

**GOVERNMENT OF PAKISTAN
PLANNING COMMISSION**



ANNUAL PLAN 2006-07

**ECONOMIC FRAMEWORK
AND
PUBLIC SECTOR DEVELOPMENT PROGRAMME**

**Islamabad
June, 2006**

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Vision 2030

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

1930

Department of Education
Washington, D. C.

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FOREWORD

The National Economic Council at its meeting held on 31st May 2006 reviewed current economic situation and noted with satisfaction that the country is continuing to move on the trajectory of high growth resulting in significant poverty reduction and employment generation. In order to maintain the momentum and sustain growth, the NEC approved the Annual Plan 2006-07 and authorised its release with the Federal Budget.

The major thrust of the Plan is to not only sustain high growth but further fast track the paradigm shift to knowledge economy. The Plan also reinforces the process of appropriate planning in the long-term perspective (Vision 2030) enunciated in MTFD 2005-10 document. While focussing on security for Food, Water & Energy and facilitating the investment climate, the Plan emphasizes the Government's philosophy of "growth and development with dignity and equity". The marked increase in the PSDP over the last 4-5 years with macro economic stability has resulted in significant reduction in poverty both in rural and urban areas. This trend is planned to be continued in the subsequent years.

The Annual Plan interalia covers key aspects of Growth, Savings, Investment, Balance of Payments, Fiscal and Monetary Development, Poverty Reduction and Human Development. The Plan also outlines the main features of Sectoral Programme under the Public Sector Development Programme. The document is a reflection of Government's economic agenda.

*Planning Commission,
Islamabad June, 2006*

*Dr. M.Akram Sheikh
Deputy Chairman*

Part-I
Macroeconomic Framework

Chapter-1

GROWTH, SAVING AND INVESTMENT

The basic philosophy behind the concurrent growth, saving and investment scenario is the macroeconomic stability in the country that is, ensuring GDP growth between 6-8 percent on long term basis. This is important because GDP serves as a basis for a number of backward and forward linkages to investment, employment, tax revenues and exports.

1.2 Having remained below 5 percent during the fiscal years 1997 to 2003, the GDP growth picked up since FY 2004 and touched a level of 8.6 percent in FY 2005--- the ever highest since last 13 years. The three years average growth during FY 2004-06, recorded at 7.5 percent per annum, has been well above the long term trend especially the averages of the 1980s and the 1990s. The momentum in economic activity that was unleashed by this recovery in GDP also resulted in containment of fiscal deficit and expansion in foreign trade. A number of reforms were introduced in the area of privatization and liberalization, which combined with provision of physical infrastructure made the domestic environment conducive for foreign private investment. This has been instrumental in attracting FDI in sectors like, telecommunications, power, financial businesses and trade.

Review of Annual Plan 2005-06

1.3 In order to sustain the growth momentum of the economy achieved in recent years Government of Pakistan launched the Medium Term Development Framework 2005-10 from the fiscal year 2005-06. The MTDF targeted the overall growth rate of GDP at 7.0 percent for the fiscal year 2005-06, to be contributed by sectoral growth rates of 4.8 percent in agriculture, 9.5 percent in industry and 6.8 percent in services. The total investment was targeted at Rs 1369.2 billion (18.1 %) of GDP and national savings at Rs 1202.9 billion (15.9%) of GDP. Inflation (CPI) was anticipated at 8.0 percent for the year 2005-06. The manufacturing sector was expected to grow by 11.0 percent, comprising large scale manufacturing 13.0 percent, small scale 7.4 percent and slaughtering 3.1 percent. Agriculture sector was targeted to grow by 4.8 percent consisting of major crops (6.6 %) minor crops (4.0 %) livestock (3.5 %) fisheries (4.0 %) and forestry (5.1 %). The overall GDP growth and sectoral targets were fixed on the expectations that on going process of reforms in the economy would serve as engine for a sustained turnaround. For achieving higher growth rates in all the sectors, policy measures have been tailored for ensuring availability of adequate resources to the private sector for investing in agriculture, establishing industrial and export zones and exploring new avenues for export and investment.

GDP Growth

1.4 The growth rate of real GDP for 2005-06 has been estimated at 6.6 percent, which is slightly lower than the target of 7.0 percent. The main contribution towards this have been growth rates of 2.5 percent in agriculture sector, 9.0 percent in large scale manufacturing sector and 8.8 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 1544 billion (20.0 % of GDP) and Rs 1223.1 billion (15.9 % of GDP) respectively. The saving-investment gap to the extent of Rs 320.9 billion (around 4.2 % of GDP) is likely to be financed from external resources. Percentage share of investment savings with GDP along with absolute values are given at Annex-1.4.

Sectoral Growth Performance

1.5 **Agriculture:** The agriculture sector as a whole could not perform well during the current year mainly due to setback to major crops. The major crops have registered a decline of 3.6 percent against the target of 6.6 percent. High base growth of 17.8 percent during 2004-05, unfavorable weather conditions and lesser availability of water (137.78 MAF) against the target of (138.58 MAF) during 2005-06 explain the relatively lower growth in agriculture. Minor crops have registered a marginal growth of 1.6 percent against the target of 4.0 percent. However, livestock have registered an impressive growth of 8.0 percent over the last year growth of 2.3 percent. All this taken together resulted in growth rate of 2.5 percent in overall agriculture sector, changing its share in GDP from 22.5 percent in 2004-05 to 21.6 percent in the current year.

1.6 **Major Crops:** Four major crops i.e. cotton, sugarcane, rice and wheat account for about 90 percent of the value added of the major crops. The wheat production was targeted at 22.14 million tonnes whereas presently it has been assessed at 21.7 million tonnes, depicting a nominal growth of 0.4 percent over the last year. Based on the last year's extraordinary crop of 14.6 million bales, the target for cotton production for the current year had been fixed at 15.0 million bales. Reversal of cotton crop to normalcy ensured 13.0 million bales, bringing about a decline of 11.0 percent over the output of last year and 13.3 percent from the target. The rice production is estimated at 5.5 million tonnes (*basmati* rice 2.5 million tonnes and others rice 3.0 million tonnes) depicting an increase of 10.4 percent over the production of the last year and 11.0 percent against the target. The production of sugarcane is estimated at 44.3 million tonnes against the target of 50.1 million tonnes, which shows a shortfall of 11.5 percent from the target and 6.2 percent from the output of the last year. The details of output of major crops are given at Annex-1.2.

1.7 **Minor Crops:** The minor crops contributing 12.3 percent of the agriculture value added in 2005-06, recorded a growth rate of 1.6 percent against the targeted growth rate of 4.0 percent. One of the main reasons for the lower growth in minor crops is the low value addition of pulses, vegetables and oilseeds which witnessed negative growth of 13.2 , 6.4 and 12.1 percent respectively.

1.8 **Livestock:** The livestock, the major component of the agriculture sector contributing 49.6 percent in agricultural value added during 2005-06, has witnessed a robust growth of 8.0 percent in current year against the target of 3.5 percent.

1.9 **Fishery and Forestry:** Fishery has increased by 1.9 percent against the target of 4.0 percent while the forestry has declined by 9.7 percent against the target of 5.1 percent.

1.10 **Industry:** The industrial sector as a whole registered a growth rate of 5.9 percent as against the target of 9.5 percent during 2005-06. The main factor behind the shortfall is lower production in large-scale manufacturing (9.0%) against the target (13.0%). The manufacturing sector as a whole increased by (8.6 %) against the target of (11.0 %).

1.11 **Mining and quarrying:** Mining and quarrying has registered a growth of 3.8 percent during 2005-06, which is less than the target of 5.2 percent. Natural gas, coal, limestone and rock salt grew by, 4.5 percent, 8.0 percent, 7.7 percent and 10.3 percent respectively while crude oil declined by 1.2 percent.

1.12 **Manufacturing:** During 2005-06 the manufacturing sector is estimated to grow by 8.6 percent against the target of 11.0 percent. LSM is estimated to exhibit growth of 9.0 percent on the basis of July- March 2005-06 data. Item wise, the growth showed a mixed trend during the current year. The items, which exhibited negative growth, are sugar (-2.40 %), jute goods (-2.47 %), coke (-77.39 %), pig iron (-43.99 %), billets (-47.95 %), HR/CR sheets (-22.83 %). Some of the items, which have shown positive growth during July-March 2005-06, are cotton yarn (11.16 %), LCVs/Jeeps (33.3%), tractors (16.34 %), trucks (58.30%), cement (9.75 %), fertilizer phosphatic (12.03 %), paper and paper board (11.85 %), vegetable ghee (13.16 %). The details of industrial production are given at Annex-1.3.

1.13 Growth in **small scale and household** surpassed the target (7.4%) registering growth of 9.3 percent. This is consistent with the observed vibrant trend of exports.

1.14 **Construction:** The value added in construction sector grew by 9.2 percent in 2005-06 against targeted growth of 7.5 percent. This higher growth may be attributed to high investment in both public as well as private investment in the construction activity.

1.15 **Electricity, Gas and Water Supply:** The electricity, gas and water supply sector declined by 8.4 percent against the target of 3.5 percent. The main reason of this decline is higher operating expenses in the form of increased input costs of gas & oils used in thermal and gas feed power generation of electricity. The sales of electricity improved but greater increase in the operating expenses has off set that increase. Energy generation during 2005-06 is expected to be 92026 GWH compared to 86452 GWH in 2004-05, reflecting a growth of 6.4 percent.

1.16 **Services:** The services sector is estimated to grow by 8.8 percent. Within this sector, beside the phenomenal growth in finance and insurance (23%), whole sale and retail trade (9.9%) and transport, storage and communications (7.2%), the other sub-sectors that have shown reasonable growth are ownership of dwellings (3.5%), social, community and personal services (6.5%) and public administration and defenses (4.7%). Share of services sector in GDP has increased to 52.3 percent compared to 51.3 percent last year.

Investment and Savings

1.17 For the year 2005-06, total investment was targeted at Rs 1369.2 billion (18.1% of GDP) at current market prices as compared to an investment of Rs 1192.0 billion in 2004-05. Of this, fixed investment was targeted at Rs 1248.2 billion against the last year level of Rs 1086.7 billion. The public sector investment was targeted at Rs 393.4 billion and in private sector Rs 854.8 billion. According to provisional estimates, total investment is expected to rise by 29.5 percent from Rs 1192.0 billion to Rs 1544.0 billion in 2005-06. The fixed investment is estimated to increase by 30.7 percent from Rs 1086.7 billion to Rs 1420.6 billion in 2005-06. In terms of ratio to GDP, it stood at 20.0%, about 2.0 percentage point higher than the ratio for 2004-05. Of the total investment about 79.0 percent was financed through national savings while remaining 21.0 percent from external resource inflows. As a ratio to GDP, domestic savings work out to be 13.9 percent against 14.5 percent last year. The details are provided in macroeconomic framework at Annex -1.4.

1.18 The **private sector investment** is estimated to increase by 31.6 percent from Rs 796.1 billion to Rs 1048.0 billion in 2005-06 and this increase is mainly contributed by an increase of 14.4 percent in manufacturing sector, (10.0% in large-scale manufacturing and 30.9% in small-scale manufacturing), construction (9.5%), whole sale and retail trade (32.2 %), electricity and gas (185.5%), transport and communication (75.0%) ownership of dwellings (16.9%) and services sector (28.2%). In the private investment, transport and communications has a major share of 25.6 percent followed by LSM 20.3 percent, ownership of dwellings 14.4 percent, and social, community and personal services 11.4 percent.

1.19 **Foreign Direct Investment (FDI):** The FDI excluding portfolio investment during July-April, 2005-06 amounted to \$ 3020.2 million compared to \$ 891.5 million during corresponding period last year. The FDI thus increased by 238.8 percent. More than one half of the investment (55%) has been observed in the telecommunication sector, followed by power (10%), Financial business (9.6%) and oil and gas (8%). Sectoral FDI is given in Table1.1.

Table -1.1
Foreign Direct Investment (FDI)

Economic Groups	(Million US \$)	
	July- April	
	2004-05	2005-06
Telecommunications	96.2	1672.8
Power (thermal)	57.8	309.1
Financial Business	206.1	289.7
Oil & Gas Explorations	165.4	243.3
Trade	42.1	108.3
Construction	33.8	58.7
Chemicals	37.8	50.4
Personal Services	19.7	49.1
Food	7.2	46.5
Others	225.4	192.3
Total	891.5	3020.2
Change (%)	-	238.8

1.20 The unusual higher growth in FDI may be attributed to a large number of factors. The domestic law and order situation as well as regional security scenario have improved. Consistent and transparent investment policy of liberalization and privatization is being pursued faithfully. The investment-friendly regulatory framework is in place and infrastructure facilities that spur the inflow of foreign investment are also being improved. 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 friendly for more investment and lowering cost of doing business. It is expected that the foreign direct investment is likely to be 4.0 billion dollars by the close of the fiscal year 2005-06.

1.21 **National Savings:** The national saving rate for 2005-06 has been estimated to be 15.9 percent. Last year it was 16.5 percent

1.22 **The Per capita GNP** during 2005-06 has been estimated at Rs 50,619 (\$ 845) as compared to the previous year per capita income of Rs 44,028 (\$ 742) registering 15.0 percent increase.

Annual Plan 2006-07

GDP Growth

1.23 The Medium Term Development Framework (MTDF) has projected GDP growth rates of 7.0 percent and 7.3 percent for 2005-06 and 2006-07 respectively. During 2005-06, the economy of Pakistan registered a growth rate of 6.6 percent slightly below the target, due to shortfall, experienced mainly in the production of major crops and large scale manufacturing. Since there is no significant deviation from the target in the first year of the MTDF, the 2nd year projections remain valid. Thus, the next year GDP growth can safely be assumed at 7.0 percent. This is going to be contributed by sectoral growth rates of 4.5 percent in agriculture and 13 percent large scale manufacturing. The services sector is likely to continue the momentum shown in 2005-06 and will grow around 7.1 percent. To attain this GDP growth, total investment of Rs 1895.4 billion has been envisaged, of this one quarter will be from the public investment and the remaining three fourth will be from the private investment. Real GDP and sector-wise growth rates during 2005-06 and projected for 2006-07 are summarized in Table-1.2 while details are given at Annex-1.1.

Table-1.2
Real GDP Growth Rates
(Percentages)

Sectors	2004-05 (Revised)	2005-06 (Provisional)	2006-07 (Targets)
Agriculture	6.7	2.5	4.5
Major crops	17.8	-3.6	4.3
Manufacturing	12.6	8.6	11.0
Large-scale	15.6	9.0	13.0
Services	8.0	8.8	7.1
GDP (fc)	8.6	6.6	7.0

1.24 **Agriculture sector:** The agriculture sector is envisaged to grow by 4.5 percent. The target would be achievable in view of better performance of agriculture amongst other due to low base line production of major crops and improvement in water management and marketing of other agriculture inputs.

