new projects namely Web-Site development at Ministry of Tourism and Research and Publications.

BASIC AND COLLEGE EDUCATION

Review of 2004-05

Financial

6.121 During the fiscal year 2004-05 an amount of Rs.2091.0 million was provided for the expansion and development of Basic and College Education in Federal PSDP. This included allocation of Rs.2029.0 million for projects of Ministry of Education, Rs. 57.0 million under Ministry of Defence for school / college education in Cantonments & Garrisons and Rs. 5.0 million under Cabinet Division.

6.122 An amount of Rs.800.0 million was provided for Education Sector Reforms (ESR) specific programme. This amount was transferred to the provinces/districts for implementing programmes of Education For All (EFA), Introduction of technical stream at Secondary level, Adult literacy programme, Quality Assurance and Teachers Training Resource centers. Major projects included in the PSDP were Madrassa Reforms for introduction of Formal subjects including Computer Education, National Education Assessment System (NEAS), Science Education Project, Conversion of existing schools in Islamabad to Model Schools/Colleges, Establishing cadet colleges, establishment of Non-formal Basic Education Schools, Establishment of Polytechnic for girls at Turbat and introduction of M.Ed classes in Federal College of Education Islamabad. Provision was also made for new schools / colleges in

Islamabad, consolidation of existing schools through providing additional class rooms, free text books, scholarships, science education facilities and introduction of technical stream in secondary schools in ICT. National Education Foundation established community schools in FATA.

Physical

6.123 Literacy rate for both male & female is now 56 % with female literacy rate as 44 %. Participation rate at Primary level is 92 %, at Middle level 63 % and at Secondary Level 44%.

Programme for 2005-06:

Financial

6.124 An allocation of Rs. 4538.3 million has been made for the financial year (2005-06) for Basic and College Education projects. This includes Rs.4495.5 million for projects of Ministry of Education, Rs 32.8 million for projects of School/ colleges education in Cantonments & Garrisons under Ministry of Defence and Rs. 10.0 million under Cabinet Division for Center of Excellence for Urdu informatics.

6.125 An allocation of Rs. 1150.0 million has been made for Education Sector Reforms (ESR) specific programmes which include Education For All (EFA), Adult literacy programme, Quality Assurance, Revamping of Science Education at secondary level, Introduction of technical stream and Teachers Training Resource centers. This allocation will be transferred to the provinces/ districts for implementing ESR specific programmes and will help the districts to formulate need-based projects under Devolution Plan. To implement Government policy of mainstreaming religious institutions for increasing the employment capability of their output, the project "Madrassa Reforms" for introduction of formal subjects in Madaris has been allocated Rs.1000.0 million.

6.126 The projects Non-formal Basic Education Schools and National Education Assessment System will assist in increasing accessibility and quality of education at elementary level. Establishment of Gwadar Institute of Technology through Chinese grant and Polytechnic for girls at Turbat will help increase technical manpower in Balochistan. Scholarships for Bangladeshi students will further strengthen relation between the two brotherly countries. Other major projects include Science Education Project, establishment of 8 cadet colleges in the country, scholarships for students and introduction of M.Ed classes in Federal College of Education. In ICT major projects include conversion of existing schools in Islamabad to Model Schools/ Colleges, establishment of new schools / colleges, IT facilities to schools & colleges, consolidation of existing schools through providing additional class rooms. National Education Foundation will establish community schools in FATA.

Physical

6.127 Targets of Literacy rate for both male & female is estimated to be raised to 57 % with female literacy rate as 45 %. Expected participation rate at Primary level is 93 %, at Middle level 64 % and at Secondary Level 45 %.

DEVELOPMENT OF A KNOWLEDGE ECONOMY

HIGHER EDUCATION

6.128 In the global knowledge economy the competitiveness of nations is increasingly determined by their capacity to generate, assimilate and apply new knowledge. This is not simply a matter of finding new applications for existing knowledge. It is about the generation of new ideas and the creation of the human capacity – the highly educated individuals and teams – needed to imagine, develop and apply those ideas. The Higher Education Sector plays a critical role in the production of the human capital, and the generation and transmission of knowledge, critical to achieving a competitive position in the global knowledge economy.

6.129 The policies of the Government of Pakistan are placing greater stress on upgrading the skills of the vast resources of human capital in the country through measures promoting access to education, with a focus on enhancing capacity to learn, enhancing the knowledge distribution power of the economy through collaborative networks and the diffusion of technology, and providing the enabling conditions for change in the science system to maximize the benefits of technology for productivity.

6.130 The strategy for improving the higher education system would be geared towards facilitating development in key areas relating to faculty development, improving access and increased participation in higher education, promoting excellence in learning and research, and ensuring relevance to the economy through increased stakeholder participation. These core initiatives are supported by the cross-cutting strategic themes of improvement of governance and management of universities, improvement of quality and benchmarking to international standards and finally technological infrastructure development for developing the ICT and experimental equipment base to support and enhance the core initiatives.

Review of 2004 – 2005

Financial

6.131 During the financial year 2004-2005, a development budget of Rs 9.104 million was allocated to the Higher Education Commission. The portfolio of the HEC during this period consisted of over 300 PSDP projects, of which 90 have been successfully completed, with the remaining medium and long-term projects continuing in various stages of implementation. Total estimated expenditure would be Rs. 8375.68 million (92%) by June 2005.

Physical

6.132 With increased budgetary allocations for the Higher Education sector come greater demands for transparency, and for increased appropriations to be well targeted. The Higher Education Commission strived to set an example for other government organizations, by setting performance metrics and specific time-based targets have been introduced for each programme in higher education sector implemented in 2004-2005 and these have been subjected to regular performance

reviews. The majority of targets set by programmes were successfully achieved, and shortfalls were being rapidly ameliorated. In many cases the positive variance against pre-defined targets reflected the special emphasis placed by the government on higher education and helped in the effective utilization of public-sector development funds.

6.133 The focus area of human resource development remained a top priority, and was an area where great progress had been made. The establishment and execution of a transparent system for award of indigenous and foreign Ph.D. scholarships, with the aim of enhancing local research activities and developing future faculty members continued to provide opportunities for the best candidates to further their careers in academia.

6.134 Through the indigenous Ph.D. Programme, 1079 scholarships were awarded, with measures taken to ensure that international standards of quality were met at every level. Furthermore, increased opportunities were provided for PhD scholars, selected via a rigorous testing and screening process, to pursue their studies in industrially advanced nations. These include PhD programs for Engineering Sciences in China (38 scholars), Basic Sciences in China (35 scholars), Engineering and S&T in Austria (39 scholars), Natural & Basic Sciences in France (20 scholars), Engineering & Basic Sciences in Germany (15 scholars), Overseas Scholarship Programme (45 scholars), scholarships to the Asian Institute of Technology in Bangkok (13 scholars) and 32 awardees through the Split PhD programme, with a further 63 selected.

6.135 In-service teachers were supported through various teacher training programmes including pedagogical training programs, ICT training, and subject based training. A total of 343 faculty members benefited from these programmes. The foreign faculty hiring program inducted over 95 highly qualified faculty members in university departments across Pakistan on short and long term assignments.

6.136 Research is essential to the generation of new knowledge. A dynamic, world-class research sector is not only vital for the health of universities but crucial to economic growth and social cohesion enabling and nurturing truly excellent research remains the cornerstone of the research policy of the Higher Education Commission. This year had seen the maturing of the numerous research promotion programmes launched during the first year. The flagship Competitive Research programme had seen enhanced interest by faculty members and more than 101 peer-reviewed Research Grants, 52 Post-Doctoral Fellowships, 108 Research Support Initiatives and Travel Grants, 52 Seminar/Conference Sponsorships, 30 Journal Publication Support initiatives and various programmes promoting Visiting Professorships and Access to Scientific Instrumentation amongst many others were approved.

6.137 It was aimed to exploit the benefits of the Information and Communication technology revolution to impact the development of the higher education sector. Through the establishment of a world-class telecommunications infrastructure via the Pakistan Education and Research Network (PERN) the 56 connected universities were provided with connectivity of up to 155 MB, and the necessary infrastructure (computers, LAN/WAN) to utilize this vital resource for distance learning services. The Digital Library Program had been expanded to provide access to over 17,000 international journals from the world's leading publishing houses, including the

prestigious Science Direct of Elsevier Publishing, ISI Web of Knowledge and journals of leading American Scientific Societies, with identified institutional research priorities guiding the acquisition of content. Video-lecturing facilities was also implemented. Access to world academic and research literature in all fields has heralded a new era of research and development in the higher education establishments of Pakistan

6.138 Widening access and improving participation in higher education form a crucial part of knowledge economy. Every University and Degree Awarding Institute was challenged to enhance enrollment of students, and the response to this initiative had surpassed all expectations with many institutions increasing enrollment from between 15 to 50%. Enrollment in distance learning programmes also showed a substantial increase, extending opportunities for education to the most remote corners of the country.

6.139 The Higher Education Commission set the trend in implementing e-government solutions, with the objective to serve the public in a transparent and efficient manner. The HEC had developed a MIS and Financial Management system to streamline and monitor financial practices, and launched the e-HEC Workspace Portal, a tool to promote internal information sharing, efficient programme management and collaboration, and document management systems.

6.140 The enhancement of quality in all aspects of higher education had remained a central focus during the last year, in the achievement of which Quality Improvement Cells were established in 10 public sector universities, as well as the formation of 4 Accreditation Councils for accreditation of study programmes in critical disciplines. The IT Education Accreditation Council is already operational, with the Agricultural Education Accreditation Council nearing establishment.

6.141 Other major initiatives included support of the engineering and biotechnology sectors, computerization and networking of universities, library support and establishment of central resource laboratories. The HEC was guided in these initiatives not only through need-oriented infrastructure development, but also by supporting institutional excellence, and fostering centers of excellence based on regional factors associated with industry and natural resources. Examples of such centers include the Establishment of the Centre for Advanced Studies in Vaccinology and Biotechnology at the University of Balochistan, Quetta; the Nuclear Medicine Research Laboratory in the Department of Chemistry, University of Peshawar; the Institute of Biotechnology, Bahauddin Zakariya University, Multan; the Advanced Manufacturing Systems Laboratory at University of Engineering and Technology, Taxila; the Bio-Medical Engineering Laboratory at Mehran University of Engineering & Technology, Jamshoro, and the Development of the Plant Genomic Laboratory for Studies of Gene Discovery and Plant Pathogen Interaction at the National Centre of Excellence in Molecular Biology, University of the Punjab.

6.142 In order to meet the specific requirements of institutions based around their institutional objectives, each university developed and submitted a vision document, with an associated action plan for the implementation of their vision.

6.143 A central objective of the policy approach is to encourage greater investment by industry in R&D. The HEC initiated programmes for the establishment of 2 technology incubation parks, as well as the National Technology Incubation Centre at NUST. In order to encourage joint university-industry collaborative research programs, the HEC launched a matching-grant scheme under which 3 projects were provided with funding.

Programme for 2005-06

Financial

6.144 An amount of Rs. 11.7 billion has been allocated to the HEC for the financial year 2005-06. This amount represents an approximate increase of 29% over the previous financial year's allocation, demonstrating the continued support of the government to strengthen the higher education sector.

Physical

6.145 In order to keep development projects aligned with the socio-economic needs of the country five major areas have been identified for development programmes, namely: S&T, life/biological sciences & agriculture, social sciences, capacity building, governance and project/financial management.

6.146 During the next year, human resource development will be receiving special attention to further develop technical manpower to the requirements of various sectors specially industrial and agricultural sectors, geared to meet the challenges of the WTO Regime. Scholarships and training programmes will be continued and enhanced to provide increased opportunities for deserving candidates. An exciting new initiative, implemented in collaboration with USAID and JICA, the Needs-Based Scholarship programme, will provide funding for meritorious candidates, irrespective of financial background with access into undergraduate programs in leading public and private sector universities. The human resource development programmes will be geared towards developing technological and scientific capabilities of students particularly in the areas of cutting edge technologies, and also for skill development in the areas pertaining to medical, pharmaceuticals, agriculture and veterinary sciences.

6.147 Large-Scale University Development Projects a phased implementation of the Medium Term University Development Plans form a key new initiative. Universities and R&D institutions will be strengthened through infrastructure development, particularly through provision of the state of art ICT facilities, with a focus on refinement, enhancement and expansion of current networking and computerization programs to all universities, public and private. Simultaneously, old and obsolete equipment will be replaced with state of the art technologies and facilities.

6.148 The engineering and S&T sectors will continue to receive priority, with the establishment of new engineering universities and Higher Technical Institutions in collaboration with international partnerships from France, Germany and Sweden. The Frontiers of Technology Program will support the development and implementation of cutting-edge research in areas such as nano-technology and genetic engineering. The Health Sciences, in particular nursing and post-operative care, will receive an

unprecedented focus in 2005-2006, with the support of various initiatives to enhance this critical and long-neglected area.

6.149 The experience of developed and newly industrialized countries demonstrates the triangular linkage between academia, research and industry. The value of higher education lies in its relevance and applicability to the needs of business. Special programmes/projects will be initiated to link the universities with relevant industries/industrial clusters. New technology Incubation centers will be established to provide technical, managerial and financial support to the upcoming industrial and technological ventures.

6.150 Attention will be given to further develop central resource facility to assist the universities in development of research projects and to enhance the faculty capabilities, along with the sharing of resources and information. The review and modernization of curricula of courses offered by the local universities and degree awarding institutions will be continued with special emphasis on integration of modern knowledge leading to improvement of quality of education in the universities and broadening the knowledge base of the graduating students. Provision of grants to Public Universities and Degree awarding Institutions for maintenance of scientific equipment will be continued. At the same time, Inter Provincial Exchange of Students Delegations will be continued for a greater knowledge sharing among the students of various universities.

SCIENCE AND TECHNOLOGY

6.151 The concept of knowledge economies encompasses education, training, R&D and its integration with the industry. One of the major components of knowledge economy is the scientific base of a country. The important indices used to measure the growth of scientific and technological development include number of PhD per million of population and total personnel involved in R&D activities. It is widely recognized that investment in human capital is a key to sustainable development. On the other hand, replacement of obsolete infrastructure, quality assurance and R&D in emerging technologies cannot be neglected.

Review of 2004-05

Financial

6.152 An amount of Rs 2570.436 million was allocated for science and technology sector in 2004-05. Out of this Rs 1910.346 million were earmarked for Ministry of Science & Technology. In addition, Pakistan Atomic Energy Commission (PAEC), Pakistan Space & Upper Atmosphere Research Organization (SUPARCO), National Engineering Science Commission (NESCOM), Pakistan Metrological Department and Pakistan Nuclear Regulatory Authority (PNRA) were allocated Rs 189.240 million, Rs 260.000 million, Rs 164.900 million, Rs 19.950 million, and Rs 26.000 million respectively. The total allocation was reduced in Mid-Year Review to Rs 2365.991 million. An amount of Rs. 2200.928 million (93%) is expected to be utilized by June 2005.

Physical

6.153 The Ministry of Science & Technology (MoST) continued its efforts for human resource development through the TROSS scholarship scheme, which meant for 100 PhDs at reputed top ranking foreign universities at present 93 scholars are pursuing their study abroad. Further, S&T organizations under MoST are implementing other various academic programs in the fields of industrial electronics engineering, precision mechanics & instrumentation, dyes and moulds, CAD/CAM technology etc., and contributing in the development of human manpower.

6.154 Many projects with economic significance were executed under STED programme by MoST in 2004-05. The basic aim of this program was to promote technology/value addition in collaboration with the public sector research institutions and the industry. Some of the important projects were: Export Quality Cut Flower Production and Essential Oil Extraction of Rosa; Establishment of a Modern Citrus Nursery of Certified Plants through Sanitation Techniques; Establishment of Specific Pathogen Free (SPF) Technology to Produce Vaccine Production; and Bench/Pilot Plant Scale Studies for Extraction of Gold and Base Metals from Ores/Minerals.

6.155 Major S&T organizations like Pakistan Council of Scientific and Industrial Research (PCSIR), Pakistan Council for Research in Water Resources (PCRWR), Pakistan National Accreditation Council (PNAC), Pakistan Council for Renewable Energy Technology (PCRET), National Institute of Oceanography (NIO), National Institute of Electronics (NIE), Center for Advanced Molecular Biology (CAMB) and Pakistan Standard and Quality Control Authority (PSQCA) were provided enough funds to complete ongoing projects as well as start core initiatives as per priorities of long term goals. Some major ongoing projects in S&T Sector were: PCSIR-Industrial Linkage Programme through which PCSIR provided testing and other services more than 5000 industries; Pakistan Institute of Technology for Minerals and Advanced Engineering Materials (PITMAEM); Strengthening and BMR of R&D Capabilities of PCSIR Laboratories Complex, Karachi; Establishment of Precision Mechanical & Instrument Technology Centre; Mitigation of drought disaster in Cholistan deserts; National Water Quality Management Programme; Enhancement and Management of Groundwater Resources in Balochistan; Survey for Extension of Continental Shelf of Pakistan; Establishment of Pakistan National Accreditation Council (PNAC); Development of Rural Areas through Promotion of Biogas Technology for Production of Bio-fertilizer and Bio-fuel; Electrification of Remote Villages of Hilly Areas of NWFP, FATA and Northern Areas Through Installation of 70 Microhydel Power Plants; Community Solar Dryer for Drying of Dates; Pak-USA, Pak-Kazak, Pak-Turkey and Pak-Syria Joint Research Funds.

Programme for 2005-06

Financial

6.156 An amount of Rs 3892.00 million has been allocated for science and technology sector in 2005-06. Out of this Rs 3071 million are earmarked for Ministry of Science & Technology. In addition, Pakistan Atomic Energy Commission (PAEC), Pakistan Space & Upper Atmosphere Research Commission (SUPARCO), National Engineering Science Commission (NESCOM), Pakistan Metrological Department and

Pakistan Nuclear Regulatory Authority (PNRA) have been allocated Rs 569.000 million, Rs 111.000 million, Rs 75.000 million, Rs 55.000 million, and Rs 11.000 million respectively.

Physical

6.157 The progress in S&T sector is mainly dependent on quality technical manpower, modern equipment, requisite infrastructure and institutional facilities in existence. The basic infrastructure of R&D organizations will be upgraded by providing modern equipment, networking/computerization, digital libraries/literature, etc. This will help in launching the S&T programmes in the key sectors of development. A strong and sustainable infrastructure is important to develop a dynamic culture of R&D activity. Besides necessary technical staff, the facilities of laboratory, library and information system of international standards and compatibility need to be created in these establishments on sustained basis to carry out meaningful work. New initiatives in public sector would include as their integral part, the establishment of pilot projects/plants to initiate commercial operation with economic feasibility being demonstrated to attract local industrial entrepreneurs.

6.158 The concept of technology parks, business incubators is being successfully implemented in the whole world, but the same is not fully understood in Pakistan. It is proposed to establish industrial incubators in industrial estates and universities so that R&D institutes, industry and university can join hands to commercialize the results of R&D.

6.159 It is proposed to take necessary measures for technology transfer from other friendly countries through joint research and to acquire appropriate technologies and/or to develop indigenous technologies to promote industrialization for export led promotion including defence. These involve establishment of Technology Cluster Centres (TCCs) to provide training, testing and quality development services for the fan, leather and bedsheet industry; establishment of Technology Development Fund (TDF) to support the productivity drive in different sectors of our economy, Technology Development Board (TDB) to streamline policies and incentive packages for industry, and Technology Venture Capital Companies (TVCCs) to provide risk funds for technology development; forging of Government, Industry and Research Institution linkages, and promoting S&T Information and Metrology, Standards, Testing and Quality Assurance (MSTQ) Services to enhance our competitiveness in the international market.

6.160 It is inevitable in the WTO regime to recognize the importance of Metrology Standards and Testing Quality System (MSTQ). Several initiatives are being taken to establish internationally recognized accreditation system and analytical laboratories in the country. Public and private sector would be motivated to obtain ISO-9000/14000 Certifications in order to meet the challenges of WTO regime and compete in the world market. National Accreditation Council (NAC) is a body responsible accrediting the certification agencies, for listing and calibration of laboratories as well as for registration of auditors. Steps will be taken to strengthen NAC to play its role for implementation of metrology standards and testing quality systems. PSQCA and PCSIR will also be strengthened to share the workload for meeting ISO/WTO obligations.

6.161 The main emphasis would be laid on new emerging fields such as genetic engineering, biotechnology, remote sensing/geographic information system, microelectronics, robotics, mechatronics, space science, telecommunication, new materials, nanotechnology, marine science, water resources and renewable energy technology to be at par with other developing countries. Several joint research funds have been established with developed and friendly countries in recent past. Some other such funds are in pipeline. These funds will help both the countries to initiate joint projects of mutual interest, exchange ideas/technologies and provide international exposure to the scientists.

INFORMATION TECHNOLOGY

6.162 Information technology and telecommunications in developing countries can transform old challenges and create unprecedented possibilities for sustainable economic development, just as it has for business in the industrial world. Revolutionary advances in information technology reinforce economic and social changes that are transforming business and society. From this revolution emerges a new kind of economy - the information economy - in which information is the critical resource and the basis for competition. Old ways of doing business will be challenged and sometimes defeated.

6.163 Government intervention to harness the growth of IT for national development is necessary on several fronts: as policy maker, as major user of IT and introducing laws and regulations. Also, governments must supervise and coordinate IT education - the key to human and economic development.

Review of 2004-05

Financial

6.164 During 2004-05, most of the funds were allocated for the e-government, targeted HRD and software development programmes. During financial year 2004-05, Information Technology and Telecom Division has been provided with a Development Budget of Rs. 1.516 billion in the PSDP for financing the developmental projects in the field of IT. During the year under review, IT & Telecom Division has approved 31 new IT projects of the worth of Rs. 2.26 billion under various categories (E-Governance, HRD and Software Industry Development). Interior Division was also allocated Rs. 156.00 million for IT Projects.

Physical

6.165 The main programmes and achievements are summarized below.

i) Human Resource Development

6.166 The IT Policy lays maximum emphasis on Human Resource Development (HRD) in the country in general and in the government institutions in particular. In line with these objectives several HRD programs have been executed during 2004-05. Pakistan Computer Bureau, an organization of IT & Telecom Division, and Higher

Education Commission are endeavouring to promote HRD and capacity building in the field of IT.

6.167 In the year 2004-05, IT & Telecom Division started 6 new projects at a total cost of Rs. 239.629 million, to improve HRD of the country. The major projects include:

- Establishment of Data Processing Center at Balochistan Board of Intermediate and Secondary Education (BBISE).
- IT Human Resource Support to Ministries/Departments.
- Revamping of existing technologies and Provision of Computer Technology in Polytechnics of Balochistan and AJK
- Introduction of Computer Education in 81 F.G/Model Colleges and Schools in ICT, Islamabad
- Human Resource Development Training of Ministry of Defence.
- Establishment of IT Center at Akhtar Hameed Khan National Center for Rural Development & Municipal Administration, Islamabad

6.168 The major on-going projects are:

- IT/Computer Science Teachers, Lab. Incharges & Computer Labs. Project (total six projects, one each in Punjab, Sindh, NWFP, Balochistan, AJK and FATA/FANA & ICT)
- I.T. Training for the Employees of Federal Government, Provinces and AJK.

6.169 IT & Telecom Division has also funded other on-going HRD projects of Rs.391 million. These on-going projects include the following institutions:

6.170 National Defence College, PMA Kakul, Pakistan Administrative Staff College Lahore, NIPA Lahore, Peshawar and Quetta, Intermediate colleges, College of Physicians & Surgeons, Karachi, National College of Arts, Lahore, Polytechnic colleges of Islamabad and Mardan, 20 Schools in Cantt/Garrisons, and 2 colleges of Northern Areas.

ii) Software Industry Development.

6.171 At present, more than 900 IT companies have been established generating approximately US\$ 32.88 million revenue. Pakistan Software Export Board is responsible for the development and promotion of Pakistan's software industry. At present 78 international and 29 domestic call centres, having 2500 seats, have been established. Moreover 6 IT parks have already been established in the country in public and private sector.

6.172 The other on-going projects of the year 2004-05 worth Rs. 101.176 million includes the following:

- Marketing Launch (Phase II)

- Strategic Studies & Promotions
- Standardization of Pakistani Software Industry (ISO)
- Standardization of Pakistani Software Industry (CMM)
- Internship Groom

iii) E-Government Programme

6.173 During 2004-05, the Electronic Government Directorate (EGD), established in October 2002 to promote IT culture in government institutions, has initiated a number of projects. These projects aim at the automation of the functions of the Federal Government and provision of services to citizens. During this year, the EGD has approved 11 new projects of Rs.1.1 billion. Establishment of Federal Government Data Center is the most significant initiative of the Directorate. This Data Center will interconnect all the Ministries of the Federal Government and will also work as 'Central Repository' for all applications and databases of the Federal Government.

6.174 Other important projects include computerization of Ministry of Food, Agriculture and Livestock, Capital Development Authority, Islamabad Capital Territory Administration and Islamabad Capital Police etc. Projects for the Online Processing of Hajj Applications and submission of online return by Companies to Security & Exchange Commission of Pakistan have also been started during this year.

6.175 The major on-going projects include the following:

- E-Enabling of National Assembly
- E-Enabling of Senate
- Automation of Ministry of IT
- Recruitment System for FPSC
- Lexicon, Machine Translation & Text Speech Software for Urdu
- Access to Statutory & Case Laws at District Bar Associations
- Tech Support to Provincial IT Departments

6.176 The other important projects of the e-government programme, being executed by the other agencies, are: computerization/automation of Export Promotion Bureau, Monopoly Control Authority, Pakistan Medical Research Council, Project Management System for Development Funds at NWFP, Finance & Planning Dept of NWFP, Sindh Government Departments and Automation City District Government, Karachi. During this year, 4 different projects pertaining to e-government initiatives are going to be completed at a total cost of Rs.67.00 million. These projects include Computerization of Arm Licenses, Computerization of Registration deeds, Sialkot Model IT City, and Computerization of PM Secretariat (Phase-I).