1.25 **Major crops:** The value added of major crops is likely to grow by 4.3 percent compared to 3.6 percent decline witnessed during 2005-06. The cotton production is expected to be around 13.8 million bales compared to the output of 13.0 million bales in 2005-06. The sugarcane production is expected to be 50.5 million tonnes as against the level of 44.31 million tonnes achieved in 2005-06. The wheat production is likely to be 22.00 million tonnes during 2006-07 against the production of 21.7 million tonnes achieved during 2005-06. Rice and maize production are likely to be 5.7 million tonnes and 3.3 million tonnes against achievements of 5.5 million tonnes and 3.6 million tonnes respectively in the previous year 2005-06. The area under *Irri-rice* will be gradually reduced and substituted with *Basmati* rice. The higher growth targets

in the agriculture sector have been envisaged on the expectations of favourable weather conditions, adequate water availability (142.2 MAF) which is 3.2 percent greater than the previous year, improved seeds and adequate 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. Lining of watercourses and reducing losses of the irrigation system particularly in water scarce areas will improve the water use efficiency.

1.27 The **minor crops** are likely to grow by 2.3 percent, which is higher than the achieved growth of 1.6 percent for the year 2005-06.

1.28 The **livestock sub-sector** is expected to grow by 5.2 percent. Keeping in view the share of livestock about 49.6 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 as well as in export earnings.

1.29 The **fishery and forestry sub-sectors** are likely to grow by 4.0 and 3.5 percent respectively in 2006-07 against the estimated growth rate of 1.9 percent and decline of 9.7 percent respectively during 2005-06. 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, storage and processing methods should be improved according to the international standards.

1.30 The **industrial sector** as a whole is expected to grow by 9.1 percent, which is higher than the estimated growth of 5.9 percent during 2005-06.

1.31 The growth of **mining and quarrying sector** is expected to be 3.8 percent for the year 2006-07 maintaining the growth level achieved during the 2005-06.

1.32 The **manufacturing sector** is likely to grow by 11.0 percent during 2006-07, a growth rate based on the expectations of new plants coming into production and improved productivity. The targeted growth rate of the manufacturing sector is premised on the growth of large-scale manufacturing (13.0 %), small and household manufacturing (7.4%) and slaughtering (2.5%). 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 markets in the world.

1.33 The SMEs sector has an important role to play in increasing investment and creating job opportunities. The SMEs Bank has been restructured and is playing 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. Moreover, steps are underway for facilitation of SME's by the SMEDA. SMEDA has been revamped and strengthened to play an active role in the development of SME's.

1.34 **Construction:** A major growth momentum is expected for the construction industry, which is forecasted to grow by 7.0 percent as against an estimated growth rate of 9.2 percent during 2005-06.

1.35 The growth for **electricity, gas and water supply** sector as a whole, is projected to grow at the rate of 3.5 percent during the year 2006-07 against the decline of 8.4 percent in 2005-06.

1.36 The **services sector**, as a whole, is likely to grow by 7.1 percent. The main contributors of value added in this sector will be transport and communication, wholesale and retail trade, finance and insurance and social, community & personal services, which are targeted to grow by 6.0 percent, 8.8 percent, 12.0 percent and 5.6 percent respectively.

Savings and Investment

1.37 **Investment:** To achieve 7.0 percent GDP growth target, total investment is projected at Rs 1895.4 billion (21.5 percent of GDP) during 2006-07. Such an increased flow of investment would require a favourable investment climate for foreign as well as domestic investors. About 72.0 percent of fixed investment would be comprised of private sector and remaining 28.0 percent by the public sector. The expected investment along with other elements of macroeconomic framework may be seen at Annex-1.4.

1.38 It is worth noting that the government is taking numerous measures to enhance both indigenous and foreign investor's 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

great potential to create new job opportunities for semi-skilled and un-skilled labour. As a ratio to GDP, public and private sector investments are envisaged to be at 5.6 percent and 14.3 percent respectively. Total investment of Rs 1895.4 billion which is 21.5 percent of GDP is envisaged in 2006-07. The proposed record allocations in the PSDP for 2006-07 at Rs 415.0 billion (4.7 percent of GDP) are 52.6 percent higher than the PSDP allocation of Rs 272.0 billion (4.0 percent of GDP) in 2005-06.

1.39 As regards the financing of the targeted investment, it has been projected that 79.8 percent will be financed through national saving and remaining 20.2 percent through foreign resources. A corollary of this financing is the requirement that domestic saving increases to 15.5 percent of GDP in 2006-07 against 13.9 percent estimated for 2005-06. For this purpose, a significant improvement will have to be ensured in the society's propensity to save.

1.40 **National savings:** For the year 2006-07 the national savings are envisaged to grow by 23.9 percent from Rs 1223.1 billion (15.9 percent of GDP) to Rs 1514.9 billion (17.2%) of GDP. To bridge saving-investment gap of Rs 380.53 billion (4.3 percent of GDP) would be financed from the external resources.

1.41 **Per capita income.** The envisaged economic scenario for 2006-07 would imply per capita GNP of Rs 56595 (\$ 935) in current prices, higher by 11.8 percent from the previous year level.

GROSS DOMESTIC PRODUCT
(At 1999-2000 Prices)

Items	Rs Million				% Change		
	2004-05 (R)	2005-06		2006-07 (T)	2005-06		2006-07 (T)
		(T)	(P)		(T)	(P)	
I COMMODITY SECTORS	2,229,509	2,285,102	2,325,295	2,487,635	7.2	4.3	7.0
A AGRICULTURE	1,029,845	1,083,517	1,055,240	1,102,554	4.8	2.5	4.5
Major Crops	385,119	409,574	371,140	387,099	6.6	-3.6	4.3
Minor Crops	127,822	131,421	129,903	132,891	4.0	1.6	2.3
Livestock	484,684	500,975	523,489	550,710	3.5	8.0	5.2
Fishery	13,916	14,454	14,185	14,752	4.0	1.9	4.0
Forestry	18,304	27,093	16,523	17,101	5.1	-9.7	3.5
B INDUSTRY	1,199,664	1,201,586	1,270,055	1,385,081	9.5	5.9	9.1
Mining & Quarrying	122,178	67,969	126,813	131,632	5.2	3.8	3.8
Manufacturing (I+II+III)	818,809	908,310	889,036	986,594	11.0	8.6	11.0
I) Large-Scale Manufacturing	569,325	642,955	620,507	701,173	13.0	9.0	13.0
II) Small & Household	190,121	203,810	207,723	223,095	7.4	9.3	7.4
III) Slaughtering	59,363	61,545	60,806	62,326	3.1	2.4	2.5
Construction	98,190	98,667	107,219	114,724	7.5	9.2	7.0
Electricity, Gas & Water Supply	160,487	126,641	146,987	152,132	3.5	-8.4	3.5
II SERVICES	2,347,552	2,506,988	2,554,201	2,735,511	6.8	8.8	7.1
Transport, Storage & Communication	477,701	524,949	512,198	542,930	5.8	7.2	6.0
Wholesale & Retail Trade	851,744	936,188	936,091	1,018,467	9.3	9.9	8.8
Finance and Insurance	183,900	176,645	226,113	253,247	6.7	23.0	12.0
Ownership of Dwellings	131,214	135,938	135,820	140,574	3.6	3.5	3.5
Public Administration & Defence	268,826	277,121	281,496	291,911	3.5	4.7	3.7
Social, Community & Personal Service	434,167	456,147	462,483	488,382	5.8	6.5	5.6
GDP(fc)	4,577,061	4,792,091	4,879,496	5,223,146	7.0	6.6	7.0

Source: FBS/NAC/Planning Division

MAJOR CROPS AND LIVESTOCK

ITEMS	UNITS	2004-05	2005-06		2006-07 Targets	Percent Change	
			Targets	Prov.		2005-06	2006-07
I. KHARIF CROPS							
Rice	(000 MT)	5,025.0	5,000.0	5,547.0	5,693.1	10.4	2.6
Basmati	(000 MT)	2,348.0	2,400.0	2,548.0	2,675.4	8.5	5.0
Others	(000 MT)	2,677.0	2,600.0	2,999.0	3,017.7	12.0	0.6
Bajra	(000 MT)	193.0	300.0	221.0	230.0	14.5	4.1
Maize	(000 MT)	2,797.0	2,905.0	3,560.0	3,278.8	27.3	-7.9
Jawar	(000 MT)	186.0	292.0	153.0	170.0	-17.7	11.1
Sugarcane	(000 MT)	47,244.0	50,095.0	44,312.0	50,500.0	-6.2	14.0
Cotton	(Mln Bales)	14.60	15.00	13.00	13.82	-11.0	6.3
II. RABI CROPS							
Wheat	(000 MT)	21,612.0	22,139.0	21,700.0	22,000.0	0.4	1.4
Barley	(000 MT)	92.0	120.0	87.0	60.0	-5.4	-31.0
Gram	(000 MT)	868.0	833.0	527.0	610.0	-39.3	15.7
Sesamum	(000 MT)	30.0	30.0	34.0	36.5	13.3	7.4
Rap. & Mustard	(000 MT)	203.0	240.0	188.0	217.0	-7.4	15.4
Tobacco	(000 MT)	101.0	90.0	120.0	102.0	18.8	-15.0
III. LIVESTOCK							
Milk	(000 MT)	29,400.0	30,357.0	31,300.0	33,230.0	6.5	6.2
Meat	(000 MT)	2,971.3	2,346.0	3,187.0	3,288.0	7.3	3.2
Wool	(000 MT)	1,781.0	---	1,844.0	1,933.0	3.5	4.8
Hides	(000 No)	8,572.0	8,800.0	8,781.0	8,999.0	2.4	2.5
Skins	(000 Nos)	45,584.0	48,930.0	46,820.0	48,109.0	2.7	2.8

Sources: MINFAL/FBS

INDUSTRIAL AND MINERAL PRODUCTION

ITEMS	UNITS	2004-05 Revised	2005-06		2006-07 Targets	% Change		
			Targets	Provisional Estimates@		2005-06	2006-07	
A. INDUSTRIAL PRODUCTION (Large-Scale Manufacturing)								
1	Cotton Yarn	Mln Kg	2,281	2,192	2,535	2,789	11.16	10.0
2	Cotton Cloth (Mill Sector)*	Mln SQ Mtr	881	987	881	943	0.07	7.0
3	Vegetable Ghee	000 MT	917	955	1,037	1,110	13.16	7.0
4	Sugar	000 MT	3,092	4,264	3,018	3,108	-2.40	3.0
5	Paper & Paper Board	000 MT	420	450	470	517	11.85	10.0
6	Nitrogenous Fertilizer	000 NT	2,315	2,381	2,419	2,588	4.46	7.0
7	Phosphatic Fertilizer	000 NT	393	401	441	480	12.03	9.0
8	Soda Ash	000 MT	297	322	317	339	6.68	7.0
9	Caustic Soda	000 MT	207	231	219	232	5.85	6.0
10	Paints & Varnish (L)	000 Ltr	41,092	66,663	46,344	51,441	12.78	11.0
11	Paints & Varnish (S)	MT	15,496	9,169	17,196	18,916	10.97	10.0
12	Petroleum Products	Mln Litr	12,511	14,714	12,801	13,441	2.32	5.0
13	Cement	000 MT	15,038	16,652	16,504	18,980	9.75	15.0
14	Billets **	000 MT	315	457	164	169	-47.95	3.0
15	HR/CR/Sheets	000 MT	736	744	568	585	-22.83	3.0
16	Trucks	Nos	3,204	2,822	5,072	6,086	58.30	20.0
17	Buses	Nos	1,762	2,130	674	734	-61.77	9.0
18	LCVs/Jeeps	Nos	25,177	29,773	33,561	40,273	33.30	20.0
19	Cars	Nos	126,817	153,608	163,759	196,511	29.13	20.0
20	Tractors	Nos	43,746	49,614	50,894	58,528	16.34	15.0
21	Air Conditioners	Nos	198,099	90,696	236,986	284,383	19.63	20.0
22	Refrigerators	000 Nos	785	892	873	1,004	11.27	15.0
23	TV Sets	000 Nos	909	1,127	1,020	1,173	12.25	15.0
24	Bicycles	000 Nos	588	742	632	695	7.43	10.0
25	Electric Transformers	000 Nos	37	58	38	41	2.42	7.0
26	Electric Meters	000 Nos	1,825	1,887	3,236	3,884	77.32	20.0
27	Coke	000 MT	773	850	175	180	-77.39	3.0
28	Cigarettes	Mln Nos	61,089	62,082	63,985	65,904	4.74	3.0
29	Jute Goods	000 MT	105	108	102	104	-2.47	2.0
30	Motor Tyres	000 Nos	1,488	1,779	1,637	1,833	10.01	12.0
31	Motor Tubes	000 Nos	572	665	663	763	15.95	15.0
32	Pig Iron/Hot Metals	000 MT	1,137	1,272	637	656	-43.99	3.0
33	Shuttles	000 MT	86	116	110	126	27.42	15.0
34	Electric Motors	Nos	12,734	22,622	12,337	12,954	-3.12	5.0
35	Power Looms	Nos	656	759	494	504	-24.67	2.0
36	Tea Blended	Tonnes	60,328	65,003	62,482	65,606	3.57	5.0
37	Liquid Syrups	000 Ltr	38,188	39,840	41,381	45,519	8.36	10.0
38	Ointments	000 Kg	929	1,060	1,058	1,216	13.86	15.0
39	Cooking Oil	000 MT	218,577	250	257,047	280,181	17.60	9.0
B. MINERAL PRODUCTION								
1	Crude Oil	000 BBLS	24,118	74,881	23,824	25,730	-1.2	8.0
2	Natural Gas	MMCFT	1,344,953	1,465,999	1,405,166	1,545,683	4.5	10.0
3	Coal	000 MT	3,367	4,180	3,637	4,037	8.0	11.0
4	Limestone	000 MT	14,857	--	16,005	17,445	7.7	9.0
5	Rock Salt	000 MT	1,648	--	1,818	2,036	10.3	12.0

Source: FBS & Planning Division

@ Annualized on the basis of July- March data.

* Only about 15 percent of the total cloth production.