6.177 The most important development is the creation of National E-Government Council in October 2004. The Prime Minister has kindly accepted to be the Chairman of the Council to provide leadership to the E-Government initiatives of the Ministry of Information Technology.

iv) IT Industry and Infrastructure Development

6.178 As the internet was spread from 530 cities in 2001-02 to more than 2000 cities in 2004-05. The number of Internet Service Providers (ISP), as well as Internet users is rapidly increasing. According to estimates, the total number of Internet users in Pakistan has been grown about 3 million.

6.179 In the year 2004-05, the government funded 5 on-going IT industry projects worth Rs. 155.54 million to improve e-services for citizens. The major projects include:

- Industrial Automation (Open Source Systems)
- Geographical Information System (GIS) to facilitate Mineral Exploration in NWFP
- Industrial Information Network (IIN) for SME's Development in Pakistan
- Domestic Exhibitions

6.180 The other major on-going projects include:

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

Programme for 2005-06

Financial

6.181 In the PSDP 2005-06, an amount of Rs.2689.982 million has been earmarked for the IT sector projects. These projects include IT & Telecom, Interior and Cabinet Divisions. The share of IT & Telecom Division is Rs.1911.154 million.

Physical

6.182 It is estimated that there will be implementation of 94 IT projects of IT & Telecom Division in the year 2005-06. Among them 67 projects are ongoing/approved projects and 27 new projects. The new proposals for 2005-06 in important areas are briefly described below:

i) E-Government

6.183 The proposals for the 2005-06 budget are in line with the goals set by the National E-Government Council, chaired by the Prime Minister. In this regard, high impact IT applications will be initiated in various Ministries. More than 10 projects worth 1.74 billion have been proposed in the E-Government category. The major projects include e-enablement of establishment Division, E-Services for Ministry of Interior and Ministry of Health, computerization of PM-Secretariat (Phase-II). In addition to the e-government projects consultancies are also proposed for formulation of projects for online services and Re-Engineering of Government of Pakistan Processes. The cost of these projects is Rs. 30.00 million.

6.184 The Interior Division also launched 2 major project in the current financial year and Rs.600.00 million has been earmarked for those projects in PSDP 2005-06. These projects are:

1. Automated Fingerprints Identification System.
2. Police Record and Office Management Information System.

ii) Software Industry Development.

6.185 The government is giving high priority to the software development and exports. For this purpose, 2 new projects of the cost of Rs.60.226 million have been approved for improving the quality and competitiveness of the software industry. These are:

- Standardization of Pakistani Software Industry at CMMI
- Standardization of Pakistani Software Industry at COPC

iii) IT Industry and Infrastructure Development

6.186 Government is planning to establish 5 more IT parks worth Rs.1.5 billion in Lahore, Karachi, Islamabad, Peshawar and Quetta during 2005-06. To improve IT infrastructure in the country, the Government is also planning to initiate 1 major project titled "Purchase of land for establishment of IT City in Islamabad" at a total cost of Rs.77.55 million. The project envisages development of IT city for making space and IT facilities available for IT companies in private sector. A project titled "Strengthening of IT industry through International Certifications of IT Companies", costing Rs. 25.00 million, has also been proposed for supporting IT industry of Pakistan.

iv) Other Projects/Programmes for 2005-06

- Establishment of IT Centre in Civil Services Academy, Lahore.
- Enterprise Budget System for the Federal Government.
- PSDP Management System.
- Feasibility Study for Construction of Building at Pakistan Computer Bureau.
- Capacity Building in Local IT Industry.

Present Government Policies and Measures

6.187 The present government has placed IT sector as high priority sector. Great emphasis has been given to boost the exports of softwares and introduction of IT in government organisations. Software exports have been increased from US\$ 20.00 million to US\$ 32.88 million during the last one year. To enhance the efficient governance and to provide better services to the citizens, all the Ministries / Division have been computerized or being computerized. For capacity building and HRD in IT, many projects have already been initiated. Major achievements of the government in IT sector have been given in the review of 2004-05. The proposed IT

projects/programmes for 2005-06 is also a clear manifestation of the present regime to give boost and impetus to Information Technology in the country.

HEALTH AND NUTRITION

HEALTH

Review of 2004-05

Financial

6.188 PSDP allocation for health sector Development Programme 2004-05 was Rs.6463.35 million. The revised estimates were Rs.6130.165 million during 2004-05 Priority was accorded to the preventive programmes as follows:-

National Programme for Family Planning and Primary Health Care

6.189 The project aims at increasing the access of health services at grass roots level through deployment of 1,000,00 Lady Health Workers. At present there are 83000 LHWs providing Family Planning and Primary Health Care Services. Rs. 3430.380 million were allocated to the project for the year 2004-05 which is almost half of the total Health division allocations.

National Programme of Immunization

6.190 The project envisages to immunize 4.5 million infants against preventable diseases besides 200 million children against Polio and 5.6 million childbearing women against tetanus per annum. An allocation of Rs.800 million was made for the year 2004-05.

Roll Back Malaria Control Programme

6.191 The project aims at keeping Malaria under control by selective spray, treatment and provision of impregnated bednets all over the country. An amount of Rs.29.508 million were allocated for the year 2004-05. The implementation of the project is reported to be satisfactory as the case load of Malaria disease is well under control according to the WHO standards.

National AIDS Prevention and Control Programme

6.192 The objective of the project is to keep AIDS under control through screening, awareness, safe blood transfusion and training of doctors and paraprofessionals. An amount of Rs.227.00 million (with Rs. 181. 600 as FEC provided by the World Bank) was allocated for the year 2004-05.

National Tuberculosis Control Programme

6.193 The project aims to control the re-emerging disease of Tuberculosis through new strategy of DOTS (Directly Observed Treatment Short Course). The diagnostic facilities at the RHC level are upgraded and after proper diagnosis free treatment for nine months is provided at the doorsteps of the people. Skill development is done through on-job training of doctors and other professionals. Rs.15.00 million were allocated to the project for the year 2004-05.

Physical

6.194 The health sector performance in terms of physical infrastructure i.e Rural Health Centers, (RHC) Basic Health Units (BHU) and hospital beds has been encouraging. The achievements for health sector during 2004-05 included the establishment of 30 Basic Health Units (BHUs), 6 Rural Health Centers (RHCs), upgradation of 12 existing Rural Health Centers (RHCs), 30 Basic Health Units (BHUs) and addition of 1700 hospital beds. The manpower development targets covers the output of 3500 Doctors, 200 Dentists, 2500 Nurses and 450 paramedics. Under the preventive programme, 8 million children were immunized and 18 million packets of Oral Rehydration Salt (ORS) were distributed during 2004-05. The achievements have been largely in the vicinity of the targets. Targets and achievements for the year 2004-05 are given in Table 6.6.

Table 6.6
Physical Targets and Achievements During 2004-05

S./No	Sub-Sector	Rs. Million	
		Targets (Nos)	Achievements (Nos)
A. Rural Health Programme			
i.	New Basic Health Units (BHUs)	40	30
ii	New Rural Health Centres (RHCs)	8	6
iii	Upgradation of existing RHCs	15	12
iv.	Upgradation of existing BHUs	35	30
B. Beds in Hospital/ RHCs/ BHUs		1800	1700
C. Health Manpower Development			
i	Doctors	3700	3500
ii	Dentists	250	200
iii	Nurses	2300	2500
iv	Paramedics	500	450
V	Training of TBAs	500	470
vi	Training of LHWs	22000	19000
D. Preventive Programme			
I	Immunization (Million Nos)	8.0	7.5
Ii	Oral Rehydration Salt (ORS) (Million Packet)	19.00	18.00

Programme for 2005-06

Financial

6.195 An amount of Rs. 10627.133 million have been allocated in the federal PSDP (2005-06) to the Health Sector. The total outlay set aside for Health Division is Rs. 9439.107 million. Major portion of the allocation goes to preventive programmes. Agency wise allocation is given in Table 6.7.

Table 6.7
Allocation for 2005-06

	(Rs. Million)
	Allocation
Health Division	9439.107
Pakistan Atomic Energy Commission	927.429
Narcotics Control Division	35.000
Cabinet Division	222.530
Interior Division	3.067
Total	10627.133

Physical

6.196 Physical targets during the year are addition of 2000 hospital beds, graduation of 5000 Doctors 450 Dentist, 5000 Nurses and 5000 Paramedics. Under the Immunization Programme, 76% of children will be vaccinated against 7 communicable diseases while management of diarrhoea through ORS will continue by provision of 19 million ORS packets. Efforts to eradicate polio from the country are in final stages and the target for this year is elimination of Polio from the country. Efforts to strengthen Vaccination against Hepatitis-B will continue all over the country.

NUTRITION

Review of 2004-05

Financial

6.197 Rs 317 million were allocated for the year 2004-05, out of which Rs. 313 million are expected to be utilized. The major programmes are 1) Tawana Pakistan Project, School Nutrition Package for Girls 2) Improvement of Nutrition through Primary Health Care Project 3) Feasibility of Wheat Flour Fortification and 4) salt iodization programme.

Physical

i. Food availability

6.198 Availability of major food items remained satisfactory and showed some marginal increase in supply over the previous year. From nutritional point of view

Caloric availability increased from 2529 to 2534 and protein availability increased from 65.8 gm/capita per day to 66.3 gm/capita per day. The supply of calories and protein remained above the average Recommended Daily Allowance (RDA).

ii. Programmes

6.199 The following programmes remained in progress during 2004-05

A. Micronutrient Deficiency Control Programmes

6.200 The major micronutrient deficiencies are Iodine, Iron, Vitamin-A. Specific programmes which remained under implementation during the period are:

- Control of Iodine Deficiency Disorder through promotion of iodized salt.
- Control of Iron Deficiency Anemia had been through pharmaceutical supplementations. Study on Fortification of wheat flour to assess the Feasibility of production, stability, acceptability and bioavailability of wheat flour fortification remained in progress.

B. Nutrition in Primary Health Care (PHC):

6.201 Improvement of nutrition, through Primary Health Care aims to improve in Qualitative terms the nutritional status of women, girls and infants by providing and expanding P.H.C nutritional services. Lady health services working at the village level provide services for micronutrient supplementation. Following are the achievements:

- Micronutrients distributed to 40,00 TB patients receiving DOTS therapy
- Two training programmes in Lactation management conducted in each province.
- 6 CDCyenergy-Based Health Care Communication Trainings on Micronutrients conducted to train 150 trainers in provinces.
- LHW Training Curriculum incorporating "RH and Nutrition" revised and updated and Country-Wide Training Workshops for National, Provincial and District based LHW trainers/supervisors organized.
- Media campaign on innovative ideas and concept on nutritional issues launched
- Formulation of National Food-based Dietary Guidelines and Assessment/Evaluation of Serum Retinal levels in Lactating Mothers and Children after administering single dose of Vitamin-A completed.

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

6.202 A nutrition targeted programme covering school girls in 5300 school of the 29 poor districts across the country is underway. This involves serving of fresh meal, micronutrient supplementation and deworming to improve nutritional status of school age girls. Feeding programme has been started in 3962 schools in 29 districts. The

implementation of the project is slow and incomplete as compared with the envisaged target.

D. Food Security Program:

6.203 Household Food Security to increase food accessibility of small farmers to enhance their caloric intake is under implementation by Ministry of Food and Agriculture.

6.204 Food Insecurity in Rural Pakistan was also completed by Sustainable Development Policy Institute (SDPI) with the assistance from World Food Programme. A number of parameters of food insecurity were used for ranking the food insecure districts.

Programme for 2005-06

Financial

6.205 Rs. 646 have been allocated in PSDP 2005-06 for the ongoing Nutrition Programmes sponsored by different ministries.

Physical

6.206 The physical targets and activities for 2005-06 are given as under:

Food Availability:

6.207 Availability of essential food items will be sustained to meet the nutritional needs of the population and sustain calories availability.

Micro-nutrient Control Programmes:

6.208 To control Iodine deficiency, promotion of iodized Salt will continue to sustain the awareness level. The Provincial Governments will be engaged for effective monitoring and evaluation.

Nutrition in Primary Health Care:

6.209 Micro-nutrient will be supplied to additional 4000 TB patients receiving DOT therapy and Lactation Management and LHW training in RH and Nutrition and Media campaign on nutritional issues will continue. Ongoing research activities will be finalized.

Tawana Pakistan Project:

6.210 Feeding in Government Primary Girls Schools will continue to sustain its coverage of 5300 schools and 530,000 girls.