** Only Pakistan Steel Mills figures; the total production in the country is 7 - 8 times.

**Macroeconomic Framework
(At Current Market Prices)**

(Rs Billion)

Items	2004-05 Revised	2005-06		2006-07 Targets	Growth (%)	
		Targets	Provisional Estimates		2005-06	2006-07
GDP (fc)	6203.9	7104.3	7295.2	8313.3	17.6	14.0
Indirect Taxes (Net)	377.2	460.4	417.9	494.7	10.8	18.4
GDP (mp)	6581.1	7564.7	7713.1	8808.0	17.2	14.2
Net Factor Income from Abroad	134.5	130.0	151.4	148.7	12.6	-1.8
GNP (mp)	6715.6	7694.7	7864.5	8956.7	17.1	13.9
External Resources Inflow (Net)	104.1	166.3	320.9	380.5	208.3	18.6
Total Resources/Uses	6819.7	7861.0	8185.4	9337.2	20.0	14.1
Total Consumption	5627.7	6491.8	6641.4	7441.8	18.0	12.1
Total Investment	1192.0	1369.2	1544.0	1895.4	29.5	22.8
Fixed Investment	1086.7	1248.2	1420.6	1754.4	30.7	23.5
Public	290.6	393.4	372.6	493.9	28.2	32.5
Private	796.1	854.8	1048.0	1260.6	31.6	20.3
Changes in Stocks	105.3	121.0	123.4	140.9	17.2	14.2
National Savings	1087.9	1202.9	1223.1	1514.9	12.4	23.9
<u>As % of GDP (mp)</u>						
Total Investment	18.1	18.1	20.0	21.5		
Fixed Investment	16.5	16.5	18.4	19.9		
Public	4.4	5.2	4.8	5.6		
Private	12.1	11.3	13.6	14.3		
National Savings	16.5	15.9	15.9	17.2		
External Resources Inflow (Net)	1.6	2.2	4.2	4.3		
<u>Memo Items</u>						
Domestic Saving	14.5	14.2	13.9	15.5		
Inflation	9.3	8.0	8.0	6.5		

Source: FBS and Planning Division

STATE OF TEXAS
COUNTY OF [illegible]

No. of Acres	Acres	Acres	Acres	Acres	Description of Land
100	100	100	100	100	[illegible]
200	200	200	200	200	[illegible]
300	300	300	300	300	[illegible]
400	400	400	400	400	[illegible]
500	500	500	500	500	[illegible]
600	600	600	600	600	[illegible]
700	700	700	700	700	[illegible]
800	800	800	800	800	[illegible]
900	900	900	900	900	[illegible]
1000	1000	1000	1000	1000	[illegible]
1100	1100	1100	1100	1100	[illegible]
1200	1200	1200	1200	1200	[illegible]
1300	1300	1300	1300	1300	[illegible]
1400	1400	1400	1400	1400	[illegible]
1500	1500	1500	1500	1500	[illegible]
1600	1600	1600	1600	1600	[illegible]
1700	1700	1700	1700	1700	[illegible]
1800	1800	1800	1800	1800	[illegible]
1900	1900	1900	1900	1900	[illegible]
2000	2000	2000	2000	2000	[illegible]

Subscribed and sworn to before me this [illegible] day of [illegible] 19[illegible]

Notary Public in and for the State of Texas

Chapter-2

BALANCE OF PAYMENTS

During the 1990s the external sector suffered from stagnation in exports around a level of \$ 9 billion and in foreign exchange reserves between \$1.3- 3.7 billion. The sector started experiencing a turnaround since FY 2003. Following a series of structural reforms the economy was put on the path of sustained growth. The exports started picking up and are now likely to touch a level of \$ 17 billion during the year ending June 2006. Similarly, the reserves level at present (May 13, 2006) stands at \$ 13 billion, equivalent to 29 weeks of imports.

2.2 In more recent years, high oil prices have enhanced the current account gap. But due mainly to substantial capital inflows especially in the form of FDI, the gap did not pose a financing problem.

Review of Annual Plan 2005-06

2.3 The Annual Plan 2005-06 had envisaged an increase in the trade deficit because of higher growth in imports as compared to exports. The exports (fob) were projected at \$15,670 million during 2005-06, up by 11.92 percent from \$14,000 million in 2004-05. The growth in exports was predicated on the basis of sustained increase in the production of agriculture and manufacturing sectors and improvement in the overall competitiveness of the external sector. The imports (fob) were anticipated at \$19,830 million during 2005-06, up by 12.96 percent from \$17,555 million in 2004-05. The trade deficit during 2005-06 was thus projected to increase to \$4,160 million against a deficit of \$ 3,555 million (provisional) during 2004-05. The balance on the invisibles account was expected to be in surplus of \$1,461 million against a surplus of \$1,643 million in 2004-05. With relatively large trade gap, the current account deficit was projected to increase to \$2,699 million (2.2 percent of GDP) as against a deficit of \$ 1,912 million (1.75 percent of GDP) in 2004-05.

2.4 The trade deficit in ten months (July-April) of the current fiscal year stood at \$ 9,427 million much above the annual target. Vibrant trends have been experienced both in exports and imports during the year. Exports during ten months grew by 17.8 percent to \$ 13,524 million from \$ 11,481 million in July-April period of 2004-05. Imports during this period (July-April 2005-06) have increased by 40.38 percent to \$ 22,951 million from \$ 16,349 million in July-April 2004-05. Workers remittances during ten months of 2005-06 increased by 5.16 percent to \$ 3,630 million from \$ 3,451 million during the same period of last year. According to the latest estimates the current account deficit is likely to be \$ 5,354 million (4.16 percent of GDP) in 2005-06 as against the deficits (provisional) of \$ 1,753 million (1.58 percent of GDP) during 2004-05.

2.5 **Exports:** During ten months of the current fiscal year, exports stood at \$ 13,524 million as compared to \$ 11,480 million, up by 17.8 percent over the same period last year. Items registering growth have been rice, fish, fruits and vegetables, cotton yarn, cotton cloth, knitwear bedwear, towels, readymade garments, POL products, leather manufactures, footwear, and pharmaceutical products. Pakistan has recently entered into export market of engineering goods, which include light engineering like electric fans, transport equipments & auto parts, and machinery specialized for specific industry. The rising export trend of these engineering goods may be seen as under:

<u>Year</u>	<u>Exports</u> <u>(\$ Million)</u>
2000-01	43.82
2001-02	51.11
2002-03	74.09
2003-04	100.01
2004-05	181.98
2005-06 (July-April)	161.64

2.6 Efforts are being made by the Government to further promote exports of engineering goods and other non-traditional items.

PAKISTAN'S EXPORT PROMOTION STRATEGY

Exports are showing an impressive growth trend for the last 6 years, increasing from US\$ 7.8 billion in 1998-99 to 14.4 billion in 2004-05. In the first 10 months of 2005-06, the exports have been US\$ 13.5 billion and it is expected that the target of US\$ 17.0 billion will be achieved. A sustainable growth has been achieved by adopting a rapid export growth strategy based on the initiatives, such as (i) improved market access through trade diplomacy, (ii) focusing on neglected regions and countries like Africa, Latin America, Eastern Europe, Central Asia and Far East, (iii) strengthening of trade promotion infrastructure of the Government including EPB and Trade offices abroad, (iv) improving skill development and productivity through provisions of large scale training and (v) state of the art physical infrastructure by the Government to spur investment and FDI. Government is intensively interacting with global trade partners to obtain additional market access for Pakistani exports. Preferential Trade Agreement (PTA) and Free Trade Agreement (FTA) are being negotiated with countries of the region and with other important countries having potentials for Pakistani exports. Moreover, Pakistan has successfully negotiated with European Union and has obtained reduction in duty under GSP Scheme to 9.8%. At the same time, the Export Development Fund has allocated resources to the Ministry of Textile Industry for the Skill Development Board to launch training programmes in 250 textile and clothing units. The trained manpower will be employed in the respective units and will facilitate production of value added textiles and clothing articles for export. To make the Pakistani exports competitive, due importance is being given to trade facilitation which is one of the important components of National Trade Corridor Improvement Programme on which \$ 6 billion will be spent in the next five years.

2.7 Export items for which data on both volume and prices is available, showed a growth of 19.71 percent. The decomposition of this growth into volume and price effect revealed an increase of 15.98 percent in volume and 3.73 percent in prices.

2.8 It is expected that exports would further pick up during the coming months and total exports (fob) for the year 2005-06 are estimated at \$ 16,777 million as against the target of \$ 15,670 million for 2005-06. **Annex-2.1** gives a detailed account of estimated exports.

2.9 **Imports:** Imports (cif) during July–April period of 2005-06 have increased by 40.4 percent to \$ 22,951 million over the corresponding period last year (\$ 16,348 million). Higher growth in imports emanated from three commodity groups namely, petroleum group (63%), raw materials group (43.6%) and machinery group (32.8%). Specifically the import of agricultural machinery and implements, sugar, pulses, synthetic fibres, fertilizers, iron & steel scrape, iron & steel and rubber tyres and tubes have shown significant growth. Import items for which data on both volume and prices is available showed a growth of 51.5 percent. The decomposition of this growth into volume and price effect revealed an increase of 17.1 percent in volume and 34.1 percent in price. Imports (fob) for full year are estimated at \$ 23.63 billion. The details of imports are given at **Annex-2.2**.

2.10 **Invisibles Account:** During ten months (July-April) of 2005-06, home remittances amounted to \$ 3,630 million, higher by 5.2 percent over the same period last year (\$ 3,452 million). Remittances for the full year 2005-06 have been estimated at \$ 4,300 million. After allowing for other invisible receipts and payments, the invisibles balance is estimated to be in surplus by \$ 1,498 million in 2005-06 as against a surplus of \$ 2,599 million (provisional) of last year.

2.11 **Current Account Balance:** The current account deficit is likely to be 4.16 percent of GDP. An encouraging feature of the external sector is a sharp rise in non-debt creating inflows like foreign direct investment (FDI) and remittances which will help in meeting the current account deficit without substantial drain on reserves. With the trade deficit at \$ 6,852 million and invisibles surplus of \$ 1,498 million, the current account deficit for the fiscal year 2005-06 is estimated at \$ 5,354 million compared to a deficit of \$1,753 million last year. The details of balance of payments are given at **Annex-2.3**.

2.12 **Capital Account:** The redeeming feature of the external sector performance for the year 2005-06 has been a substantial increase in capital inflows, including the non-debt creating inflows like FDI, that would not only finance the entire current account deficit but would also lead to a build-up of reserves. Gross aid disbursements are estimated to register an increase from \$2,044 million in 2004-05 to \$2,905 million in 2005-06. This increase has been visualized in the project aid from \$741 million in 2004-05 to \$1,350 million in 2005-06 and in programme /commodity aid from \$1,301 million to \$1,543 million during 2005-06. Allowing for other capital flows, the surplus in the overall balance is estimated at \$2,353 million in 2005-06 from \$727 million in 2004-05. The incorporation of the transactions of the banking system will allow a build-up of \$1,869 million in gross foreign exchange reserves reaching the level of \$12,506 million equivalent to almost 6 months of imports.

Projections for 2006-07

2.13 **Trade Account:** During 2006-07, exports (fob) are projected to grow by 18.0 percent to \$19,797 million against \$16,777 million estimated for 2005-06. Projections of exports are based on assumptions such as (i) increase in agricultural production and manufacturing output, (ii) greater market access through bilateral arrangements, preferential and free trade agreements with regional and other countries and (iii) an improvement in the overall competitiveness of the external sector through reduction in the cost of key manufacturing inputs including electricity. Details are at **Annex-2.1**.

2.14 Imports are anticipated to increase by 16.0 percent mainly due to payments on account of POL, capital goods, edible oils and fertilizers. Details are at **Annex-2.2**. As a result, the trade account is projected to be in deficit by \$7,613 million in 2006-07 against a deficit of \$6,852 million estimated for 2005-06. Details are at **Annex-2.3**.

2.15 **Invisibles Account:** Prospects for the invisibles balance will continue to be governed mainly by the behavior of the workers' remittances. For 2006-07, remittances have been projected at \$4,500 million against \$4,300 million estimated for 2005-06. Allowing for other invisible receipts and payments, the surplus on invisibles account is anticipated to decline to \$1,325 million from \$1,498 million in 2005-06.

2.16 **Current Account Balance:** With a deficit of \$7,613 million on the trade account and a surplus of \$1,325 million on the invisibles account, the current account deficit is estimated to increase to \$6,288 million in 2006-07 (4.32 percent of GDP) against \$5,354 million in 2005-06.

2.17 **Capital Account:** Gross disbursements are expected to decline to \$2,737 million in 2006-07, lower by \$ 168 million from \$2,905 million in 2005-06. After allowing for other capital movements, surplus of \$1,887 million is likely to occur in the overall balance. However, taking into consideration transactions of the banking system, there will be a build up of \$1,571 million in foreign exchange reserves which will help in build up of the total gross reserve of \$13,977 million by the end of 2006-07.

MAJOR EXPORTS

Items	\$ million			
	2004-05 Actual	2005-06		2006-07 Target
		Target	Estimate	
I. Primary Commodities	1043	887	1136	1324
Cotton	110	85	80	100
Total Rice	933	802	1056	1224
Basmati Rice	439	487	525	600
Other Rice	493	315	531	624
II. Cotton based Manufactures	8145	9183	9909	11603
Yarn	1057	1323	1333	1650
Cloth	1863	2103	2187	2528
Readymade Garments	1088	1107	1480	1725
Tents and Canvas	67	84	40	50
Hosiery	1635	1712	1644	1900
Made ups (incl.towels & Bedwear)	2436	2854	3225	3750
III. Other Traditionals	1021	1295	905	1015
Fish and Fish Preparations	139	193	175	200
Leather	304	294	260	290
Carpets	278	252	260	275
Synthetic Textiles	300	556	210	250
IV. All Others	4183	4335	5100	6177
Total (Gross)	14391	15700	17050	20119
Total (fob)	14401	15670	16777	19797

MAJOR IMPORTS

Items	2004-05	2005-06		\$ million
	Actual	Target	Estimate	Target
Edible Oils	758	765	739	792
Palm Oil	703	700	718	770
Soyabean Oil	55	65	21	22
POL	4534	3411	6286	7053
Crude Oil	2535.7	2363	3595	4745
Fuel Oil	290.4	223	447	228
Others	1708	825	2244	2080
Fertilizers	416.9	309	532	551
Capital Goods	7438	5628	7525	8900
All Others	7319	11678	10717	12634
Total (c&f)	20466	21791	25799	29930
Total (fob)	18753	19830	23629	27410

BALANCE OF PAYMENTS

Items	2004-05 Actuals	2005-06		2006-07
		Target	Estimate	Target
TRADE BALANCE	-4352	-4160	-6852	-7613
Exports (fob)	14401	15670	16777	19797
Imports (fob)	18753	19830	23629	27410
INVISIBLES BALANCE	2599	1461	1498	1325
Services (net)	-5841	-4929	-6994	-7700
Invisibles Receipts	3837	2615	4207	4570
Invisibles Payments	9678	7544	11201	12270
Freight & Insurance	1713	1961	2170	2520
Public & Guaranteed Debt	656	763	668	655
Others	7309	4820	8363	9095
Private Transfers	8440	6390	8492	9025
Remittances	4168	4020	4300	4500
F.C.A.(Resident Pakistanis)	521	390	350	400
Others	3751	1980	3842	4125
(Of which purchases)				
CURRENT ACCOUNT BALANCE	-1753	-2699	-5354	-6288
% of GDP	1.58	2.19	4.16	4.32
Capital Account(net)	1980		7223	7859
Long term capital (net)	1697		4524	4475
Gross Disbursements	2044	1428	2905	2737
Project Aid	741		1350	1600
Programme /Commodity Aid	1301		1543	1137
Food Aid	0		10	0
Afghan Refugees Assistance	2		2	0
Grant pledges	231		636	450
Other official capital	490		6	0
Amortization	-1434	-1415	-1042	-1072
Other(Incl. Private capital) (net)	366	260	2019	2360
Errors & Omissions (net)	-7		94	0
Balance requiring Official financing	-63		-736	-1813
Official assistance & debt relief	790		3089	3700
Debt relief including principal and interest	0		0	0
Medium/short term capital (net)	247		184	0
Other short term assets/liabilities	-123		36	0
FEBC, DBC, & Bonds	303		1224	700
privatization proceeds	363		1645	3000
OVERALL BALANCE	727		2353	1887
NET FOREIGN ASSETS	727		2353	1887
Banks foreign currency deposits	42		41	40
Outstanding export bills	-397		-375	-200
IMF (net)	-145		-150	-156
Purchases/Drawing	255		0	0
Repurchases /Repayments	-400		-150	-156
CHANGES IN RESERVES (Net)	227	510	1869	1571
<i>Memo Items</i>				
RESERVES position inc. FE-25 deposits	10687	10120	12506	13977
RESERVES position excl. FE-25 deposits & swap	9805		11711	13127

Chapter-3

FISCAL AND MONETARY DEVELOPMENTS

Against the backdrop of larger fiscal deficits experienced during most of the years of the 1990s, government focused on reframing fiscal policy with a view to ensure fiscal consolidation. Economy in budget expenditures especially the current budgets through prudent debt management and concerted efforts toward revenue generation were the main features of the new fiscal management. This improved the fiscal position as overall fiscal deficit dropped below 5 percent in 2000-01 and remained around 3.5 percent on average during the last three years. The contractionary effect of the fiscal consolidation also resulted in lowering inflation rates as it average 3.9 percent during 2000-01 to 2003-04.

Review of 2005-06

Fiscal Policy

3.2 The overall fiscal deficit was targetted at 3.8 percent of GDP for the year 2005-06, with revenues projected at 13.3 percent and expenditures at 17.1 percent of GDP. The target for CBR tax collection was fixed at Rs 690 billion, up by 16.7 percent over the collection of Rs 590 billion in 2004-05.

TAX ADMINISTRATION REFORM PROJECT

CENTRAL BOARD OF REVENUE

The main objective of the CBR's reform program is to build a modern tax system and an effective tax administration that facilitates and improves voluntary compliance with tax laws. More specifically, the program seeks to increase tax revenues by improving the effectiveness, responsiveness and efficiency of the tax administration through institutional and procedural reforms; improving transparency and integrity of tax services; HR reforms to introduce performance and merit-based system; strengthening collection, audit and enforcement procedures and improving taxpayer services. After successful running of the pilot projects of Large and Medium Taxpayers Units at Karachi and Lahore, a five years Pakistan Tax Administration Reform Project of \$ 149 million jointly funded by Government of Pakistan, World Bank and DFID was launched in April 2005. The Project is designed around a comprehensive reform strategy and includes the following seven components; (i) Management and Institutional Development; (ii) Improving Revenue Operations; (iii) Strengthening Revenue Services; (iv) Creating a Tax Compliance Culture; (v) Adopting Responsive IT system (vi) Infrastructure Up-gradation and Development; and (vii) Project Management and Implementation. Under the Project, Large Taxpayers Unit at Lahore and Medium Taxpayers Units at Rawalpindi, Peshawar, Faisalabad and Karachi have been established. Further all the internal taxes are being brought under one roof through the establishment of thirteen Regional Tax Offices in the major cities.

3.3 During July-April 2005-06, CBR collected total taxes of Rs 546.9 billion as against a collection of Rs 451.1 billion in the corresponding period of the preceding year (up by 21.3 percent). It constituted 79 percent of the full year target for 2005-06. The ratio of direct taxes to indirect taxes which was 41.8 percent last year went up to 44.2 percent, implying that the tax structure was moving in the right direction and was now more progressive.

3.4 The observed progress in tax collection has been the result of tariff rationalization undertaken earlier by the Government. Despite significantly reduced custom duty, higher collection is attributed to recovery in the economic activity. The details of tax collection are given in Table 3.1 below:-

Table 3.1
Federal Tax Collection by CBR
(July – April, 2005-06)

Heads	2004-05	2005-06 (Targets)	Collection July – April		Collection as % of full year target
			Amount	% Change	
Indirect Taxes	408.0	476.0	379.3	19.2	79.7
Sales Tax	240.0	276.0	228.5	22.3	82.8
Central Excise	52.9	59.5	45.3	9.0	76.2
Customs	115.1	140.0	105.5	17.5	75.3
Total:	590.0	690.0	546.9	21.3	79.3

Source: Revenue Division/CBR.

3.5 While the overall fiscal deficit estimates will become available at the time of budget, some indirect assessment could be made by looking at budgetary support numbers of the Credit Plan. Upto 6th May 2006, government borrowing for budgetary support amounted to Rs 59.71 billion as against the full year target of Rs 98 billion. This shows that the position with regard to deficit is comfortable.

Monetary and Credit Policy

3.6 The monetary and credit policy has to be in line with other macroeconomic policies devised for promoting economic growth, achieving price stability and reducing poverty. 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.

3.7 The Credit Plan for the fiscal year 2005-06 envisaged growth in money supply (M2) at 12.81 percent (Rs 380 billion), which was based inter alia on a GDP growth target of 7.0 percent

and inflation rate of 8.0 percent. The credit to government sector for budgetary support was fixed at Rs 98 billion and credit to private sector at Rs 330 billion. Thus, the overall growth in Net Domestic Assets (NDA) worked out to be 15.7 percent. The external sector foreign exchange flows were envisaged to exert an expansionary effect to the tune of Rs 15 billion.

3.8 During July 1 to May 6, 2006, the monetary expansion amounted to Rs 338.45 billion (11.41 percent) as against the full year target of 12.81 percent and an expansion of 13.91 percent during the corresponding period last year. The major trends have been as follows:

- The government borrowing for budgetary support has been 60.9 percent of the target.
- Demand for the private sector credit has been strong and has already crossed the full year limit by 4.7 percent.
- The expansionary impact of net foreign assets has already exceeded the credit plan target by 161.4 percent.

3.9 The Credit Plan for 2005-06 and its implementation during 1st July 2005 to 6th May 2006 are given in Table 3.2 below:-

Table 3.2
Credit Plan and its Implementation

(Rs Billion)

	Credit Plan 2005-06	Implementation	
		1 st July 05 to 6-May-2006	1 st July 04 to 7-May-05
I. Government Sector (a+b+c)	<u>120.0</u>	<u>39.13</u>	<u>24.99</u>
a) Net Budgetary Borrowing	98.0	59.71	13.27
b) Commodity Operations	20.0	-19.94	9.74
c) Others	2.0	-0.64	1.98
II. Non-Government Sector	<u>320.0</u>	<u>348.09</u>	<u>345.63</u>
a) Credit to Private Sector	330.0	345.61	364.52
b) Credit to PSEs including Autonomous Bodies	-10.0	3.78	-12.83
c) Other Financial institutions (SBP credit to NBFIs)	-	-1.30	-6.06
III. Other Items (Net)	<u>-75.0</u>	<u>-87.98</u>	<u>-89.89</u>
IV. Net Domestic Credit Expansion	<u>365.0</u>	<u>299.24</u>	<u>280.73</u>
V. Net Foreign Assets	<u>15.0</u>	<u>39.21</u>	<u>65.10</u>
VI. Monetary Expansion	<u>380.0</u>	<u>338.45</u>	<u>345.83</u>
(% Change)	(12.81)	(11.41)	(13.91)

Source: State Bank of Pakistan

3.10 One aspect of the monetary policy in recent years, which needs attention, has been the growing spread between the banks' lending and deposit rates. The spread which was 2.4 percent in 1990 rose to 9.6 percent in 2002 and stood at 7.4 percent by February 2006. Despite reduction it is still on the higher side and needs to be further reduced with a view to encouraging domestic savings.

Inflation

3.11 The rate of inflation for the year 2005-06 as measured by the Consumer Price Index (CPI) was targeted at 8.0 percent. This target was to be achieved by increasing the supply of essential commodities and through judicious monetary policy. Based on July – April, 2005-06 data, the annualized rate of inflation turned out to be 8.03 percent as against 9.27 percent during the corresponding period last year. It is estimated that the rate of inflation for the year 2005-06 will remain close to the target.

3.12 Price changes, measured by various indices, are summarized below:

Changes in Price Indices (2000-01=100)

	(Percentages)	
	July – April	
	2005-06	2004-05
Sensitive Price Index (53 items)	6.67	11.98
Consumer Price Index (375 items)	8.03	9.27
Wholesale Price Index (106 items)	10.31	6.89

3.13 The main increase in CPI was witnessed in the transport and communication (17.69%), followed by house rent (10.30%), fuel and lighting (8.39%), food and beverages (6.97%), education (6.25%), household, furniture and equipment etc. (5.05%), apparel, textile and footwear (4.17%), cleaning, laundry & personal appearance (2.85%), and medicare (2.19%).

3.14. The highest contribution to the observed inflation of 8.0 percent emanated from the food group (2.8 percentage point) followed by house rent (2.41), transport and communication (1.3) and fuel & lighting (0.6)

3.15 The main factors contributing to the observed inflation have been as follows;

- a) Adjustment in petroleum prices (17.85% for super) due to increase in global oil prices.
- b) The price of sugar went up due to decline in production of sugarcane, hoarding by some of the millers creating an artificial shortage, and rising trend of international

sugar prices. The Government has now imposed 15 percent regulatory duty on the export of sugar and has also imported sugar in a bid to improve the supply position within the country that is helping in price reduction.

- c) Setback to pulses production (lesser production of Gram by 41 percent, Mash by 43 percent and Masoor by 23 percent). The prices of pulses have shown rising trend in recent weeks. Demand-supply gap is largely responsible for this trend. Another reason for rising trend is the diversion from chicken consumption toward pulses due to the bird flu threat. The Government has imposed regulatory duty on export of grams as well as encouraged its import to contain the rising trend. A "pulses relief package" is likely to be announced in the budget 2006-07.
- d) Sharp increase in beef and mutton prices due to shift in demand caused by bird flu threat.
- e) Increase in electricity rates and travel and transportation of goods largely due to high oil prices.

3.16. Close vigilance is kept on prices through regular reviews by the ECC of the Cabinet. The provincial governments have also been asked to take necessary measures to stabilize prices of essential commodities. In view of the rising trend in prices of some items, a Committee on Prices under the Chairmanship of Advisor to Prime Minister on Finance, Economic Affairs, Revenue & Statistics has recently been constituted to monitor the rising trend of prices. Containing aggregate demand through monetary policy and improving the supply situation of food items either through raising their production or through imports are likely to put downward pressure on general price level in the coming months.

Annual Plan 2006-07

Fiscal Policy

3.17 In the context of economic development, fiscal policy is generally considered to act as a catalyst for private investment in the economy. It implies that an integral part of the policy should be to raise the ratio of development expenditure to GDP, so as to facilitate achieving higher level of overall investment and thereby GDP growth. For 2006-07, Public Sector Development Programme (PSDP) as a ratio to GDP has been planned at 4.7 percent as against 3.6 percent of GDP in 2005-06. Since it may entail larger budget deficit, the fiscal policy should simultaneously ensure raising adequate revenues. Thus, efforts towards resource mobilization has to be an integral part of the fiscal policy.

3.18 One of critical issues of fiscal regime in recent years, has been relatively low tax/GDP ratio. Compared to a ratio of 10.7 percent during FY2000 and 11.5 percent during 2003, the ratio declined to 10.1 in 2004-05. The CBR collection ratio has therefore gone down. It dropped from 9.6 percent in 2002-03 to 9.0 percent in 2004-05. This calls for concerted efforts to enhance tax/GDP ratio through improved tax collection and broadening of the tax base.

Monetary policy

3.19 With real GDP growth of 7 percent and inflation projected at 6.5 percent, it will require targeting money supply growth around 10-11 percent. The basic objective of the monetary policy would be to continue to ensure price stability combined with adequate provision of credit to private sector. In this regard, it is also essential to ensure that bulk of the credit to private sector is actually utilized for investment purposes.

Inflation

3.20 Inflation in the current year has shown an improvement as it came down to around 8.0 percent compared to 9.3 percent previous year. Efforts will be made to sustain the said improvement, that may result in bringing it further down to around 6.5 percent. Since during the current year, higher contribution (2.8 percentage point) to the observed inflation of 8.0 percent emanated from food group, this trend is needed to be reversed, as the weight of food items in poor households' expenditure basket is about one half. This requires ensuring adequate supply of edibles through higher domestic production plus imports.

Chapter-4

PUBLIC SECTOR DEVELOPMENT PROGRAMME

Review of the PSDP 2005-06

The Public Sector Development Programme (PSDP) 2005-06 was approved by the National Economic Council (NEC) in its meeting held on May 27, 2005 at Rs 272 billion (3.9% of GDP) with a Federal Programme of Rs 204 billion, including foreign assistance component of Rs 41 billion. The allocations of the federal programme included Rs 100.8 billion (49.4%) for infrastructure, Rs 98.9 billion (48.4%) for the social sectors and balanced development and Rs 4.3 billion (2.2%) for the production sectors*. It was also assessed that provinces would spend Rs. 68 billion through their Annual Development Programmes.