POPULATION WELFARE

6.211 Pakistan with an estimated population of 153.45 million (2005) ranks at the 6th most populous country in the world. Pakistan has maintained consistently high fertility and high population growth rate but now the demographic indicators are showing positive trends. There has been an appreciable increase in knowledge as well as modest increase in contraceptive prevalence.

6.212 The crude birth and death rates which were 31.7 and 9.0 in 1998 have declined to 27.1 and 8.4 in 2005 respectively. The existing age structure which has a large group of females in the reproductive age (15-49) will keep the population to grow at a still faster rate. The population of a country is a double faced phenomenon. It is an asset in the development process if the available human resources are properly planned or it can divert the resources from productive uses to more consumption and can bring an environmental degradation.

6.213 To address population in a holistic manner, the government has formulated a population policy which was approved by the cabinet in July 2002. The policy aims for a swift demographic transition to achieve replacement level by 2020. Selected demographic indicators are given in Table 6.8.

Table No 6.8
Selected Demographic Indicators (2005)

Total population (estimated)*	153.45
Urban population (million)	52.24
Rural population (million)	101.22
Fertility	3.5
Crude birth rate	27.1
Crude death rate	8.4
Population growth rate	1.87
Life Expectancy:	63.3
a. Male	63.4
b. Female	63.2

*NIPS

Review of 2004-05:

Financial:

6.214 The population programme in the public sector has utilized an estimated amount of Rs. 2335.0 million against the total allocation of Rs. 2593.0 million during the financial year 2004-05.

Service Infrastructure

6.215 The programme during 2004-05 have established 2500 family welfare centers (FWCs), 142 reproductive health "A" Centers, 290 mobile service units and involved

7391 service outlets of health and other provincial line departments, 25375 registered medical practitioners and 25545 hakeems and homeopaths.

Programme for 2005-06

Financial

6.216 An amount of Rs 4370.9 million has been allocated for the Population Welfare sector under PSDP 2005-06. It also includes an allocation of Rs.49.0 million for NGOs, to be disbursed through NATPOW. The MTDF supports active partnership with private sector and civil society organizations (CSOs). These CSOs have proved as cost effective.

Objectives for the Year 2005-06:

6.217 Following are the major objectives of the Population Welfare Sector for the year 2005-06:

- Decrease the population growth rate from 1.87 % in 2004-05 to 1.8 % in 2005-06.
- Decrease the crude birth rate from 27.1 in 2004-05 to 26.1 in 2005-06.
- Increase contraceptive users from existing 8.709 million (2004-05) to 9.354 million in 2005-06.

SERVICE INFRASTRUCTURE:

6.218 The programme during 2005-06 will establish 2655 family welfare centers (FWCs), 173 Reproductive Health "A" centers, 341 Mobile Service Units and involve 7569 service outlets of health and other provincial line departments, 25665 Registered Medical Practitioners, 25655 Hakeems and Homeopaths. As per the decision of CDWP all FWCs will be shifted to BHUs/ RHCs/ Dispensaries-A type by the end June 2006. The programme will recruit, train and deploy 5500 male mobilizers for male motivation during the next financial year.

EMPLOYMENT

MANPOWER

Review 2004-05

Financial

6.219 An allocation of Rs.90.7million was made in PSDP 2004-05 which was revised to Rs.81.2 million, out of which an amount of Rs.22.92 million is utilized. The thrust of the programme continued to be on skill development.

Programme for 2005-06

Financial

6.220 An allocation of Rs. 561.5 million have been allocated to the Manpower Sector under PSDP 2005-06. Out of this Rs. 500 million have been allocated for the project "Vocational Training and Skill Development"

EMPLOYMENT SITUATION IN PAKISTAN

6.221 The total population of Pakistan is estimated at 153.45 million. Out of this, 79.68 million or 51.93 percent are males and 73.77 million or 48.07 percent are females. Population is increasing at an annual growth rate of 1.90 per cent.

6.222 Of the total population, 46.66 million or 30.41 percent are in the labour force. Of the total labour force males constitute 38.84 million or 83.24 percent whereas females are 7.83 million or 16.76 percent. Of the total labour force, 43.07 million are employed while 3.59 million persons, who constitute 7.69 percent of the labour force, are unemployed. Out of total unemployed persons, males are 2.56million or 71.31 percent while females are 1.03 million or 28.69 percent.

6.223 The open unemployment rate is 7.69 per cent. However, there are many persons who worked less than 35 hours and falls under the category of under-employed. The under-employment rate according to the Labour Force Survey, 2001-2002 is 14.08 per cent of the employed labour force.

Employment by Sector

6.224 Of the total employed workforce, the majority i.e. 43.07 percent is employed in agriculture sector, 13.73 per cent in manufacturing sector, 14.80 percent in trade, and 15.06 per cent in the community and social services sector. Detail about employment by sectors may be seen in table 6.9.

Table 6.9
Employed Labour Force by Sectors

Sectors	Million	Percent
Total	43.07	100.00
Agriculture, Forestry, Hunting & Fishing	18.54	43.05
Mining & Quarrying	0.03	0.07
Manufacturing	5.91	13.73
Electricity, Gas and Water	0.29	0.67
Construction	2.51	5.83
Wholesale, Retail Trade, Restaurant & Hotel	6.37	14.80
Transport, Storage & Communication	2.47	5.73
Financing, Insurance, Real Estate & Business Sector	0.46	1.06
Community, Social & Personal Services	6.48	15.05

Source: Labour Force Survey 2003-04.

Trends in employment

6.225 Pakistan being predominately an agriculture country has the bulk of its employed persons engaged in agriculture sector. The share of employed persons in this activity during 1991 was found to be as high as 47 percent. After 14 years it has undergone a gradual change and declined to 43 percent in 2004. Though the share of agriculture has declined over years, it still remained the major contributing sector to employment while the share of Transport has increased from 5.24 percent in 1991 to 5.73 percent in 2004 and that of Trade sector from 13.24 to 14.80 percent in 2004.

Employment by Status

6.226 The majority of employed labour force consists of self employed and unpaid family helpers which accounts for 51.23 percent of the total employed labour force. Table 6.10 shows employed labour force by status :

Table 6.10
Employment by Status

Status	Million	Percent
Employed Labour Force	43.07	100.00
Employers	0.38	0.88
Self Employed	15.97	37.07
Unpaid Family Helpers	10.41	24.16
Employees	16.31	37.88

Source: Labour Force Survey 2003-04.

Employment by Occupation

6.227 About 35 percent of the total employed are skilled agriculture and fisheries workers while 20 percent are employed in unskilled occupations. Table 6.11 shows the detail of employment by occupation:

Table 6.11
Employment by Occupation

Major Occupational Groups	Million	Percent
Total	43.07	100.00
Legislators, Senior Officials & Managers	4.94	11.48
Professionals	0.85	1.98
Technicians & associate professionals	2.10	4.88
Clerks	0.71	1.64
Service workers, shop & market sale workers	2.22	5.16
Skilled agricultural and fishery workers	15.04	34.92
Craft and related traders workers	6.84	15.88
Plant and machine operators & assemblers	1.62	3.75
Elementary (unskilled) occupations	8.75	20.32

Source: Labour Force Survey 2003-04.

Employment in Informal Sector

6.228 Formal sector has a limited capacity to absorb rapidly increasing labour force. Informal sector on the other hand plays a significant role in the economy as it creates more employment opportunities, has the potential of additional source of revenues, absorbs labour force with low level of education and training and contributes toward skill upgradation of a significant number of the workforce.

6.229 Of the total employed labour force about 43 percent are engaged in Agriculture sector while 57 percent are employed in Non-Agriculture sector. Informal sector employment activities mostly exist in the non-agriculture sector. 70 percent of the persons employed in non-agriculture sector are employed in the informal sector. Table 6.12 shows employment in the informal sector.

Table 6.12
Employment in the Informal Sector

Sector	Million	Percent
Total	43.07	100.00
Agriculture	18.54	43.05
Non Agriculture	24.53	56.95
Formal	7.37	17.11
Informal	17.16	39.84
Rural	8.61	20.00
Urban	8.55	19.84
Male	15.60	36.21
Female	1.57	3.63

Source: Labour Force Survey 2003-04.

Women in Employment

6.230 Women almost form fifty per cent of the population. But most indicators of women welfare such as life expectancy, primary school enrolment, birth-related deaths, labour force participation rates and employment level place Pakistan at the bottom of the Asian Countries. Only 16.76 percent women are in the labour force as compared to 83.24 percent males in the total labour force. In terms of employment only 6.79 million women are employed as compared to 36.28 million men in the employment.

6.231 The Government has initiated a number of programmes and projects for women in education, training, and skill development and also for facilitating income generation activities for women. The international donors and Non Governmental Organisations (NGOs) also supplement the government efforts.

6.232 Past experience indicates that training has made a positive contribution towards participation and employment level of the female workers. In order to improve the working and increase participation of the female segment of the population in economic activities, training has to be accorded top priority. In the scenario likely to emerge due to globalization and change in technology, women's training has acquired more importance.

Unemployment

6.233 Presently the unemployed labour force is about 3.59 million (2.56 million males and 1.03 million females), which constitutes 7.69 per cent of the total labour force. The quantum of unemployment is quite high in rural areas (2.13 million) as compared to urban areas (1.46 million). Similarly the unemployment rate among females is higher i.e. 12.80 percent as compared to males, which stands at 6.6 percent.

6.234 Of the total unemployed, about 49 per cent are illiterate while 51 per cent are literate. Educated unemployment is mostly amongst persons having Matriculation level of education which constitute about 0.45 million or 25 percent of the total literates. Details about unemployment by level of education are given in table 6.13.

Table 6.13
Unemployment by Level of Education

Level of Education	Million	Percent
Total Unemployed	3.59	100.00
Illiterate	1.76	49.06
Literate	1.83	50.94
No Formal Education	0.01	0.19
Formal Education	1.82	50.75
Pre Matric	1.07	30.14
Matric	0.45	12.49
Intermediate	0.16	4.37
Degree & above	0.13	3.75

Source: Labour Force Survey 2003-04.

Employment Projections

6.235 Eradicating unemployment stands high on economic agenda of the Government. The marvelous achievement of 8.34 percent growth of GDP would undoubtedly generate employment opportunities and prove helpful in eradicating unemployment menace. Employment projections are given in Table 6.14.

Table 6.14
Employment Projections

Year	Population	Labour Force *	Employed Labour Force	(Million)		
				Employment Growth rate (%)	Unemployment	Unemployment Rate (%)
2004-05 (Benchmark)	153.45	46.66	43.15	3.36	3.51	7.52
2005-06	156.32	47.60	44.36	2.80	3.24	6.80

* Population is used as worked out by National Institute of Population Studies (NIPS)

WOMEN DEVELOPMENT

6.236 Government of Pakistan is conscious of the issues of women Development and is fully committed to the enhancement of the status of women on the grounds of equity and equality. Ministry of Women Development have taken a leap to implement CEDAW and National Plan of Action (NPA) especially relating to political, economic and social empowerment.

6.237 The National Policy on women Development and Empowerment was prepared and implemented by Ministry of women Development. It addresses the social, economic and political empowerment of women. The Policy was widely disseminated to provide polemic guidance to Ministries / Divisions / Departments of Federal and Provincial Governments and civil society as a whole. These efforts are not only raising the image of the country on fulfillment of international commitment but also assisting in the attainment of goals of equity and gender equality.

Review of 2004-05

Financial

6.238 Originally an amount of Rs. 625 million was allocated under PSDP 2004-05. In Mid Year Review Meeting the allocation was revised to Rs. 169.6 million. Later on, out of Rs. 169.6 million, Rs. 54.9 million have been surrendered by the Ministry of Women Development. As such the net amount available with the Ministry was Rs. 114.7 million out of which Rs. 92.25 million have been utilized.

Review of 2004-05

Physical

6.239 This amount was utilized to operate or setup thirty-seven (37) projects for political, economic and social empowerment of women. Significant among them are ten District Resource Centres (SRCs), IT training to women councilors, ten Crises Centres, advocacy programme, micro financing to rural women for alleviation of poverty and provision of services/utilities to women and female students. Ministry of Women Development also organized consultative conferences/seminars to discuss CEDAW's Report, achievement of MDGs and promulgation of laws to curb violence against women. Ministry also hosted Fifth South Asian Regional Ministerial Conference in Islamabad.

6.240 The Devolution Plan 2001 and the Local government Ordinance 2001 provided one third representation of women (33%) at all tiers of local government. Women's Political Participation Project (W3P) funded by UNDP at a cost of US \$ 3 million in collaboration with Norwegian Organization for Development (NORAD) successfully trained about 27000 (75%) women councilors and also undertook a number of additional initiatives of capacity building of women councilors to make them effective in participation and decision making.

Programme for 2005-06

Financial

6.241 Under PSDP 2005-06 an amount of Rs. 488.5 million has been provided for Women Development.

Physical

6.242 The development programme has been prepared to bring visible change in the conditions of women who are politically, economically and socially marginalized. A pro-active approach will be adopted to address core issues of violence and poverty by raising support network, imparting skills and micro finance to the needy women.

WOMEN POLITICAL SCHOOL

6.243 To build upon the gains of W3P and address the gaps Women Political School funded by UNDP/Norwegian Government to the tune of US\$ 4.45 million has been launched in October 2004 with a view to institutionalize the process of enabling and empowering women in public offices so that their issues & concerns are raised in policy agenda and are addressed through public policy.

NATIONAL GENDER REFORM ACTION PLAN (GRAP)

6.244 The national Gender Reform Action Plan (GRAP) is aimed at introducing government-wise reforms to engender the machinery at the federal, provincial and district levels with a positive bias for women. Specifically, national GRAP seeks to address some of the significant gender gaps through reforms in four key areas:-

- ❖ Political;
- ❖ Administrative/institutional;
- ❖ Public sector employment; and
- ❖ Policy and fiscal.

6.245 The GRAP envisages mainstreaming of gender equality perspective across public policies, laws, programmes and projects by various organs and agencies of government, ensuring that women's interests and needs are adequately represented in public policy formulation and related programmes.

6.246 The total cost of the project has been estimated at Rs.730.103 million including estimated cost of Project Management Office. The executing and sponsoring agency for the project will be Ministry of Women Development whereas the Key Ministries, Provincial Governments and District Governments are the implementing partners.

6.247 The Cabinet at its meeting held on 25-5-2005 has endorsed the GRAP in principle which is a historic decision for the emancipation of women in Pakistan.

6.248 An amount of Rs.300 million have been allocated for national GRAP under PSDP 2005-06. It is a four years project which will be implemented in two phases of two years each.

6.249 Provincial Governments have also prepared their respective GRAPS according to their own needs which will be implemented by them after approval of Provincial Cabinets.

SOCIAL WELFARE

Review of 2004-05

6.250 The Social Welfare Sector was allocated an amount of Rs.635.512 million during the financial year 2004-05. This included an allocation of Rs.300 million for the Tawana Pakistan "Nutrition Package for Primary School Girls" Project, which was subsequently revised as Rs.250 million. Allocation for Special Education and Social Welfare Projects has also been revised from Rs.333.512 million to Rs.269.552 million. Some Special Education Projects are going to complete on 30.6.2005 which include Development of Park for the Disabled at Islamabad, National Institute of Special Education, H-8/4, Islamabad, National Training Centre for Special Persons G-9/2, Islamabad and Housing Colony for Teachers and Staff of DGSE, I-9/4, Islamabad. Special Education School/Centre at Gilgit is also near completion while work at Kohat, Hyderabad, Hunza and Sibbi is in progress. Community Development Centres at Ghanche and Ghizer in Northers Areas, Village Noon near Islamabad, Khyber Agency, Khurram Agency and Wazirstan Agency are successfully providing training facilities in knitting, embroidery and related skills to women of these areas and for men in the skills of radio/television repairing, furniture repairing, etc. The National Council of Social Welfare is providing financial and technical assistance to 380 NGOs.

Programme for 2005-06

6.251 Major emphasis during the financial year 2005-06 will continue to be on implementation and completion of the ongoing projects. The Tawana Pakistan Project has been allocated an amount of Rs.567 million to improve nutritional status of school girls (5-12 years) to increase enrolment and sustain attendance of girls in primary schools. The ongoing Special Education Projects have been allocated an amount of Rs. 178.396 million. Under the Special Education Programme, schools/centres at Okara, Kohat, Sibbi, Hyderabad and Hunza in Northers Areas will be completed during the next financial year. Twelve Special Education Schools will be upgraded from primary to middle level to facilitate education and rehabilitation of the special children. Community Development Projects contained in the PSDP of 2004-05 shall continue to provide services in respective areas. An allocation of Rs. 797.217 million has been allocated for ongoing projects of Social Welfare and Special Education for the year 2005-06. The National Council of Social Welfare shall continue to provide financial and technical assistance to the NGOs working for welfare of the masses in far-flung areas of the country

RURAL DEVELOPMENT

Review of 2004-05

6.252 During the financial year 2004-05, an amount of Rs.1009.15 million was provided for Rural Development under Ministries/Divisions programme. It was

estimated that upto June, 2005 and an amount of Rs 557.15 million will be utilized. Agency-wise allocation and utilization is given in Table 6.15.

Table 6.15
Allocation and Utilization

Sl.No	Agency	(Million Rs)			
		Allocation 2004-05		Utilization 2004-05	
		Total	F.Aid	Total	F.Aid
I.	M/O Local Govt. & Rural Development	272.25	270.25	272.25	270.00
II.	Narcotics Control Division	134.90	122.52	134.90	122.52
III.	Interior Division	33.00	-	33.00	-
IV.	Finance Division	447.00	400.00	117.00	70.00
V.	National Reconstruction Bureau (NRB)	122.00	122.00	-	-
	Total :-	1009.15	914.77	557.15	462.52

Programme for 2005-06

6.253 An amount of Rs.886.65 million has been provided for Rural/Area Development in the year 2005-06. Out of this, Ministry of Local Government and Rural Development has been provided Rs 50.00 million, Narcotics Control Division has been provided Rs. 207.65 million for Agricultural and Area Development Project in poppy growing areas of FATA. An amount of Rs. 464.00 million (including Rs 353 million of foreign aid) has been provided to the Finance Division for Decentralization Support Programme. Rs. 122 million have been provided for National Reconstruction Bureau. Agency-wise allocations for 2005-06 are given in table 6.16.

Table 6.16
Allocation for 2005-06

Sl.No	Agency	(Rs Million)	
		Allocation for 2005-06	
		Total	F.Aid
I.	Ministry of Local Government & Rural Development	50.00	44.00
II.	Narcotics Control Division	207.65	193.88
III.	Interior Division	43.00	-
IV.	Finance Division	464.00	353.00
V.	National Reconstruction Bureau (NRB)	122.00	122.00
	Total RD	886.65	712.88

Special Areas

Review of 2004-05.

6.254 An amount of Rs. 11233.000 million was provided to Special Areas. It is estimated that upto June, 2004-05 the whole amount will be utilized. Agency-wise allocation and utilization are given in table 6.17

Table 6.17
Special Areas Allocation/Utilization

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

Programme for 2005-06

6.255 An amount of Rs.13641 million as a block allocation has been provided for the Special Areas to bring at par with rest of country. This allocation is about 21 per cent over and above the corresponding year. Agency-wise allocations for the financial year 2005-06 are given in table 6.18.

Table 6.18
Special Areas Allocation

		(Million Rs)	
Sl.No	Agency	Allocation 2005-06	
		Total	F.Aid
I.	AJ&K	5100.00	1190.00
II.	Northern Areas	3391.00	505.00
III.	FATA	5150.00	-
	Total (Special Areas)	13641.00	1695.00

Special Programmes

6.256 To alleviate Poverty, generate employment and improve the quality of life of the people funds have been provided for the following special Programmes :-

		(Rs. Million)
		Total
i)	Khushal Pakistan Programme I	4420
ii)	Khushal Pakistan Programme II	7500
iii)	Khushal Pakistan Fund	<u>5000</u>
		<u>16920</u>

6.257 In addition to the above, Rs. 1000 million have been provided for the development of less developed Districts of Pakistan.

DROUGHT EMERGENCY RELIEF ASSISTANCE (DERA) PROGRAMME

6.258 Pakistan is continuously facing Drought¹ conditions since 1998. The country's economy is mainly based on agriculture, which is badly affected due to persistent drought conditions. Resultantly, the agriculture productivity slashed from 55% to 24%. Accordingly, the poverty has increased especially in rural areas as majority of them are depending upon agriculture. The drought has seriously affected the livelihood of the people at large and forced them to migrate to urban and irrigated areas in search of job/work, which further intensified the socio-economic condition of the country.

6.259 Since Pakistan lies in sub-tropical arid to semi-arid zone, therefore, it is classified as a "water stress country by international standards". The livelihood and welfare of the people living in rain-fed regions are particularly vulnerable to year-to-year fluctuation of precipitation, which is quite risky because average annual rainfall is only 500 mm, which is seasonal and uneven. In Pakistan water is absolutely vital for rural life as 80% of rural population directly or indirectly depends on agriculture sector. During 1998-2001 rainfalls in Sindh & Balochistan was about 50% to 60% less than the historical rainfall. The underground and surface water resources depleted which added more miseries in the lives of people. The incidence of poverty increased and more white-collar group were pressed to join the below poverty line.

6.260 Drought Emergency Relief Assistance (DERA) programme (phase-I) was launched in November, 2001 to mitigate the negative impact of the drought; to revive the economy and promote more sustainable use of available water and other productive resources. Under the programme the main focus remained on improvement and management of available resources. The DERA programme directly supported the government's strategy to sustain the income and welfare of the poor by promoting labour intensive community works to accelerate recovery and generate income enhancement activities for physical development and economic growth in the drought affected areas. The programme supports the government strategy to revive the agrarian economy, build-up infrastructure, manage and promote more sustainable use of locally available water and other productive resources. The main objectives of the DERA programme are as under:

- i) To support the Government efforts to mitigate the effects of drought in most adversely affected areas/regions.
- ii) To implement water conservation measures.
- iii) Supporting infrastructure and services to restore agricultural growth.

Project Description:

¹ The drought is defined as a climatic and environmental condition in which the available productive resources cannot be utilized effectively for production purpose. The drought is a disaster, which harms the infrastructure, damage the land resources, disturb the water resources and affect the fertility and productivity of land and productive resources. Such as excess rains, no rain, snow fall and earthquake are disastrous types of drought.

6.261 The programme was launched in November 2001 with the aims to provide appropriate assistance to restore the drought affected areas through intervention and development of short and medium-term schemes focusing to mitigate the effects of drought and revive the agricultural growth. The actual implementation was commenced in 2002 with loan closing date [WB: 31st Dec: 2004 and ADB: June 30, 2005]. The total investment outlay of the programme is US \$ 160 million. The distribution of investment funds among stakeholders/donors is given as under:

Investment by Donors

Donor	US\$ million	% Share
IDA (WB)	40	25.0
ADB	100	62.5
GoP	20	12.5
Total	160	100.0

Scope of the Project:

6.262 The DERA-I programme covered the following components.

- Irrigation & Water Management
- Agriculture
- Livestock
- Fisheries
- Forestry
- Rural Water Supply
- Roads
- Health &
- Community Welfare programmes

Institutional and Implementation Arrangements:

6.263 In pursuance of the loan agreement sufficient institutional arrangements were made for proper implementation of the DERA Programme. Federal Steering Committee (FSC) was constituted under the Chairmanship of Deputy Chairman, Planning Commission for overall supervision, coordination and monitoring the programme progress at Federal level. Provincial Steering Committees (PSCs) as well as the District Drought Assistance Coordination Committees (DDACCs) were also setup. Federal DERA Unit (FDU) was established to provide Secretariat services to the Federal Steering Committee, coordination of the overall DERA Programme, monitoring and evaluation of the schemes. Provinces/ Districts have also established implementation units and designated focal persons who coordinated project implementation activities. In fact close coordination and effective monitoring made the programme successful.

Financial progress

6.264 Upfront releases of Rs. 9973.90 million upto end of May, 2005 were made to the provinces/FATA, against which Rs. 9438 million were incurred. The donors have reimbursed their shares of Rs. 7141.16 million.

Project portfolio and programme performance

6.265 Based on the severity of the drought, the Governments of provinces as well as FATA declared 76 districts/agencies/departments as drought stricken and furnished portfolio of demand driven schemes in batches for approval of the Federal Steering Committee. By the end of December 2004, a total of 2549 schemes with the expected completion cost of Rs. 10177 million were approved and implemented. The breakup of approved schemes along-with its cost is given below:

A. Province-wise Breakup of Schemes

(Rs. in million)

Province/Area	Districts/ Agency	No. of Schemes	Expected completion cost
Balochistan	26	474	3056
Sindh	13	629	2949
Punjab *	18	653	2611
NWFP	14	788	1534
FATA	5	5	27
Total	76	2549	10177

* including three departments viz. Cholistan Development Authority (CDA), ABAD, Punjab Fisheries Department.

B. Sector-wise Breakup of Schemes

Sector	No. of schemes	%age
Irrigation	546	21
Water management	105	4
Rural water Supply schemes	1047	41
Roads	731	29
Agriculture	67	3
Health	49	2
Community Welfare	4	-
Total	2549	100

6.266 It is matter of satisfaction that out of 2549 schemes under DERA-I programme, 2255 schemes (88%) have been completed, whereas the rest of the schemes are at advance stage of implementation. It is expected that most of the ongoing schemes will be completed by the programme termination date i.e. 30th June, 2005. The province/area-wise breakup of the completed schemes is as under:-

Province/Area	Approved schemes	Completed schemes	
	Nos.	Nos.	%age
Balochistan	474	378	80
Sindh	629	597	95
Punjab	653	633	97
NWFP	788	642	81
FATA	5	5	100
Total	2549	2255	88

Operation and Maintenance (O&M) Cost Arrangements

6.267 Under the uniformed policy agreed with donors, Memorandum of Understanding (MOUs) were signed with beneficiaries/communities for shouldering the responsibility of O&M cost. But there is an apprehension that in most cases, communities may not in a position to generate required finance to meet O&M cost. The matter was seriously discussed in the Federal Steering Committee meetings and the provinces were directed to ensure maintenance of DERA Schemes adequately.