Quarterly Reviews

4.2 The NEC, while approving the PSDP 2004-05 in its meeting of June 1, 2004, directed the Planning Commission to review it on quarterly basis and transfer funds from slow moving projects to accommodate the fast moving as well as important projects.

4.3 In pursuance of the above decision, the Planning Commission carried out quarterly reviews of the PSDP 2005-06, in October, 2005 (1st quarter), January, 2006 (2nd quarter) and April, 2006 (third quarter) with the Principal Accounting Officers (PAOs) of all the Ministries/Divisions. Project review meetings were held with Provincial Governments including the Chief Ministers.

4.4 Coordination meetings of the Provincial Government and the line Ministries was also held to iron out difficulties in project implementation. It was emphasized in the meetings that the Ministries/Divisions and the executing agencies must ensure that projects are completed on time, within the approved cost and that project objectives are fulfilled. Active support of the Chief Ministers, Federal Ministers and the Secretaries of the line Ministries has resulted in significant improvement in the execution of projects.

4.5 The actual PSDP expenditure during July 2005-April 2006 was Rs 149.0 billion (73.1%) including foreign aid of Rs 26.7 billion, which is higher than the development expenditure of 63% incurred during the corresponding period last year. With the introduction of

* Water, Power, Transport & Communications are infrastructure sectors. Food & Agriculture, Industry and Mineral fall in Production Sectors. Special Areas Programmes falls into the category of Balanced Development, while all other sectors are categorized as social sectors.

cash plans by the Planning Commission, the releases somewhat improved. However, measures are still needed to ensure timely availability of funds to the projects for their completion on schedule. This issue is being discussed with the Finance Division and Ministries/Divisions concerned to further streamline the release of funds.

Public Sector Development Programme 2006-07

4.6 The PSDP 2006-07, being the 2nd year of Medium Term Development Framework (MTDF) 2005-10, has been formulated to achieve national objectives envisaged in the MTDF such as reducing poverty, achieving Millennium Development Goals (MDGs), equitable development of regions and social groups, minimizing wastages and ensuring sustainable development. Its strategic thrust is to facilitate the development of human capital and private sector as the engines of growth. To this end adequate investments have been proposed in human resource development and physical and technological infrastructure. The size of the Federal PSDP 2006-07 is Rs 270 billion (including foreign aid component of Rs 36.5 billion and operational shortfall of Rs 20 billion) with an increase of 32% over 2005-06. The provinces are expected to spend Rs 115 billion including foreign aid component of Rs.26.7 billion through their ADPs. The WAPDA is likely to spend Rs.30 billion from its own resources outside the PSDP. The NHA has also been asked to raise additional Rs. 6 billion through securitization of toll revenues and other receipts. In addition, the Earthquake Reconstruction expenditure would be Rs 50 billion. Thus the total investment including outside PSDP by WAPDA & NHA would be Rs 470 billion.

4.7 The federal size of PSDP of Rs. 270 billion for financial year 2006-07 represents 4.3 % of projected GDP (mp) which is higher than the last year's PSDP / GDP ratio of 3.9 %. The PSDP/GDP ratio would be gradually increased and at the end of terminal year of MTDF 2009-10 it would reach 6.3% of the GDP. The Ministry-wise summary of PSDP 2006-07 is at Annex- 4.1. The overall position is given in Table -4.1.

Table-4.1
Comparative Allocations of PSDP 2005-06 and PSDP 2006-07

Description	(Rupees Billion)		
	PSDP Allocation 2005-06 (Revised)	PSDP Allocation 2006-07	Percentage Change
Federal PSDP Programme	204.0	270.0*	32.4
A. Federal Programme	132.0	170.7	29.3
B. Special Areas Programme	14.0	16.9	20.7
C. Special Programmes	18.0	34.4	91.1
D. Corporations WAPDA & NHA	40.0	48.0**	20.0
Provincial Dev. Prog.	68.0	115.0	69.1
Earth quake reconstruction		50.0	
Total (PSDP)	272.0	435.0	59.9
(F.Aid)	65.3	63.2	
(Local)	206.7	371.8	

* In the Federal Programme the anticipated operational shortfall is Rs. 20.0 billion.

** In addition WAPDA and NHA will spend Rs.36 billion outside PSDP.

4.8 The broad sectoral distribution of Federal PSDP is as under:

	(Rupees Billion)	% share
Infrastructure	132.3	49.0
Social sectors	130.8	48.4
Others	6.9	2.6
Total	270.0	100.0

4.9 The total demand for the development programme as received from the various federal ministries/agencies was Rs 454 billion (i.e. Rs 250 billion more than the current year PSDP of Rs 204 billion) which had to be adjusted and rationalized within the proposed programme size of Rs 270 billion (i.e. Rs 66 billion more than current year). Any increase beyond this level was deemed fiscally untenable. All the on-going projects/programmes have been protected and the commitments for major projects such as the Chashma Nuclear Power Plant, Raising of Mangla Dam, Lining of Canals and Water Courses have been met. In addition, important projects in communications and social sectors have been fully funded. Sufficient funds have also been provided for new initiatives taken during 2005-06 such as provision of clean drinking water, prevention and control of blindness and hepatitis, improvement of transport facilities through public-private partnership, skill development and vocational training programme, revamping engineering universities in the public sector and strengthening science & technology. The PSDP 2006-07 ensures growth with equity.

SALIENT FEATURES

4.10 With a view to promoting knowledge based economy, high priority has been accorded to human resource development and a sound infrastructure, which will together fuel future growth and development. Salient features of the PSDP are as follows:

- i) Emphasis has been placed on completion of major water projects with an increase of allocation from Rs 41.7 billion during current year to Rs 55.3 billion, which is 20% of the PSDP. This will help reduce poverty, accelerate agricultural growth in the medium term and create construction-related additional jobs during implementation.
- ii) Major investment of Rs 6 billion is programmed for the improvement of water courses which will contribute to optimal and productive use of the scarce water resources.
- iii) Sufficient allocation has been made for the roads linking Gwadar Port with up-country, which will also contribute to a better investment climate and trade.
- iv) Adequate funds have been proposed to provide air and rail links of Gwadar with the up-country, Iran and with the corridors leading towards Central Asian Republics (CARs).

- v) The NHA has been allocated Rs 25 billion. NHA has further been advised to raise at least Rs 6 billion through securitization of its toll receipts and other revenues to complete the development projects in time. The total NHA outlay of Rs 31 billion during 2006-07 would facilitate speedier completion of projects.
- vi) To complete five mega dams by the year 2016, significant investment is required in this sector. To begin with, Rs 10 billion have been proposed for land acquisition during 2006-07.
- vii) Allocations for education and training have been increased by 69%. This will provide qualified human resources to match the highly competitive world market.
- viii) The allocation for the health sector has been increased by 20% reflecting continuing emphasis on improving the productivity of human capital and general quality of life.
- ix) The IT and Science and Technology sectors have received an increased allocation of 24% and 39% respectively to spur research, development and expand employment opportunities in emerging areas.
- x) Sufficient allocations have been made for reforms relating to governance including Access to Justice Programme.
- xi) Allocations for Special Areas (AJK, NA & FATA) have been enhanced by 15% with a view to accelerating development in less developed areas.
- xii) To reduce poverty and bring synergy in the communities, a new programme *Participatory Development through Social Mobilization* is proposed to be launched with an initial allocation of Rs 500 million.
- xiii) To alleviate poverty and generate employment, the Khushal Pakistan Fund (KPF) established during 2005-06 is proposed to be enhanced to Rs 10 billion. This Fund will be in addition to the allocation of Rs. 24.4 billion being proposed for KPP I & II.
- xiv) To provide clean/safe drinking water at Union Council level, an investment of Rs 4 billion will be made during the next financial year.
- xv) Intensive work on National Trade Corridor is being initiated during 2006-07. This would facilitate trade flows and help reducing the cost of doing business.
- xvi) To promote local industry *Aik Hunar Aik Nagar* Programme has been launched.

Steps for Better Implementation

4.11 To improve the pace and quality of utilization of PSDP and implementation of projects, following measures have been put in place:

- 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 throw-forward and completion of projects already started.
- viii) In case of major projects and for all the foreign aided projects, the Project Directors shall be appointed well before the execution of the project through retroactive financing.
- ix) IT would be used to facilitate the expeditious implementation of the project cycle with special reference to project execution and monitoring.

4.12 Some of above actions have already resulted in improvement and would help further streamline the release process and facilitate better implementation of public sector projects as well as effective utilization of the public funds.

National Development Programme
2006-07

Sl. No.	Ministry/Division	PSDP Allocation for 2005-06			PSDP Allocation for 2006-07				
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total	Outside PSDP	Total Development Outlay
1	2	3	4	5	6	7	8	9	10

A: Federal

<u>Infrastructure Development</u>		<u>27895.4</u>	<u>65040.7</u>	<u>92936.1</u>	<u>28011.4</u>	<u>91481.4</u>	<u>119492.7</u>	<u>35300.0</u>	<u>154792.7</u>
1	Water & Power Division (Including WAPDA Water)	3091.0	29684.3	32775.3	3107.0	44642.7	47749.7	0.0	47749.7
2	WAPDA (Power) including Village Electrification	13350.0	2730.0	16080.0	8875.0	14039.0	22914.0	29300.0	52214.0
3	Pakistan Atomic Energy Commission	2185.3	4082.4	6267.7	4200.0	5638.8	9838.8	0.0	9838.8
4	Pakistan Nuclear Regulatory Authority	0.0	0.0	0.0	0.0	400.0	400.0	0.0	400.0
5	Petroleum & Natural Resources Division	0.0	489.0	489.0	14.0	915.9	929.9	0.0	929.9
6	Communications Division (Including NHA)	4157.0	20186.7	24343.7	7397.4	18160.6	25558.0	6000.0	31558.0
7	Ports & Shipping Division	594.0	1624.8	2218.8	500.0	719.9	1219.9	0.0	1219.9
8	Railways Division	4518.1	6243.5	10761.6	3918.0	6964.4	10882.4	0.0	10882.4
<u>Social Development</u>		<u>7374.7</u>	<u>77917.8</u>	<u>85292.5</u>	<u>5752.3</u>	<u>113292.4</u>	<u>119044.7</u>	<u>0.0</u>	<u>119044.7</u>
9	Special Programme	0.0	19086.3	19086.3	0.0	34420.0	34420.0	0.0	34420.0
10	Finance Division	3347.5	7791.6	11139.1	2601.4	6372.8	8974.2	0.0	8974.2
11	Education Division	160.0	3698.4	3858.4	238.0	6322.3	6560.3	0.0	6560.3
12	Higher Education Commission	720.3	10479.7	11200.0	89.0	16211.0	16300.0	0.0	16300.0
13	Health Division	1038.2	7263.9	8302.1	440.0	10570.0	11010.0	0.0	11010.0
14	Information Technology & Telecommunications Division	0.0	2974.2	2974.2	0.0	3281.4	3281.4	0.0	3281.4
15	Science & Technological Research Division	37.9	2230.8	2268.7	154.9	4276.3	4431.2	0.0	4431.2
16	Population Welfare Division	225.5	4205.4	4430.9	293.1	4076.0	4369.0	0.0	4369.0
17	Women Development Division	0.0	458.2	458.2	0.0	269.9	269.9	0.0	269.9
18	Social Welfare & Special Education Division	0.0	201.6	201.6	0.0	299.4	299.4	0.0	299.4
19	Labour & Manpower Division	0.0	562.5	562.5	15.0	1121.8	1136.8	0.0	1136.8
20	Overseas Pakistanis Division	0.0	0.0	0.0	0.0	8.8	8.8	0.0	8.8
21	KA & NA Division	1695.9	7130.2	8826.1	1076.0	9619.0	10695.0	0.0	10695.0
22	States & Frontier Regions Division	0.0	5150.0	5150.0	0.0	6200.0	6200.0	0.0	6200.0
23	Environment Division	75.4	2860.2	2935.6	530.0	5274.2	5804.2	0.0	5804.2
24	Local Government & Rural Development Division	44.0	6.0	50.0	0.0	530.0	530.0	0.0	530.0
25	Culture & Sports Division	0.0	936.4	936.4	0.0	437.0	437.0	0.0	437.0
26	Youth Affairs Division	0.0	0.0	0.0	0.0	18.2	18.2	0.0	18.2
27	Tourism Division	0.0	28.3	28.3	0.0	115.6	115.6	0.0	115.6
28	Statistics Division	0.0	72.1	72.1	0.0	146.3	146.3	0.0	146.3
29	Planning and Development Division	30.0	2782.0	2812.0	315.0	3722.5	4037.5	0.0	4037.5
<u>Others</u>		<u>5939.0</u>	<u>19832.4</u>	<u>25771.4</u>	<u>2755.4</u>	<u>28707.2</u>	<u>31462.5</u>	<u>0.0</u>	<u>31462.5</u>
30	Food, Agriculture & Livestock Division	1073.7	8792.7	9866.4	907.5	10892.6	11800.1	0.0	11800.1
31	Interior Division	120.0	6200.9	6320.9	174.5	7825.5	8000.0	0.0	8000.0
32	Industries, Production & Special Initiatives Division	552.1	146.1	698.2	49.4	714.7	764.1	0.0	764.1
33	Defence Division	0.0	1755.4	1755.4	0.0	1303.8	1303.8	0.0	1303.8

National Development Programme
2006-07

(Million Rupees)

Sl. No.	Ministry/Division	PSDP Allocation for 2005-06			PSDP Allocation for 2006-07				
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total	Outside PSDP	Total Development Outlay
1	2	3	4	5	6	7	8	9	10
34	Cabinet Division	156.3	596.0	752.3	67.0	318.5	385.5	0.0	385.5
35	Commerce Division	20.5	75.0	95.5	55.0	855.9	910.9	0.0	910.9
36	Works Division	0.0	1397.9	1397.9	0.0	1352.2	1352.2	0.0	1352.2
37	Ministry of Foreign Affairs	0.0	63.7	63.7	0.0	112.9	112.9	0.0	112.9
38	Narcotics Control Division	193.9	54.6	248.5	66.0	91.0	156.9	0.0	156.9
39	Information & Broadcasting Division	0.0	454.2	454.2	0.0	834.4	834.4	0.0	834.4
40	Establishment Division	0.0	38.8	38.8	0.0	216.5	216.5	0.0	216.5
41	Law, Justice & Human Rights Division	3822.5	254.5	4077.0	503.0	3617.8	4120.8	0.0	4120.8
42	Revenue Division	0.0	0.0	0.0	933.0	396.0	1329.0	0.0	1329.0
43	Defence Production Division	0.0	2.6	2.6	0.0	25.4	25.4	0.0	25.4
44	Textile Industry Division	0.0	0.0	0.0	0.0	150.0	150.0	0.0	150.0
	Federal	41209.1	162790.9	204000.0	36519.0	233481.0	270000.0	35300.0	305300.0
	B: Provinces	24108.0	43892.0	68000.0	26678.0	88322.0	115000.0	0.0	115000.0
	C: Earthquake Reconstruction and Rehabilitation Programme				0.0	50000.0	50000.0	0.0	50000.0
	Grand Total	65317.1	206682.9	272000.0	63197.0	371803.0	435000.0	35300.0	470300.0

Note:

Additionally organizations/corporations Government managed or Private sector managed having more than 51% Government share holding are expected to spend Rs.145 billion.