6.268 Resultantly, the provincial governments have adopted policy measures ensuring institutional and funding arrangements for operation and maintenance of completed water supply schemes. Agreements with the respective Tehsil Municipal Administrations (TMAs) have been signed and Users' Committees have been established. In case the schemes are not handed over to Water Users Associations or the community fails to meet the O&M costs, the responsibility to ensure the sustainability of water supply schemes and bearing their O&M cost rests with TMAs. Because TMAs have sufficient funds to meet the O&M cost whereas Users' Committees may not generate the requisite funds on their own. The Water Users' Association will however, maintain and run the water supply schemes itself and the government will pickup the deficit, if any. Thus it is expected that DERA schemes would not face serious problems in bearing the O&M costs.

6.269 The sector-wise operations and maintenance (O&M) arrangements are summarized as follow:

Sector	O&M Responsibility
Roads	Respective District Governments
Water Supply	a) To be handed over to Water User Associations for sharing the O&M cost. b) However, TMAs will pick up the deficit if any. c) The mega schemes especially in Balochistan will be maintained by PHED.
Irrigation and small dams	Irrigation Department
Water Management	Beneficiary/Community
Agriculture	Beneficiary/Community
Health	District Government
Veterinary Centers	District Government

Output and Outcome of the Project

6.270 In order to assess the real impact of investment, out-put and out-come indicators have been developed in consultation with all stakeholders. Information on these indicators is being collected. So far, FDU has received partial information on some of the output indicators from the Provinces. It has been reported that 3208 karezes/irrigation channels have been rehabilitated, 2448 Tube wells have been installed and 1968 kilo meter roads have been constructed/rehabilitated, 314 small dams/ponds constructed, 598 hand pumps installed, 100 veterinary centers established and 84 wind mills were constructed to energize the water supply schemes in Balochistan. Province-wise breakup is given in Annex - 6.7.

6.271 It has been observed on the basis of available data that accessibility to drought-affected areas has improved. Linkages have been developed with arterial roads, which improved socio economic activities in the drought stricken areas. Further impact would be assessed through small periodic surveys during the DERA-II Programme. The beneficiaries reported that improved and lined watercourses have reduced 15-20% water losses, minimized time of irrigation, made the irrigation operation safe and easy. They have leveled 5,012 acres of land, which were brought under cultivation. Their yield also improved by 10-15%. These activities have improved income level of the drought-affected people and helped reduce the level of poverty to some extent. Similarly, rural water supply schemes have benefited the local population by giving access to clean drinking water, which has reduced the chance of sickness by water born diseases among the people and animals of the drought affected areas. Ultimately the people will be able to earn additional income and by working long hours on farmlands and by sale of their animal's health or their produce.

DERA-II programme.

6.272 There is an apprehension that less than 5-10% ongoing projects of DERA-I will not be completed by the loan closing date i.e. 30th June, 2005 and the funds earmarked for the purpose will not be fully utilized. The coverage of phase-I was only 20% of the drought-affected areas; as such the community demand driven programmes needs to be replicated in leftover areas/new areas. In order to complete the left over work of the on going projects and cover the left over areas of country, the continuity of the DERA Programme felt essential, so that the people of the drought hit areas could also be benefited. The aims, objectives and modus operandi of the DERA-II will be the same as practiced in DERA-I. The 85% resources would be distributed among the provinces and 15% among the areas/regions at federal level. The resource distribution would be made by adopting the aforesaid proven systems in vogue as well as principal of need based and equitable distribution of resources as under:-

i. Share of Provinces 85%

Further sub-division will be as under:-

• Balochistan	30%
• Sindh	30%
• Punjab	25%
• NWFP	15%
Total	100%

ii. Share of Federal Areas/Regions 15%

Further sub-division will be as under:-

• FATA	20.00%
• FANA	20.00%
• AJ&K	20.00%
• ICT	6.66%
• Federal DERA Unit	33.34%
Total	100%

6.273 Keeping in view the successful implementation of DERA-I and the demand of the drought affected population of the left over areas, the Prime Minister of Pakistan has approved to launch 2nd phase of the DERA Programme seamlessly. The Prime Minister has allowed upfront releases of Rs. 4500 million to the provinces/areas etc. from the PLA of the Federal DERA Unit. Under the programme thousands of small need base/demand driven schemes would be identified at local level in collaboration with the communities for implementation by the district governments. The emphasis, inter alia, would be on rehabilitation of infrastructure for the conservation and management of water.

Prime Minister's Special Development Package for Balochistan (PMSDP)

6.274 Balochistan was the most severely drought affected province in Pakistan. Therefore, Prime Minister's Special Development Package for Balochistan with an allocation of Rs. 1000 million was implemented. Under the PMSDP 685 schemes were implemented out of which 228 schemes costing Rs. 201 million have been completed so far. An amount of Rs. 1000 million has been provided in the PSDP 2005-06 for implementing the Prime Minister's Special Development Package (PMSDP) for Balochistan. Both the packages are in addition to normal share of province of Balochistan.

ENVIRONMENT

Review 2004-05

6.275 The federal PSDP 2004-05 includes an allocation of Rs. 728 million for the Environment Sector. This allocation was subsequently revised to Rs. 746 million in January 2005. Against this, an expenditure of Rs. 560 million has been incurred upto 31st March 2005, which is 75 percent of the revised allocation. Overall expenditure upto June 2005 will increase to Rs. 634 million, giving a utilization of 85 percent.

6.276 Presently, there are 23 projects under implementation in the Environment Sector, which includes one project each sponsored by the Ministries of Water and Power, KANA; Defence and Interior while the Ministry of Environment sponsors 19 projects.

Major Programmes (2004-05)

6.277 Salient features of the major project under implementation in the Environment Sector are given below:

A. Capacity Building.

Institutional strengthening is a continuous process and has been properly focussed in the Environment sector. Capacity building of the projects implementing agencies and other functionaries involved in the policy making, planning, law enforcement and monitoring of environmental activities has been carried out by different agencies in respective sub-sectoral areas. Particular examples of institutional capacity building are:

M/O Environment, Pakistan Environmental Protection Agency (PEPA), ENERCON and P&D Division (Environment Section). Other important project is "Strengthening of Forestry Wing a federal level for sustained monitoring of the implementation of Forestry Sector Master Plan". Besides, the Biodiversity Action Plan is also under implementation focusing on capacity development for biodiversity (flora & fauna) conservation.

B. Forestry and Watershed Management

- i) A project in forestry sector, named "Rachna Doab Afforestation Project" was started in July 1995 at a cost of Rs. 485.382 million. During the period under review an expenditure of the order of Rs. 55.245 million is expected to be incurred on block afforestation and plantation.
- ii) "Poverty Reduction through Participatory Watershed Management in Tarbela Reservoir Catchment" project was approved by CDWP at a cost of Rs. 198,609 million. The main objective is to reduce sediment load, create employment opportunities and rehabilitate the degraded land resources. During this period expenditure of the order of Rs. 109.864 million is expected to be incurred on raising of 96 nurseries, plantation on 8000 acres, providing check dams on 2320 acres, establishment of 30 community organizations, terracing of 525 acres and maintenance of 30,000 acres of land.
- iii) The Ministry of Water & Power is implementing "Mangla Watershed Management Project" at a total cost of Rs. 168.993 million. An expenditure of Rs. 34 million is expected to be incurred on about 4500 acres/avenue miles of afforestation and survey/planning of 6052 miles.

C. Clean Air Initiative

Ministry of Environment (ENERCON) is the implementing agency for "Fuel Efficiency in Road Transport Sector" (FERTS) project under the UNDP grant assistance. The project aims at improving fuel consumption efficiency and curtailing noxious emission from Transport Sector through digitalized tuning of gasoline and diesel vehicles. Under this project, a total of 30 digital tune-up stations have already been established in different parts of the country. During the period under review, 6 tune-up centers have been established while 96 mechanics and 204 private workshop owners have been trained. In addition Revolving Loan Fund worth US \$ 3 million has been established for financing the purchase of tune-up equipment.

D. Meteorology /Climatology

The National Center for Drought/Early Warning System project is under execution by the Pakistan Meteorological Department

(PMD) at an estimated cost of Rs. 164.844 million (FEC of Rs. 56.601 million). During the period under review, an expenditure of Rs. 60 million has been incurred on payment of land. Besides, the Climate Change Studies Center (GCISC) has been established in Ministry of Environment on which an expenditure of Rs. 17.0 million would be incurred during 2004-05.

Programme for 2005-06

6.278 An allocation of Rs. 4.2 billion has been made in the Public Sector Development Programme 2005-06 for Environment Sector projects. Out of these, Rs. 3.1 billion would be spent through Federal PSDP, while Rs. 1.10 to be spent in the Provincial ADPs. The implementation programme and details of the major components are discussed in the following paras.

- i). The Government has taken a major initiative during first year of the MTDF (2005-06) in order to implement on fast track basis the "Clean Drinking Water for All Programme", for providing safe drinking water to entire population. In this connection, an allocation of Rs. 2000 million has been made in 2005-06 Federal PSDP for implementing Clean Drinking Water for All Programme by Ministry of environment.
- ii). An allocation of Rs. 86.912 million has been made for plantation, maintenance of afforestation, check dams, cut of drains and terracing under Tarbela Watershed Management project.
- iii). Rs. 23.689 million are allocated for maintenance of afforestation (block plantation) being carried out by Rachna Doab Afforestation Project;
- iv). Rs. 33.90 million are provided for soil survey/planning, afforestation, land improvement work, extension services, engineering structure and soil conservation structures under Mangla Watershed Management project.
- v). An allocation of Rs. 0.379 million has been made for the Establishment of Forest Nurseries and Block Afforestation in Islamabad Capital Territory.
- vi). Under the Clean Air Initiative, the tune-up centers will be established and training will be provided to additional mechanics and workshop owners, for which an allocation of Rs. 16.470 million (FEC 15.528 million) has been made.
- vii). An allocation of Rs. 60.883 million has been made for establishment of National Center for Drought Monitoring and Early Warning System under the PMD.
- viii). Rs. 40.200 million have been made for Establishment of Seismic Network in Pakistan by the Pakistan Meteorological Department
- ix). Rs. 112.258 Million has been provided to Environmental Monitoring System in Pakistan including an FEC of Rs 50 million for implementation by the Ministry of Environment.

- x). An allocation of Rs. 20.0 million has been made for establishment of Global Change Impact Study Center in Ministry of Environment at Islamabad.
- xi). Northern Areas Administration has been allocated Rs. 9 million for acceleration of work on Management of Khunjerab National Park in Gilgit.
- xii). An allocation of 17.148 million for work on establishment of Cherat Wildlife Park at Nowshera, by Government of NWFP.
- xiii). An allocation of Rs. 6.5 million has been made for implementation of World Summit Sustainable Development (WSSD) Plan in Pakistan by Ministry of Environment.
- xiv). The Ministry of Environment has been allocated Rs 65 million to implement Activity Based Capacity Development (ABCD) Project.

GOOD GOVERNANCE

6.279 Good governance has emerged at the forefront of the development agenda in Pakistan. Citizens, domestic enterprises and foreign investors see governance as the key ingredient for sustainable development and a sound investment climate. Governance relates to quality of relationship between government and the citizens for whom it is in power. It may be defined as the manner in which power is exercised in the management of a country's economic and social resources for development. Governance is thus connected with the management of development process, involving both the public and private sectors. Good governance pertains to a pluralistic and holistic view where players in public sector, the private sector, the corporate sector, and civil society jointly share responsibility by addressing the issues of accountability, transparency, participation, openness, rule of law and predictability. It is also a key link between growth and reduction of poverty/ inequality. As growth generates income, good governance trickles its effect down to the masses, particularly the poor. The market forces are expected to create opportunities for people. Civil society facilitates mobilization of public opinion and peoples' participation in economic, social and political activities. In this direction, State is responsible for creating a conducive political, legal and economic environment for building individual capabilities and encouraging private initiatives.

Review of 2004-05

Financial

6.280 Given the vital role of governance in the development process, an allocation of Rs. 5857.096 million was made in 2004-05, against which an expenditure of Rs. 3144.849 million has been incurred, showing a utilization of 53.6 percent. Details of the ministry-wise allocation and expenditure are given in Table-6.19.