* In the Federal programme, operational shortfall is estimated at Rs. 20 billion

Part-II
Achieving Millennium
Development Goals

Chapter 5

POVERTY REDUCTION AND HUMAN DEVELOPMENT

Introduction

Sustainable and pro-poor growth in Pakistan has resulted in reducing the incidence of poverty from 34.5 percent in 2001 to 23.9 percent in 2004-2005. This significant reduction has been achieved with the annual average real GDP growth of 7.5 percent over the last three years, with higher allocation of funds for pro-poor sectors, i.e., human resource development, employment generation, rural development, and safety nets programme. Notwithstanding rising energy prices and the massive earthquake of October 8, causing widespread destruction of areas and human lives, Pakistan's economy achieved economic growth of 6.6 percent during the year 2005-06. Additionally, increased inflow of remittances played an important role in the fight against poverty. It is recognized that remittances allow families to maintain or increase expenditure on basic consumption, housing, education, and small-business formation. Total remittances inflows from 2001-02 to 2005-06 amounted to over 19 billion Dollars (around 1129 billion Rupees). It averages 4.1 percent of GDP during the last four years. The overall macroeconomic stability, enabling environment for increased investment, greater employment opportunities and enhanced pro-poor expenditure have contributed in the reduction of overall poverty.

Global Poverty Scenario

5.2 Recent trends in global poverty point towards a positive direction. Extreme poverty (on the basis \$1 a day) on a global level fell from 28 percent in 1990 to 21 percent in 2001. In absolute numbers the reduction during the period was 130 million, with most of it coming from China. In Sub-Saharan Africa, the absolute numbers increased by about 100 million during the period, while in South Asia the absolute number of people did not decline but the incidence of poverty fell. In Latin America and Middle East there was no change in incidence of poverty, while Central and Eastern Europe and the CIS experienced a dramatic increase in poverty. The number of people living on less than a \$2 a day in Central and Eastern Europe and the CIS rose from 23 million in 1990 to 93 million in 2001 or from 5 percent to 20 percent. In Russia 10 percent of the population lives on less than \$2 a day, and 25 percent live below the national subsistence poverty line.

5.3 In East Asia, high growth has been the driving force behind poverty alleviation. In order to meet the MDG global target of halving the poverty incidence, the countries have to grow at 1%-2% per capita a year to halve poverty over the 1990-2015 period. In 1990-2003 more than one billion people were living in countries growing at less than this rate- about half of them in Sub-Saharan Africa. Fifteen countries in Central and Eastern Europe also posted growth rates of less than 1% per capita during this period. However the global growth picture has improved recently. Russia and Ukraine have averaged growth rates of 6% to 9% since 2000.

5.4 According to the UN Human Development Report 2005, “the gap between the average citizen in the richest and in the poorest countries is wide and getting wider”. It further observes, “absolute income inequalities between rich and poor countries are increasing even when developing countries have higher growth rates – precisely because the initial income gaps are so large”. About two-thirds of global inequality can be traced to income inequality between countries while the remaining is attributable to inequality within countries.

5.5 The reduction of poverty in Pakistan viewed in the context of global poverty scenario augurs well. Pakistan’s Human Development Index (HDI) ranking has improved and is now included among the medium human development countries compared to the previously low human development index. Given the continuity and sustainability of policies, sustaining economic growth rate of 6-8 percent per annum in the medium to long term period, poverty may further decline and Pakistan may achieve the Millennium Development Goals (MDG) targets of reducing poverty level down to 13 percent by 2015, well before the time.

Poverty Estimation

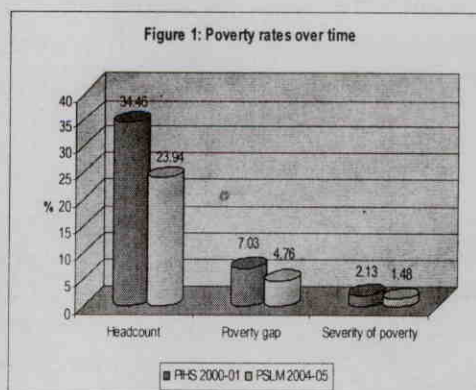
5.6 Poverty is a multi-dimensional concept. Accordingly, it poses big challenges when it comes to measurement. Some of its aspects can be captured by indicators that provide evidence of changes through time. Those are household income or consumption expenditure and the various indicators of human development, such as, infant and maternal mortality rates or literacy. Other dimensions of poverty, such as insecurity or social marginalization are difficult to quantify. Based on income or consumption expenditure of a household over a period of time, poverty is calculated by identifying ‘poor’ individuals having income below socially acceptable minimum level of consumption expenditure or income – known as Poverty Line. Percentage of population below the poverty line is called headcount index. This treats poverty as lack of income or consumption. This approach is simple, measurable and allows for poverty comparisons to be made across regions and over time.

5.7 The poverty line in Pakistan was calculated in 2001 at Rs. 723.4 on the basis of 2350 calories per adult equivalent per day. After adjustment of inflation of 21.45 percent during 2001-2005, the poverty line in 2005 was calculated at Rs 878.64.

Table-1
Poverty Indicators (2000-01 and 2004-05)

	PIHS 2000-01	PSLM 2004-05
Poverty Line (Rs.)	723.4	878.6
Poverty Headcount (percent)		
Pakistan	34.5	23.9
Urban	22.7	14.9
Rural	39.3	28.1
Poverty Gap		
Pakistan	7.0	4.8
Urban	4.6	2.9
Rural	8.0	5.6
Severity of Poverty		
Pakistan	2.1	1.5
Urban	1.4	0.8
Rural	2.4	1.8

Source: CRPRID, Planning Commission



5.8 The latest Pakistan Social and Living Standard Measurement (PSLM) Survey indicates that the overall effort of poverty reduction policies has started paying dividends. All poverty related indicators are on a falling trajectory (Table-1). The poverty headcount ratio has fallen from 34.5 percent in 2001 to 23.9 percent in 2004-05. Around 12.8 million people are out of poverty trap as the count of poor persons fell from 49.23 million in 2001 to 36.45 million in 2004-05. Major development partners have validated the methodology. Poverty Gap has also narrowed down from 7.0 percent to 4.8 percent. Similar trend has been recorded in Severity of Poverty which shows a decline of 0.6 percentage point (Fig-1). Both indicators (the poverty gap and severity of poverty) represent measures of 'spread' of the poor below the poverty line, i.e., they aggregate the distance (proximity or remoteness) of all poor individuals from the poverty line. A lower value indicates that most of the poor are bunched just below the poverty line.

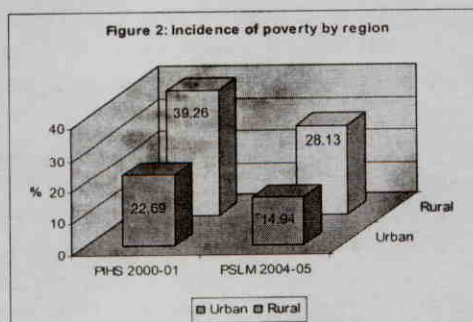
Box-1

Endorsement of CRPRID/Planning Commission's Methodology

After the announcement of the preliminary results in February 2006, the Government of Pakistan constituted a committee headed by Secretary, Planning and Development Division and comprising of the representatives from the development partners i.e., World Bank, Asian Development Bank, United Nations Development Program (UNDP), Department for International Development (DFID) UK, experts from the CRPRID/Planning Commission, other Government Agencies and local experts to validate the poverty related estimates obtained from the methodology employed by the CRPRID/Planning Commission. This methodology was formulated at the time of analyzing the data from 1998-99 PIHS. Applying this methodology on the data of PIHS 2000-01 and HIES component of PSLM Survey 2004-05, the international experts from the World Bank, UNDP and DFID endorsed the methodology adopted by CRPRID/Planning Commission. In order to maintain consistency and comparability across years, it is essential that we apply the same agreed upon methodology over the years.

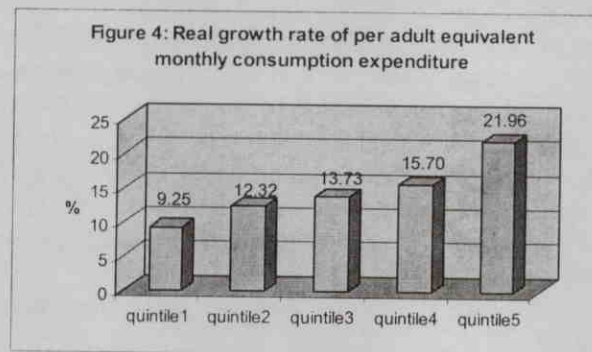
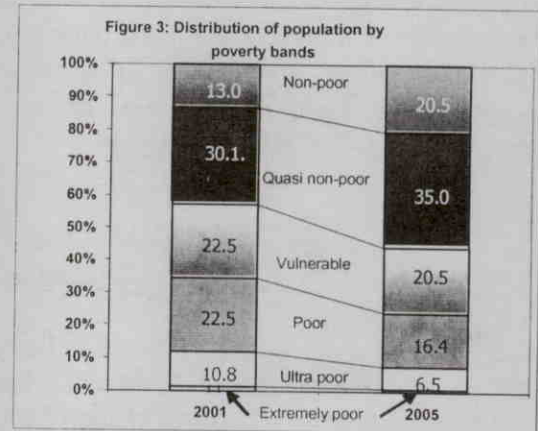
Poverty line and its estimates are highly sensitive to the methodologies used and specifically to the manner in which 'how' and 'what' type of price indices are used to inflate the poverty lines. Poverty assessment tools could be numerous and the academic and researchers constantly strive to innovate them to prove or disprove a point or process in acceptance of their own methodology. What is important at the end of the day is the increase or decline in the headcount ratio between comparative surveys. Experts are of the opinion that there is substantial reduction in poverty in Pakistan between the two surveys whatever methodology is used.

5.9 Poverty comparisons by urban and rural areas are very important because these allow us to identify the areas that need specific interventions. Urban and rural areas show a remarkable decline in poverty between 2000-01 and 2004-05 (Fig-2). In urban areas headcount ratio was 22.69 percent in 2000-01 and it decreased to 14.94 percent showing reduction of 7.75 percentage points over this period.



Rural areas also experienced a sharp decline in poverty over this period. Incidence of poverty in rural areas reduced sharply by 11.13 percentage points from 39.26 percent in 2000-01 to 28.13 percent in 2004-05. Moreover, the difference in the incidence of poverty between urban and rural areas has declined from 16.57 percentage points to 13.19 percentage points over this period. Poverty gap and severity of poverty have also reduced over this period in urban and rural areas.

5.10 The poverty profile between 2001 and 2005 suggests a sizeable reduction in poverty incidence among ultra-poor, poor and vulnerable segments of the society (Fig-3 and 4). This is also supported by the data on consumption growth over 2001-05 by different quintile of population. At fixed prices of 2001, the real increase in consumption was 16.63 percent during 2000-01 and 2004-05. The percentage of population including vulnerable, poor, ultra poor and extremely poor fell from 56.9 percent to 44.6 percent, depicting a significant reduction of 12.5 percentage points.



BOX-2

Prof. Nanak Kakwani's Methodology

The services of world renowned poverty expert Prof. Nanak Kakwani, Director of the UNDP-International Poverty Centre, Brazil were enlisted by the UNDP to independently look into the estimates of the CRPRID/Planning Commission. Besides authenticating the poverty estimates for both the years (2001 and 2004-05) as per the methodology used by CRPRID/Planning Commission, he also calculated the poverty estimates by an alternate methodology taking into account separately the urban - rural price differences across the two periods. His estimates of poverty headcount for both the years from the alternate methodology were remarkably close to the those worked out by CRPRID/Planning Commission.

Briefly his methodology of inflating the poverty line between the two survey periods consisted of: a) estimating a food price index from the price and quantity information provided in both the surveys. b) he used the official CPI for the various non-food broad groups, c) building a composite index of food and non-food items. By applying a composite inflation rate of 20.8 percent (lower than CRPRID/Planning Commission CPI based inflation rate of 21.45 percent) he estimated an improvement of 11.3 percentage points in poverty headcount between 2001 and 2004-05, higher than 10.6 percentage points estimated by CRPRID/Planning Commission.

Income/Consumption Inequalities

5.11 Table-2 compares the consumption profile of the population divided into quintiles, using Gini Coefficient for measuring consumption inequality in 2001 and 2005. The data shows a slight increase in consumption inequality which is opposite to the declining trend observed in absolute poverty. The empirical evidence also indicates that consumption increase was higher for top 20 percent. This is consistent with the historic trend in Pakistan between 1970 and 1979.

Table-2
Gini Coefficient and Consumption Shares by Quintiles

	PIHS 2001			PSLM 2005		
	Urban	Rural	Pakistan	Urban	Rural	Pakistan
Gini Coefficient	0.32	0.24	0.27	0.33	0.25	0.29
Consumption share by Quintile (%)						
Quintile1	5.3	12.8	10.1	4.8	12.6	9.5
Quintile2	8.1	16.9	13.7	7.6	17.1	13.2
Quintile3	12.1	19.5	16.8	11.6	19.7	16.4
Quintile4	19.4	22.4	21.3	18.3	23.0	21.4
Quintile5	55.1	28.4	38.0	57.7	27.6	39.4
Ratio of Highest to lowest	10.40	2.22	3.76	12.02	2.19	4.15

Source: CRPRID, Planning Commission

5.12 The Gini coefficient also indicates that the consumption inequality in urban area is higher than rural area. Urban inequality increased faster than rural inequality during the 2001-05 period. The richest 20 percent in rural areas experienced a decline in consumption share during this period. Consequently, the ratio of highest to the lowest quintile observed a small decline implying a lower gap between the rich and the poor in rural areas over this period.