Table 6.19

Name of Ministry/Division	Allocation	Utilization	Percentage
Statistic Division	62.837	48.000	76.3
P&D Division	71.581	52.550	73.4
Law, Justice & Human Rights Division	2400.00 (163.710)	810.027	33.7
Finance Division	1280.485 (975.284)	1002.961	78.3
Establishment Division	3.00	2.400	80.0
Cabinet Division	39.193 (39.193)	28.911	73.7
Interior Division	2000.00	1200.000	60.0
Total:	5857.096 (1178.187)	3144.849	53.6

Physical Achievements

Statistics Division:

6.281 The Economic census has been conducted in the entire country including FATA, NA and AJK. The Census has helped find out value of goods, services produced, inputs cost, fixed assets of all types of economic activities in the country except agriculture; prepare directories of different sectors of the economy, which will be used as Sampling Frame for carrying detailed sample surveys subsequently; and use of data as benchmark for the preparation of future projections with regard to the number of establishments by type of economic activity and employment size.

6.282 Under the 'Pakistan Social and Living Standard Measurement (PSLM)' project, the district level survey consisting of 77,000 households has been conducted during October 2004 to April 2005 for collection of data on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation to assess PRSP. First report of the survey has been presented. Provincial level survey covering 16,000 households is in progress, which is designed to collect data on consumption, expenditure, and poverty patterns. The field operations of this part of PSLM survey will be completed in June 2005 and the report will be finalized by November 2005.

Planning & Development Division:

6.283 One of the development activities related to development of a macro model that best suited the requirements of planning machinery. Macro Modeling Project mainly deals with data collection, specification and estimation of behavioral equations pertaining to economy. An Econometric – Cum- Consistency Model (ECCM) for Pakistan economy has been built specifying behavioral, technical, and identity relations among various variables. The model consists of national income, savings & investment block, fiscal block, balance of payments block and external debt block. For these blocks behavioral equations have been estimated by using data covering a period of 1981-2000. The model also generates overall employment projections.

Excel Programme ran the model and the output of the ECCM has been used in the Ten Year Perspective Plan 2001-11 and Three Years Development Programme 2001-04.

Law, Justice & Human Rights Division:

6.284 The Government of Pakistan (GOP) has launched access to Justice Programme (AJP) with a loan from the Asian Development Bank (ADB) amounting to US \$ 350.0 million. The programme aims to implement legislative, judicial, policy and administrative reforms in the country to strengthen the system of administration of justice. This program is an integral part to boost good governance in the country by improving accessibility to justice for all citizens, particularly for the poor, women and minorities. While the Ministry of Law (MOL), through its Project Management Unit (PMU), is the executing agency (EA) of the AJP, implementation of reforms is the responsibility of the implementing agencies (IAs) of AJP. These include the judiciary, Law & Justice Commission, Interior/Home, Law, Finance, Police, Ombudsman and Federal Judicial Academy. Under the Program, IAs are expected and encouraged to plan and implement all kinds of technical and development projects aimed at achieving the objectives of the Program. The Ministry of Finance, Government of Pakistan and its Provincial counterpart Departments are responsible for providing AJP funds to the IAs through regular budgetary channels for implementation of new projects. In order to steer implementation of AJP and monitor its progress on a regular basis, national and provincial program review & coordination committees (NPRCC & PPRC) have been established at the federal and provincial levels. In addition, the ADB also carries out an annual performance review of the activities carried out under the AJP.

6.285 The scope of the programme circumvents three areas i.e. judicial reforms, legal reforms, police reforms, and administrative justice. Judicial reforms include infrastructure development, capacity building of sub-ordinate judiciary, facilitation of citizens access to courts, and formulation of judicial policy at national level. Legal reforms deal with issues pertaining to legislation, strengthening of legal profession, improving Bench-Bar relationships, and establishing centers of excellence in legal education. Police reforms focus on activities relating to development of professionalism in police, its reorganization on functional lines, better public accountability mechanism, citizen-police liaison, enhanced resource allocation, independent prosecution service, and training of police personnel. The administrative justice addresses the issues regarding security of tenure for ombudsman, its improved working, and establishment/strengthening of district ombudsmen.

Finance Division:

6.286 The 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' envisages improvement and integration of Federal and Provincial government's financial management for achieving better financial discipline through provision of timely data for economic management as well as controlling wasteful expenditure. The project was initially to be completed by June 2001. The new completion date has been fixed as 31st May, 2005. The delay in completion of the project could be attributed to increase in scope of the project, selection of appropriate technology, non-allocation of funds in accordance with the phasing of PC-I, cost overruns, its scope

dispute with audit and Human Resource Consultant, delay in users validation of the New Accounting Model (NAM) design, resistance within the organization on functional and institutional changes, realigning the implementation strategy, change of architecture from decentralized to centralized. Total sites were increased from 24 to 52 which has resulted into increase in scope by more than 100%. All the components including Audit Component are at a very advanced stage of completion. Efforts are being made to complete the project within stipulated time. Showing concerns about the slow implementation of the project, the Deputy Chairman, Planning Commission held a special presentation on the implementation status of the project and the Project Director was asked to resolve all the pending issues with consultants and speed up its implementation so that maximum loan could be utilized towards achievement of physical targets. PIFRA (Phase-II) has also been launched by the sponsors at a cost of Rs. 5533.50 million including FEC of Rs. 4998.00 million (a World Bank/IDA loan of US \$ 84.0 million) which has been recommended in principle by the CDWP for submission to ECNEC. However, in view of the concerns in PIFRA (Phase-I), a presentation will have to be arranged by the Office of the Auditor General on Phase-I for the Deputy Chairman, Planning Commission and the Secretary, Planning & Development in order to determine its cost estimates.

6.287 Public Sector Capacity Building Project (PSCBP) is another major area of activity which is coordinated by the Finance Division, although Establishment Division is playing a lead role in the implementation of the project. The project has been approved by the ECNEC on 27th July, 2004 at an estimated cost of Rs. 3,538.0 million including FEC of Rs. 3,190.0 million (US \$ 55 million as IDA credit). The Finance Division is sponsoring the project and the implementing agencies include Establishment, Finance, Planning & Development, Economic Affairs, and Commerce Divisions, CBR, Regulatory bodies (i.e. OGRA, NEPRA, PTA, PPRA), and Ministry of Water & Power. A National Steering Coordination Committee (NSCC) has been constituted under the Advisor to the Prime Minister on Finance and Revenue to oversee the implementation of the project. Some preliminary work like placement of officers in the Professional Development Program (PDEV)/ Executive Development Program (EDP), and functioning of the Project Coordination Units (PCU)/PMU/CSRU, has already started. A number of officers under the Executive Development Programme have also been detailed for foreign training.

Establishment Division:

6.288 Establishment Division has taken a major initiative through establishment of National School of Public Policy (NSPP). As a result, Pakistan Administrative Staff College (PASC), Lahore, four National Institutes of Public Administration (NIPAs) (Lahore, Karachi, Quetta, Peshawar), and the Civil Services Academy (DMG, Campus), Lahore stand integrated. The Ordinance, providing for the establishment of NSPP, has been promulgated on October 28, 2002. Notification for its establishment has been issued and a Project Director has been appointed to oversee implementation of the project. A Steering Committee on NSPP has been constituted under the Advisor to the Prime Minister on Finance on 11th April, 2005 which has held its third meeting on 16th May, 2005. The Committee held deliberations on the future 'Road-map for NSPP'. A summary has been submitted to the Prime Minister to seek his approval to composition of the BOG for NSPP and the BOG will appoint Rector for the School. Renovation/up-gradation work at NIPAs Lahore, Karachi, Quetta & PASC, Lahore

and Academy for Rural Development, Peshawar is in progress mostly under the development work. Second initiative highlights the government's resolve to upgrade the capacity in the civil services. Various key federal ministries/divisions and provincial departments, which are in the forefront in designing, implementing, and monitoring economic and human resource management, policy reforms, as well as strengthening of the regulatory agencies for improving governance in the country.

Cabinet Division:

6.289 The international experience demonstrates that decentralization offers considerable scope for enhancing efficiency of public sector delivery services. Under NRB's project, the Police Order 2002 was promulgated through a presidential order on August 14, 2002, which is a major step towards ensuring law and order and dispensing speedy justice. Constitutional amendments, to provide legal protection to the Local Government system, were drafted and announced on August 21, 2002 in the form of Legal Framework Order 2002. The local government system has been established in a three level system of district (Zila), tehsil and Union Councils. Local governments at each level comprise their elected Nazims and Naib Nazims, their elected councils (district, tehsil/town and union) and their administrative structures (district government, tehsil/town municipal administration and union administration). The participation of non-elected citizens in the development process is ensured through the Citizen Community Boards (CCBs). National Reconstruction Information Management System (NARIMS) is fully operational in District Chakwal. Guidelines for establishment of Citizen Community Boards have been formulated and provided to the provincial governments. In order to encourage proactive citizenry to take part in local development, the idea, of Devolution Trust for Community Empowerment (DTCE) was conceptualized and given a practical shape. In addition, capacity building of Local Government representatives and state functionaries remained a prominent feature of year 2002-2003. The Good Governance Project aims at supporting NRB to conceive design & facilitate the implementation of a strategic National Reconstruction Agenda for establishment of genuine democracy with sustained and durable good governance. Strategic focus of Phase-II is to analyze, consolidate and improve upon the experience of phase-I of devolution program. It supports the implementation of reconstruction initiatives identified and formulated during Phase-I by sponsoring research analysis and capacity building in related fields and formulation of new reconstruction initiatives. The devolution reform process encompasses a regime of reforms that are focused on political reforms but also includes judicial reforms, civil service reforms, police reforms, accountability and transparency. The significant change is that elected leaders are now incharge and accountable for service delivery at local levels and the local councils and citizen groups monitor performance. In all more than 58 rules/ regulations have been notified by the provinces and supportive byelaws are being developed.

Programme for 2005-06

Financial

6.290 An amount of Rs. 12005.797 including foreign aid of Rs. 7428.327 million has been allocated for the sectoral programmes for 2005-06 indicating an increase of

104.9% over the last year's allocations. Details of ministry-wise allocation are given in Table 6.20.

Table – 6.20

Name of Ministry/Division	Allocation	F.Aid	Local Rupee
Statistic Division	52.126	0.000	52.126
P&D Division	1326.332*	0.000	1326.332*
Law, Justice & Human Rights Division	4769.552	4569.552	200.000
Finance Division	3369.535	2819.500	550.035
Establishment Division	33.430	0.000	33.430
Cabinet Division	34.275	34.275	0.000
Interior Division	2415.547	0.000	2415.547
Commerce Division	5.000	0.000	5.000
Total:	12005.797	7428.327	4577.470

* It also includes Prime Minister's package for DERA Balochistan and Pre-feasibility/Feasibility Studies.

Plan of Action

Statistics Division:

6.291 During the year 2005-2006, the Statistics Division will continue its development activities through implementation of PSLM in order to provide data on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation to assess PRSP.

Planning & Development Division:

6.292 Planning & Development Division has pursued and consolidated a number of initiatives which include e-governance, macro-modeling, project monitoring, and drought emergency assistance as elaborated in the succeeding paragraphs.

6.293 Electronic-governance (e-governance) is fast emerging as an important tool for achieving good governance especially with regard to improving efficiency, transparency, and making interface with government, user-friendly. It is proposed under the Electronic Government Project to focus on re-engineering of business processes, which are in fact, the core of any effective programme of e-governance. The proposed Phase-II of the Electronic Government Project will focus on development of databases for timely and prudent decision-making. The project envisages development of knowledge-based infrastructure to help senior managers in policy formulation and informed decision making; assist in removing wastage in PSDP due to lack of information, improved feedback and monitoring; better overall coordination; and establishment of more consultative and efficiency oriented role for the Planning Commission in the economic management, programme management, and in identification of new intervention areas for the government to seek higher economic growth.

6.294 During 2002-04, the Macro Modeling Project will undertake optimal control analysis for working out the magnitude of changes in policy instruments needed to attain a given set of objectives, extension of the model to include monetary sector, and

to coordinate efforts of model building being undertaken by various research organizations in the country (like PIDE, SPDC etc.) and abroad (like Wharton Link Model, IMF Financial Programming Model and World Bank's RMSM).

6.295 If knowledge is the defining characteristic of a plan, implementation is its litmus test. Efforts would be made for capacity building and institutional development of agencies involved in development of performance indicators, establishment of planning & monitoring cells in ministries/departments, strengthening of impact analysis and monitoring and evaluation activities in planning & development departments with linkages with the district monitoring development committees under the devolution plan, periodic monitoring exercises, with reports to ECNEC/NEC, and training of project directors and other staff in project management, monitoring and evaluation. To achieve the purpose, it has been proposed to enhance the capacity of the Projects Wing in the areas of monitoring and evaluation.

6.296 DERA-II has been proposed for implementation of need-based small schemes in the provincial governments, particularly Balochistan province besides ICT, AJ&K, Northern Areas, and FATA. These activities will be coordinated through Federal DERA Unit already established under DERA-I. The Federal DERA Unit performs the function of the Secretariat of the Federal Steering Committee and arranges its meetings. It has processed approval/rectification of 2517 schemes costing Rs. 10132.081 million during the financial year 2004-05 and produced six quarterly progress reports, which have been shared with the World Bank and the Asian Development Bank.

Law, Justice & Human Rights Division:

6.297 The judicial reforms already launched by the government will continue to build capacity of key institutions providing judicial and non-judicial legal services, ensuring equal protection of law to the citizens, in particular the poor, strengthening legitimacy of state institutions, providing support to institutional and organizational changes necessary for implementing reforms, and creating conditions conducive to pro-poor growth especially by fostering confidence of investors and private sector. During the next financial year 2005-06, activities will be undertaken to complete the schemes initiated through the funds of Access to Justice Programme (AJP) at the federal and the provincial levels. Similarly, measures will also be initiated for consolidation and strengthening of the newly introduced judicial/ police reforms.

Finance Division:

6.298 As explained in the preceding paragraphs, the methodology and process of auditing and accounting have been developed in the form of New Auditing Manual and New Accounting Model (NAM) under PIFRA (Phase-I). It would be logical to expand the scope of these efforts for more comprehensive coverage to the relevant entities spanning across various tiers of the country at national, provincial, district and sub-district levels to fully leverage the capabilities of the new systems. To achieve the purpose, PIFRA-II would be a follow up on PIFRA-I. Under (PIFRA) (Phase-II), remaining pilot sites and roll out sites would form the scope of the project.

6.299 The activities on the PSCBP will continue during the year 2005-06 so that the skills, knowledge, attitude, quality of civil servants could be improved.

6.300 The work on implementation of Tax Administration Reform Programme will continue during 2005-06. The objective would be to restructure CBR along functional lines and develop a well-trained and motivated workforce in order to develop and manage a modern, efficient revenue administration. It also envisages effective working relationships with taxpayers and other government departments with improved service and increased tax compliance. Effective self-assessment at the beginning of tax collection process, risk based assessment in the middle and targeted audit at the end will be introduced.

Establishment Division:

6.301 Various consultancies initiated under TA for National School of Public Policy (NSPP) will be completed and work on future 'Road Map' for NSPP will continue. The capacity building actions will also continue during 2005-06 under its training programmes (Professional Development Programme (PDP), Executive Development Programme (EDP)).

Cabinet Division

6.302 The project titled, "Support to Good Governance (Phase-II)" is scheduled to be completed during 2005-06. Nevertheless, restructuring of civil service and consolidation of devolution efforts will continue in order to sustain the reform process.

6.303 Substantial increase in the allocations during 2005-06, as mentioned in the preceding paragraphs, is clearly indicative of the government's resolve to address issues related to governance and it is expected that the overall governance environment in the country will improve with significant contribution to sustained level of economic growth and reduction in the levels of poverty and inequality.

OUTPUT OF AGRICULTURE

ITEMS	UNIT	2003-04	2004-05		2005-06 Targets	Percent Change	
			Targets	Prov.		2004-05	2005-06
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. KHARIF CROPS							
Rice	(000 MT)	4,847.6	5,114.0	4,992.0	5,000.0	3.0	0.2
Basmati	(000 MT)	2,522.3	2,540.0	2,348.0	2,400.0	-6.9	2.2
Others	(000 MT)	2,325.3	2,574.0	2,644.0	2,600.0	13.7	-1.7
Bajra	(000 MT)	273.7	225.0	193.0	300.0	-29.5	55.4
Maize	(000 MT)	1,897.4	2,209.0	2,775.0	2,905.0	46.3	4.7
Jawar	(000 MT)	238.1	262.0	186.0	292.0	-21.9	57.0
Sugarcane	(000 MT)	53,419.0	50,875.0	45,316.0	50,095.0	-15.2	10.5
Cotton	(Mln Bales)	10.05	10.72	14.60	15.00	45.3	2.7
II. RABI CROPS							
Wheat	(000 MT)	19,499.8	20,800	21,109.0	22,139.0	8.3	4.9
Barley	(000 MT)	97.6	125.0	96.0	120.0	-1.6	25.0
Gram	(000 MT)	611.1	648.0	761.0	833.0	24.5	9.5
Sesamum	(000 MT)	24.7	30.0	30.0	30.0	21.5	0.0
Rap. & Mustard	(000 MT)	221.0	239.0	227.0	240.0	2.7	5.7
Tobacco	(000 MT)	86.2	96.2	84.0	90.0	-2.6	7.1

OUTPUT OF LIVESTOCK AND FISHERIES

Items	Unit	2003-04	2004-05		2005-06 Targets	Percent Change	
			Targets	Prov.		2004-05	2005-06
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A: Livestock Products							
Milk	(000 MT)	28,624.0	29,472.0	29,472.0	30,357.0	3.0	3.0
Meat	(000 MT)	2,192.0	2,263.0	2,275.0	2,346.0	3.8	3.1
Wool	(000 MT)	40.0	40.3	40.3	40.6	0.7	0.8
Hides	(Mln No)	8.4	8.6	8.6	8.8	2.0	2.4
Skins	(000 Nos)	46,830.0	42,577.0	47,880.0	48,930.0	2.2	2.2
B: Fish Production							
Inland	(000 MT)	562.0	567.0	574.0	597.0	2.1	4.0
Marine	(000 MT)	161.0	166.0	170.0	176.0	5.6	3.5
	(000 MT)	401.0	401.0	404.0	421.0	0.7	4.2

Key Physical Targets for 2005-2006 and Expected Achievements for 2004-05.

S.No.	Item	Unit	Targets 2004-05	Achievements 2004-05 (Exp.)	Target for 2005-06
1.	Irrigation				
a)	Water Availability (Cumulative)	Mhm MAF	16.74 135.68	16.74 135.68	17.09 138.58
2.	Drainage & Reclamation				
a)	Disastrous area protected	Mha	0.24	0.20	0.24
a)	Surface Drains (Earthwork) (Extension, rehabilitation & remodelling)	MCM	17.90	85.40	27.12
b)	Transfer of FGW Tws	No	1000	793	474
c)	Rehabilitation of SGW Tws	No	220	515	119
3.	<u>Flood Control Programme</u> <i>Small flood protection schemes</i>				
a.	(IInd Flood Project)	No	103	50	40
b.	Under Normal Flood Program	No	58	20	38
4.	<u>OFWM Programme (Revised Targets)</u>				
	Watercourse Improvement	No	7500	3,995	10,824

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

Physical Targets : Power Sector

S.No.	Items	Units	ESTIMATED	TARGET
			2004-05	2005-06
1	Installed Capacity	MW	19497	19497
	Growth Rate		0.48%	0
2	Maximum Demand	MW	14394	15511
	Growth Rate	(%)	7.40%	7.70%
3	Energy Generation	GWH	86244	93257
	Growth Rate		5.40%	8.13%
4	Energy Sale	GWH		
	Annual Energy Sale	GWH	64236	71520
	Growth Rate	(%)	8.20%	11.33%
5	System Lossess	(%)	26%	25%
6	Consumers Cumulative	Million	16.576	17.2
7	Electrification of Villages/Abadies	Nos.	9438	2500
	Additional		0	0

PHYSICAL TARGET/ACHIEVEMENTS

Sr. No.	Items	Unit	Estimated achievements 2004-05	Target 2005-06
	<u>FUEL</u>			
1	Oil Production	BPD	73917	71635
2	Gas Production	MMCFD	4033	4189
3	Wells drilled	Nos.	54	100
	<u>OGDCL</u>			
	Exploratory	Nos	8	35
	Appraisal/Development	Nos	10	20
	<u>Private Sector</u>	Nos		
	Exploratory	Nos	14	25
	Appraisal/Development	Nos	22	20
4	LPG Production	Tonnes/day	1450	1600
5	Coal Production	Million Tonnes	3.9	3.9

INDUSTRIAL AND MINERAL PRODUCTION

ITEMS	UNITS	2003-04 Final	2004-05		2005-06 Targets	% Change	
			Targets	Provisional Estimates		2004-05/ 2003-04	2005-06/ 2004-05
A. INDUSTRIAL PRODUCTION (Large-Scale Manufacturing)							
1 Cotton Yarn	Mln Kg	1,929	2,089	2,068	2,192	7.2	-1.0
2 Cotton Cloth	Mln SQ Mtr	683	727	889	987	30.2	22.3
3 Vegetable Ghee	000 MT	888	850	910	955	2.5	7.1
4 Sugar	000 MT	4,021	3,808	4,081	4,264	1.5	7.2
5 Paper & Paper Board	000 MT	405	435	421	450	4.0	-3.2
6 Nitrogeous Fertilizer	000 NT	2,234	2,431	2,290	2,381	2.5	-5.8
7 Phophatic Fertilizer	000 NT	286	280	365	401	27.6	30.4
8 Soda Ash	000 MT	287	305	292	322	1.7	-4.3
9 Caustic Soda	000 MT	188	198	210	231	11.7	6.1
10 Paints & Varnish (L)	000 Ltr	38,115	82,595	60,603	66,663	59.0	-26.6
11 Paints & Varnish (S)	MT	5,406	6,893	8,336	9,169	54.2	20.9
12 Petroleum Products	Mln Litr	11,434	12,105	12,795	14,714	11.9	5.7
13 Cement	000 MT	12,862	14,185	15,139	16,652	17.7	6.7
14 Billets	000 MT	429	450	435	457	1.4	-3.3
15 HR/CR/Sheets	000 MT	698	730	708	744	1.4	-3.0
16 Trucks	Nos	2,022	2,778	2,352	2,822	16.3	-15.3
17 Buses	Nos	1,380	1,710	1,775	2,130	28.6	3.8
18 LCVs/Jeeps	Nos	14,896	21,335	23,819	29,773	59.9	11.6
19 Cars	Nos	99,263	114,703	122,887	153,608	23.8	7.1
20 Tractors	Nos	36,103	43,766	43,143	49,614	19.5	-1.4
21 Air Conditioners	Nos	64,420	40,782	75,580	90,696	17.3	85.3
22 Refrigerators	000 Nos	617	600	743	892	20.4	23.8
23 TV Sets	000 Nos	843	900	902	1,127	7.0	0.2
24 Bicycles	000 Nos	664	670	675	742	1.7	0.7
25 Electric Transformers	000 Nos	34	37	49	58	44.1	32.4
26 Electric Supply Meters	000 Nos	1,429	1,980	1,572	1,887	10.0	-20.6
27 Coke	000 MT	786	825	810	850	3.1	-1.8
28 Cigarettes	Mln Nos	55,399	55,864	60,274	62,082	8.8	7.9
29 Jute Goods	MT	104	125	103	108	-1.0	-17.6
30 Motor Tyres	000 Nos	1,302	1,536	1,547	1,779	18.8	0.7
31 Motor Tubes	000 Nos	587	620	605	665	3.1	-2.4
32 Pig Iron/Hot Metals	000 MT	1,180	1,190	1,211	1,272	2.6	1.8
33 Shuttles	000 MT	92	107	107	116	16.3	0.0
34 Electric Motors	Nos	18,040	26,270	18,852	22,622	4.5	-28.2
35 Power Looms	Nos	661	684	684	759	3.5	0.0
36 Tea Blended	Tonnes	59,269	62,304	60,750	65,003	2.5	-2.5
37 Liquid Syrups	000 Ltr	36,039	45,440	36,219	39,840	0.5	-20.3
38 Ointments	000 Kg	971	1,009	1,009	1,060	3.9	0.0
39 Cooking Oil	000 MT	190	180	238	250	25.3	32.2
B. MINERAL PRODUCTION							
1 Crude Oil	BPD	62,320	68,074	68,074	74,881	9.2	0.0
2 Natural Gas	MMCFD	3,243	3,767	3,767	4,144	16.2	0.0
3 Coal	000 MT	3,601	3,800	3,800	4,180	5.5	0.0
4 Limestone	000 MT	8,195	8,835	8,835	9,719	7.8	0.0
5 Rock Salt	000 MT	805	825	825	883	2.5	0.0

Source: i) Federal Bureau of Statistics/National Accounts Committee (NAC).
ii) M/o Industries, Production and Special Initiatives
iii) Draft MTFD 2005-10 (Growth Rates for 2005-10)

PROVINCE-WISE OUTPUT INDICATORS OF COMPLETED SCHEMES

S. No.	Sector	Punjab	Sindh	NWFP	Balochistan	FATA	Total
1	Tube-wells Turbines	1616	6	111	714	1	2448
2	Windmills	0	0	0	84	0	84
3	Hand pumps	506	0	92	0	0	598
4	Small Dams/Ponds	236	32	5	23	18	314
5	Karezes & Irrigation Channels + Water Courses	1383	155	393	1277	0	3208
6	BHUs & MCH Centers/Dispensaries	16	37	0	1	0	54
7	Veterinary Centers/Cattle Farms	66	34	0	0	0	100
8	Flood Channels	0	0	4	1	0	4
9	Roads (K.M)	538	1241	43	146	0	1968
10	Dug Wells	118	0	0	0	0	118