Policies For Poverty Reduction

5.13 Poverty reduction is overarching objective of the Medium-Term Development Framework (MTDF) 2005-10 which assigns high priority and commitment to poverty reduction by articulating broad-based policies of accelerating economic growth, improving governance, ensuring enhanced allocation for social sectors and strengthening of social protection programmes. Poverty has manifestations in lack of asset ownership, unsustainable livelihoods, voicelessness and powerlessness, inaccessibility to social services, and vulnerability to shocks. Poverty reduction policies, therefore, require a holistic approach to promote sustainable pro-poor growth with macroeconomic stability and protection of the vulnerable groups. For economic growth to be pro-poor, it must emanate from sectors that have high employment opportunities and cater for improved access to basic social services including education, health and water supply and sanitation. Economic growth is certainly the single most driving force behind poverty

reduction, but *per se* it is not enough. The transfer of fruits of economic growth to the poor and vulnerable entails a well-designed social protection programme. In the common parlour it has to be growth with equity.

Employment

5.14 To capture the 'trickle-down' impact of economic growth, analysis of growth in employment, its sectoral shares, productivity and earnings is necessary. This analysis checks the veracity of the casually observed phenomena of 'jobless growth' in the country in the last 5 years. Labour Force Surveys of 1999-00 and 2003-04 give the estimates of employment growth rates and its sectoral shares (Table-3).

Table-3
Growth rates of employed labour force 10 years of age and above
by major industry division with occupational breakup

	Growth Rates
Agriculture	0.3
Mining	2.9
Manufacturing	8.0
Electricity	2.1
Construction	3.5
Trade	5.7
Transport	6.7
Finance	10.2
Services	4.8

Source: Labour Force Survey

5.15 Growth rate of employment during 2000-04 in various sectors at 3.3 percent is above the population growth rate, as well as the labour force growth rate of 1.9 percent, during the period. Within the labour intensive and informal sectors, employment growth in agriculture is below the average. Construction, trade, transport and services sectors absorb labour above the overall average growth. Employment growth in manufacturing (partly labour intensive) was also more than twice of overall average during the period.

5.16 Weak labour absorption capacity of agriculture sector with overall low human capital index accentuates that generation of employment opportunities for existing reserve and growing supply of unskilled and semi-skilled workers will remain a challenge. Above average growth in employment of semi and unskilled workers in any sector can be interpreted as a proxy indicator of poverty reduction.

5.17 Growth in employment under 'Elementary Occupations' in all labour-intensive and informal sectors, except agriculture, exceeded the respective sector's absorption. Elementary Occupations consist of simple and routine tasks, which mainly require the use of hand-held tools and often some physical efforts. This group includes street food vendors, door to door salespersons, helpers and cleaners in offices and hotels, chowkidars, messengers and luggage

porters, sweepers, labourers (agriculture, fishery, mining, construction, manufacturing and transport sectors), drivers of animal-driven vehicles and freight handlers. Mostly, they are semi or unskilled, their exceptional growth in quantitative terms in the last five years entails that 'trickle-down' has started. The next higher level of occupations such as plant operators in manufacturing, service and sales workers in trade, technicians and craftsmen in services sector also exhibit higher growth rate of employment than their respective sector's growth rate.

Earnings and Productivity: There is enough evidence that growth in the last 4-5 years was accompanied by quantitative growth in jobs, even in lower rung of skills at least in the urban areas and in informal sectors (except agriculture). The extent to which it contributes to reduction in absolute consumption poverty and within this definition transitory and chronic poverty depends on pre-employment poverty status of workers and their socio-economic background. A priori at macro level growth backed by employment creation did reduce poverty. If job growth is reinforced by growth in wages, unambiguously it will increase the welfare of workers with positive spillover for asset accumulation, human, physical and financial in the medium to long-run. Moreover, if this boost in wages is backed by equivalent increase in productivity per worker it will be less inflationary for the economy and, thereby, slows down the impact of inflation on poverty.

Table-4
Growth rates of productivity and monthly earnings by sector

	Productivity	Earnings
Agriculture	0.7	0.4
Mining	3.2	13.8
Manufacturing	0.5	0.8
Electricity	-5.8	4.7
Construction	-3.6	0.2
Trade	-0.4	-0.5
Transport	-2.5	3.8
Finance	-8.7	1.6
Services	1.4	3.9

Source: Labour Force Survey

5.18 The two columns in Table-4 show the annual compound growth rate of productivity and average monthly earnings of employees in the respective sectors. The later indicator obtained from LFS is a crude proxy for the theoretically recommended measure, i.e., wages per hour, as information on wages is unavailable at a sectoral level¹. The former indicator is measured as a ratio of sectoral value-added to total sectoral employment. Ideally to assess the impact on well-being of workers, one needs occupation specific value-added which again are not available. Annual compound growth rate in productivity has been low to modest in only three sectors while

¹ However daily wages rates of unskilled/semi skilled workers in construction sector are tracked regularly. During 2000-04, the daily wages of carpenter, mason and labourer have grown at an annual compound rate of 0.9, 2.0 and 1.5 percent respectively in comparison with annual productivity growth of -3.6 percent in the construction sector.

negative in the rest. However, compared to growth in productivity, the increase in real monthly earnings has ranged from modest to good in all sectors, except in wholesale and retail trade sector. If these gains in real earnings are skewed towards skilled and professional occupations, the inflationary impact may dilute the poverty reduction impact of job creation for the lower-rung cadre workers.

Expenditure on Pro-Poor Sectors

5.19 The expenditure on pro-poor sectors increased from Rs 167 billion in 2001-2002 to Rs 379 billion in 2005-06, thus registering an annual average growth rate of 22.6 percent. The pro-poor expenditure during the fiscal year 2006-07 has been estimated at Rs 452 billion. The pro-poor allocation for 2006-07 is 5.25 percent of GDP as compared with previous year's allocation which is 5.02 percent of GDP. The Fiscal Responsibility Law requires pro-poor expenditure during a year not to be less than 4.5 percent of the GDP. The sector-wise pro-poor expenditure during 2004-06 and projections for 2006-07 are given at Annex-I.

5.20 Pro-poor expenditure during the first half of 2005-06 was also 33.2 percent higher over the expenditure in the same period during 2004-05. Table 5 below gives the sector-wise details.

Table 5
Pro-poor expenditure
Comparison of expenditure during first half

Sectors	Expenditure (Mill. Rs.)		Percentage Change
	July-Dec 2004	July-Dec 2005	
Roads, Highways and Buildings	9,630	13,946	44.8
Water Supply and Sanitation	2,160	3,665	69.7
Education	50,038	58,068	16.0
Health	12,274	14,915	21.5
Population Planning	1,567	2,871	83.2
Social Security and Welfare	1,989	2,085	4.8
Natural Calamities	242	8,487	3407.0
Irrigation	12,516	23,810	90.2
Land Reclamation	1,076	971	-9.8
Rural Development	6,709	7,398	10.3
Rural Electrification	371	969	161.2
Food Subsidies	1,060	1,125	6.1
Food Support Programme	2,053	637	-69.0
Tawana Pakistan	59	0	-100
Low-cost Housing	229	172	-24.9
Administration of Justice	1,386	1,508	8.8
Law and Order	21,322	25,428	19.3
Total	124,681	166,055	33.2

Source: Finance Division

5.21 As evident from the table, the increase is not only because of massive increase in expenditure on natural calamities after the October 8 earthquake, but there is notable addition in other sectors as well. Expenditure during 1st half of the year 2005-06 is around 43 percent of the

overall allocation, which is remarkably high keeping in view the pattern of expenditure in public sector. Expenditure tripled on rural electrification, almost doubled in irrigation sector programmes and recorded more than fifty percent increase in case of water supply and sanitation and for population planning programmes. Largest proportion of pro-poor expenditure was made in education sector, which is 35 percent of total expenditure for the first half of the year – 16 percent higher over the same period last year. Expenditure on roads, highways and bridges increased by 45 percent to Rs. 13.9 billion, of which 80 percent comprises development expenditure.

5.22 The Annual Plan 2006-07 continues to build strategy for macro-economic stability with high pro-poor growth. It envisages developing synergies across sectors by harnessing potential in the economy offered by globalization. Though poverty has reduced appreciably, yet challenges lie ahead that require strong and coherent efforts. The Plan has been designed to sustain economic growth, bring inflation rate down, create job opportunities, develop human resources and institutional capacity and ensure food, water and energy security.

Human Resource Development

5.23 Majority of human development indicators have shown visible improvement in terms of coverage and quality. Pakistan's HDI ranking at the international level improved in 2005, moving it from low to medium human development countries. The adult literacy rate shows an increase from 54 percent in 2003-04 to 56 percent in 2004-05. Primary school participation rate has witnessed improvement from 90 percent in 2003-04 to 92 percent in 2004-05; the female participation rate also increased from 81 percent to 82 percent within the same period. Effective implementation of Programmes has helped reduce infant mortality rate from 75 (per 1000) in 2003-04 to 73 (per 1000) in 2004-05. In health sector, additional 10,000 Lady Health Workers (LHWs) were employed to improve coverage of target population from 70 percent in 2003-04 to 80 percent in 2004-05. Population growth rate reduced from 1.92 percent in 2003-04 to 1.87 percent in 2004-05. Access to safe water to the rural and urban population increased from 64 percent in 2003-04 to 65 percent in 2004-05, particularly access to safe drinking water of rural population increased from 53 percent to 55 percent within the same period. Sanitation coverage improved to 42 percent in 2004-05 from 41 percent in 2003-04, while in rural areas the sanitation coverage increased from 29 percent to 30 percent in the same period.

Education: Pakistan is committed to achieving Education for All targets by 2010. For this purpose, more and more allocation is being made in education sector. A sum of Rs. 1.75 billion has been allocated in 2006-07 for Education Sector Reforms (ESR) specific programmes, which include Education For All (EFA), adult literacy programme, revamping of science education at secondary level, introduction of technical stream and establishment of polytechnic institutes at district level. This allocation will be spent by the provinces/districts for implementing ESR specific programmes and will help the districts to formulate need-based projects under the devolved setup of the government.

5.24 During 2006-07, allocation to the education sector will be increased by 24.6 percent. Target of literacy rate for both male and female is estimated at 54 percent, with female literacy

rate at 42 percent. Participation rate at primary level is planned at 92 percent, 64 percent for middle level and 44 percent for secondary level.

Health and Nutrition: For 2006-07, there will be 24.9 percent increase in the overall allocation for health programmes. An amount of Rs. 12.8 billion has been allocated in the Federal PSDP 2006-07 for health sector. Priority is accorded to the preventive programmes to meet the MDG's targets by implementing the following programmes.

- National Programme for Family Planning and Primary Health Care
- National Programme of Immunization
- Roll-back Malaria Control Programme
- National AIDS Prevention and Control Programme
- National Tuberculosis Control Programme

5.25 The overall food availability in the country has been sustained to meet the national requirements across regions. Availability of major food items during the year remained satisfactory and depicted an increase in supply over the previous year. In terms of nutrition, average caloric availability per day increased from 2,271 to 2,328.

Population Welfare: During 2005-06, Rs. 5.27 billion were allocated for Population Welfare Programme, which included Rs. 4.47 billion for the development programmes. For 2006-07, an allocation of Rs. 6.02 billion has been earmarked for the population sector, which is 14 percent higher over last year's allocation.

5.26 The Population Growth Rate (PGR) has declined from over 3 percent in previous decade to its current level of 1.87 percent. Efforts are being made to reduce the PGR further to 1.80 percent by the end of 2006-07. Contraceptive prevalence rate would increase from existing 36 percent in 2005-06 to 39 percent by June 2007.

Community Services:

Water Supply and Sanitation: The Government took a major initiative in 2005-06 to implement on fast track basis the Project "Clean Drinking Water for All Programme", for providing safe drinking water to entire population in the country at a total cost of Rs. 8 billion. An allocation of Rs. 495 million was made in 2005-06 under the project called "Clean Drinking Water Initiative" to install one water purification plant in each Tehsil of Pakistan, AJK, NA and FATA.

Social Protection:

2.27 Social protection is a set of policies and programmes for poverty reduction and protection to vulnerable population by reducing their exposure to risk and increasing their capacity to protect themselves from shocks leading to loss of income and resources. Vulnerability is a risk associated with households, which may cause them to become poor due to a shock (family illness, death, litigation or external factors like drought, flood, earthquake

etc) and push them in deep poverty. Targeting poor and vulnerable through cash transfers aiming at income and consumption smoothing, health insurance, reforming labour market and guaranteeing minimum employment under public works programme is the core of social protection strategy.

5.28 A comprehensive Social Protection Strategy for Pakistan is under preparation with the objective to develop an integrated and comprehensive system that benefits the poor and vulnerable people to protect them from major hazards and risk exposure. Focus of the Strategy would be:

- To protect poor and vulnerable households from the impact of adverse shocks.
- To support poor households in managing shocks in such ways that do not trap them into poverty.
- To promote key investment in human and physical assets.
- To expand the coverage and functioning of safety net programmes to the poor and most vulnerable through a reformed institutional structure to ensure that benefits reach the poor people.

5.29 The strategy is designed to achieve short-term and long-term goals. The short-run policy would focus on 10 percent bottom and chronically poor population. The important tool for this strategy would be conditional cash transfer grants to ensure that poor households invest in education and health care. With appropriate monitoring and evaluation, the programme would be scaled up to all the poor and non-poor vulnerable groups. A long-term vision for Social Protection is to create an integrated social protection system covering the entire population against life cycle, employment, health and environment hazards with the overall objectives envisaged in the MTFD.

Social Capital

5.30 Creation of social capital is one of the important interventions of poverty reduction, especially the rural poverty. Social Capital is defined as a network of relationships among persons with a spirit and willingness to engage in collective, civic activities to solve their common problems. It refers to degree by which a community collaborates and cooperates to achieve the mutual benefits. In long-run, the Social Capital builds a Social Infrastructure that strengthens the powerless and voiceless community and helps build and maintain social values. Such cohesion is important for societies to attain sustainable development and poverty reduction.

5.31 MTFD 2005-10 recognises that the poor are excluded from mainstream development because of inequity in accessing services and their low asset base. The fact that the poor lack their own institutions and that there is no facilitating or support organisation to advocate their case, results in their voicelessness and powerlessness to participate in decisions affecting their lives and livelihoods. Women and the poorest remain marginalised from decision making and their ability to access and control resources is particularly compromised.

5.32 Social Capital is critical for rural areas, where the incidence of poverty is pervasive and that marginalization and exclusion from social, political and development processes is strident.

Development of an economy is unsustainable unless the poor, especially the bottom 10 percent chronically poor, are associated with policy and programme implementation. The introduction of District Government System with decentralization of development activity and grass-roots development has initiated the process of building social capital in the form of Citizen Community Boards (CCBs) and establishment of education, health and water user committees.

5.33 To foster the process of building social capital, the Annual Plan envisages a Social Mobilization Project aiming to mobilize rural poor and vulnerable people into community organisations with a view to unleash their potential for income generation and poverty reduction and to collaborate with the public sector for development activity.

5.34 The Social Mobilization Project is designed to reduce rural poverty with a holistic approach. In addition to poverty reduction, the project will also help improve social indicators relating to health, population, environment and education, especially for women and children. This will also introduce micro health insurance for the poor to avert health related shocks that push vulnerable people to below poverty line and poor to chronically poor. The project will also prepare communities to make use of microfinance for their livelihoods and creation of assets, which are the main reasons behind poverty in rural areas.

5.35 The activities will be initiated from less developed regions across provinces. First Phase of the project envisages creation of over 166,000 community organisations covering around 2.5 million households in two years. The project will be launched in 45 districts and 1,852 rural union councils.

Microfinance:

5.36 Microfinance is an important instrument of poverty reduction. It has potential to stimulate economic growth and job creation, as small business development and access to housing finance generate new cycles of accumulation and contribute to higher levels of effective demand. Poverty can be reduced by enabling the poor to build assets. Microfinance, combined with micro-health insurance and social protection programmes, can play a vital role in smoothing the income and consumption of the poor, and so reducing their vulnerability to financial and economic shocks. These factors are key in building viable communities and contributing to the sustainable livelihood strategies of poor households. Development of financial sector institutions for microfinance and building social capital is the apt recipe for poverty reduction. The Plan envisages strengthening of both of these institutions.

Poverty Monitoring

5.37 Equally important is the capacity of those who are responsible for monitoring to ensure efficient and effective utilization of public spending. The importance of Monitoring and Evaluation for Poverty Reduction has been augmented with the increasing awareness of the multidimensional nature of poverty. The need to factor-in perceptions of the poor into the monitoring process adds to the complexity of the challenges faced by any kind of evaluation exercise. Only in-depth monitoring and impact evaluation can confirm the relevance, efficacy and efficiency of the resources spent for poverty reduction. The existing system of monitoring

poverty estimates needs to be improved. Capacity of the Federal as well as Provincial Departments would be developed for this purpose. For effective follow-up and adopting remedial measures, the results of intermediate and outcome indicators need to be disseminated to the stakeholders for their feedback on improvement and policy adjustments.

Conclusion

Despite significant reduction in poverty, one out of four Pakistanis still remains poor. To meet the challenge, the Annual Plan emphasizes underpinning the poverty reduction policies in addition to a sustainable high pro-poor growth. The Plan articulates poverty reduction through building social capital, social protection and other targeted programmes. Investment in Khushhal Pakistan Programme (I & II) and Khushhal Pakistan Fund would be instrumental in improving the lives of the poor people, particularly in rural areas. Social mobilization will also help harvest the fruits by leveraging the public sector investment through involvement of poor in decision making and implementation of the projects. Poverty is a long-term issue. There cannot be any shortcuts. In the larger context, choices and opportunities are to be created through sustained economic growth, increased investment, higher social sector spending and making growth pro-poor.

PRO-POOR EXPENDITURES (2004-07)

(Billion Rupees)

Sector	2004-05 (Expenditure)	2005-06 (Allocation)	2006-07 (Projected)
Community Services	41.71	45.25	51.67
Roads, Highways and Buildings	35.18	37.71	43.06
Water Supply and Sanitation	6.53	7.54	8.61
Human Development	155.81	196.84	244.6
Education	116.87	148.2	184.75
Health	31.42	39.97	49.95
Population Planning	4.57	5.27	6.02
Social Security and Welfare	2.03	2.34	2.67
Natural Calamities	0.92	1.06	1.21
Rural Development	59.69	68.74	77.93
Irrigation	37.87	43.6	49.2
Land Reclamation	2.11	2.43	2.78
Rural Development	15.36	17.7	20.22
Rural Electrification	4.35	5.01	5.73
Safety Nets	8.44	9.65	11.03
Food Subsidies	5.35	6.17	7.05
Food Support Programme	2.70	3.11	3.56
Tawana Pakistan	0.08	0	0
Low-cost Housing	0.31	0.37	0.42
Governance	50.52	58.21	66.38
Administration of Justice	3.11	3.59	4.01
Law and Order	47.41	54.62	62.37
Total	316.24	378.81	452.42

Source: Finance Division

Part-III
Main Features of Sectoral
Programmes

Chapter-6

AGRICULTURE DEVELOPMENT

Introduction

Traditional development paradigm suggests an orderly absorption of surplus labour from rural agriculture sector to an expanding urban industrial sector and therefore, stabilizing employment levels in the rural area. To be able to ensure an orderly transition, the agriculture must develop at a speed fast enough to adequately absorb the growing number of labour in the rural area so that the surplus labour is not stranded unemployed or adds to the number or marginalized urban poor.

6.2 While the historical trends of population shift are apparent in Pakistan, agriculture is still the mainstay of our economy. It has been identified as a priority area for addressing problems of unemployment, poverty alleviation and fostering economic development. Our agriculture has reached a stage where it is not only a source of food security but is an equal partner in economic growth. Unlike the other sectors, agriculture especially crop sector is exposed to the vagaries of nature over which human being have no control. A proactive approach and timely interventions can, however, mitigate some of the negative effects. Science and technology, good agricultural practices and diversification of output can to some extent overcome the effects of climate change and adapt our agriculture accordingly, may it be the case of water scarcity or extreme temperatures.

Review of 2005-06

Financial Allocation

6.3 Originally an allocation of Rs.9,135.8 million was made in the PSDP 2005-06 for the projects of Ministry of Food, Agriculture and Livestock. After 3rd quarter review meetings, it was increased to Rs.9,846.4 million. The utilization against the allocation is expected to be Rs.8,638.3 million, showing an expenditure of 87.7 per cent.

Physical Progress

6.4 The performance of agriculture was below the expectations due to non-achievement of production targets for wheat, cotton, sugarcane and some minor crops. However, the production of rice and maize surpassed the targets. The production of wheat is estimated to be 21.7 million tonnes against the target of 22.0 million tonnes. The cotton production was 13.0 million bales, against the target of 15.0 million bales. The low cotton production was due to decline in area sown on account of floods/rains in early season. However, even this production is nearly 10 per cent higher than the average cotton production of last 3 years. The sugarcane production is estimated to be 44.3 million tonnes against a target of 50.1 million tonnes. The decline in sugarcane production is due to reduction in area sown and incidence of frost during the month of January. Similarly, production of gram was 527.0 thousand tonnes against the target of 833.0 thousand tonnes. The declined production of gram is attributed to reduction in area sown and low

rains during crop growth/development, stage. The production of rice and maize crops was 5,547.2 and 3,560.0 thousand tonnes against the target of 5,000.0 and 2,905.0 thousand tonnes, respectively. Production of these crops surpassed the targets of 2005-06 as well as last year's achievements. The physical targets and achievements of crops are given in Table-6.1.

Table-6.1
PHYSICAL TARGETS AND ACHIEVEMENT OF CROPS

ITEMS	UNIT	2004-05	2005-06		2006-07 Targets	Percent Change	
			Targets	Prov.		2005- 06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>I. KHARIF CROPS</u>							
Rice	(000 MT)	5,024.8	5,000.0	5,547.2	5,693.0	10.4	2.6
Basmati	(000 MT)	2,554.6	2,400.0	2,548.0	2,675.0	-0.3	5.0
Others	(000 MT)	2,470.2	2,600.0	2,999.2	3,018.0	21.4	0.6
Maize	(000 MT)	2,797.0	2,905.0	3,560.0	3,279.0	27.3	-7.9
Sugarcane	(000 MT)	47,244.1	50,095.0	44,312.0	50,500.0	-6.2	14.0
Cotton	(Million Bales)	14.6	15.0	13.0	13.8	-11.0	6.2
<u>II. RABI CROPS</u>							
Wheat	(000 MT)	21,612.3	22,000.0	21,700.0	22,000.0	0.4	1.4
Gram	(000 MT)	868.2	833.0	527.0	610.0	-39.3	15.7
Rape and Mustard	(000 MT)	203.0	240.0	188.0	217.0	-7.4	15.4

Programme for 2006-07

Financial Allocation

6.5 An amount of Rs.11,800.1 million has been allocated to the development projects of the Ministry of Food, Agriculture and Livestock in PSDP 2006-07. In addition, Rs.24.8 million have been earmarked for the agricultural development projects of the Islamabad Capital Territory (ICT), Interior Division.

Physical

6.6 The implementation of policies, strategies and programmes envisaged in the Medium Term Development Framework (MTDF) will be continued to achieve self-reliance in agricultural commodities, ensure food security and improve productivity of crops on sustainable basis. A high priority will be given to conserve irrigation water and promote its efficient use through lining of watercourses, precision land leveling and introduction of high efficiency irrigation systems. The integrated pest management techniques will be utilized to avoid indiscriminate use of pesticides and protect environmental degradation in addition to providing plant protection coverage to crops. The high value crops will be promoted and their production will be increased on commercial scale. The oilseed crops will be promoted in order to reduce the import bill of edible oil. Availability of agricultural inputs particularly improved seed, fertilizer and pesticides will be ensured and their efficiency will be improved.

6.7 There is a need to promote balanced application of nitrogenous and phosphatic fertilizer in order to improve the productivity of crops. Under ideal conditions, the recommended N:P ratio is 2:1. At present, the N:P ratio is 3.3:1. The fertilizer off-take during 2005-06 has been estimated at 3,830 thousand nutrient tonnes (N=2,907 P=890 and K=33 thousand) against the target of 3,544 thousand nutrient tonnes (N=2,709, P=807 and K=28 thousand). A fertilizer off-take target of 4,095 thousand nutrient tonnes (N=2,981, P=1,076 and K=38 thousand) has been fixed for the year 2006-07, thus improving the N:P ratio to 2.8:1.

6.8 The use of good quality seed is one of the basic requirements for increasing the production and yield of crops. It has the potential to increase crop yield on an average of 20 per cent over commercial seeds. The target for distribution of improved seed of different crops was 296.9 thousand tonnes for the year 2005-06. About 227.8 thousand tonnes improved seed was distributed showing an achievement of 76.7 per cent. A target of 297.0 thousand tonnes has been fixed for the year 2006-07. It includes 201.7 thousand tonnes of wheat seed, 62.0 thousand tonnes of cotton seed and 11.9 thousand tonnes of rice seed.

Major Programmes

6.9 Adequate provision of funds has been made to ongoing and new projects of agriculture sector in the PSDP 2006-07. The major programmes are discussed in the subsequent paragraphs.

Conservation of Irrigation Water and its Efficient Use

6.10 An ongoing "National Programme for Improvement of Water Courses in Pakistan" will be continued. About 20,110 water courses have so far been improved under the project.

Approximately 12,000 water courses will be improved in the next year. A major project entitled "Water Conservation and Productivity Enhancement through High Efficiency Irrigation System" will be launched during 2006-07. It will promote efficient use of water and enhance irrigation efficiencies from 60 to 80 per cent, resulting in significant saving of water.

Integrated Pest Management Projects

6.11 There is a need to promote integrated pest management in order to reduce the application of pesticides. The ongoing "National Integrated Pest Management Project" (IPM) will continue to be implemented for large scale and sustainable implementation of IPM techniques, rationalizing the use of pesticides, maintaining production levels and increasing farmers' income. About 440 farmers' field schools will be established to provide training in IPM techniques to 11,000 farmers. Policy analysis on database will be developed. Training, research and extension activities on IPM techniques for cotton crop will also be continued under another project "Adaptation of Integrated Pest Management Approach for Cotton Crop in Sindh".

Agriculture Sector Development Programme Loan

6.12. The Agriculture Sector Development Programme Loan is under implementation to increase agricultural productivity through improving agriculture research, extension and education system. It will promote market reforms for major agricultural commodities including wheat, sugarcane, cotton and rice. Restructuring of state-owned enterprises will be carried out to make them efficient and more productive. Under the programme loan 29 development projects will be implemented by MINFAL, AJK, FATA and FANA. It includes Enhancing Analytical Capability of MINFAL in Agriculture related WTO issues and Strengthening of the Monitoring Evaluation Capacity of MINFAL. The other projects include strengthening and modernization of National Wheat Research Programme, Surveillance, Monitoring and Preparation for control of outbreak of Avian Influenza, Improvement of Cotton Fiber through Transgenic Technology, improving of Crop Salt Tolerance through Genetic Engineering, Establishment of Soil and Water Testing Laboratories at Rawlakot and Kotli and Promotion of Olive Cultivation in the Mountain Agriculture Research System of Northern Areas.

National Agricultural Land Use Plan

6.13 The project "National Agricultural Land Use Plan (Phase-I)" will be continued to update land resources inventory, land evaluation and research to prepare soil maps on district basis. It will help to propose necessary changes in current land use systems/cropping patterns to maximize crop yields and promote conservation of land resources. It will provide a scientific base for resource based land use planning to rationalize agricultural land use and maximize agricultural production through adoption of appropriate management technology and systematic development/ improvement of the agricultural land resources.

Improvement of Seed Quality

6.14 A project entitled "Establishment of Seed Testing Laboratories and Rehabilitation of Existing Laboratories" will be continued. The project aims to extend seed certification cover according to the demand of the seed sector to promote certified seed production. The availability of quality seed of various crops will enable the farmers to increase their crop productivity. Under

the project existing 16 seed testing laboratories have been strengthened through provision of additional laboratory equipment and manpower. In addition, 11 new laboratories have been established at various locations. The activities to be carried out include crop inspection and seed sampling/testing to monitor the quality of seed in the market. Enforcement of Seed Act will be acted upon and accreditation of seed testing laboratories of the Federal Seed Certification and Registration Department will be carried out.

Special Programme for SPS-TBT Management under WTO Agreements

6.15 The project will help in effective Sanitary and Phytosanitary (SPS) management towards trade development by removing agricultural and public health related technical barriers to trade and by developing necessary quality infrastructure for trade development and thereby securing access to the foreign markets. It will make agricultural and livestock produce more acceptable by the international markets, fetch higher prices and help to increase the earnings because of safety and quality value addition. The import of agriculture, livestock and fisheries products will become disease and risk free and shall thus help to contain and check the spread of insects and diseases in the country. National Agricultural Plant Health and Information System (NAPHIS) will be established in the Ministry of Food, Agriculture and Livestock under the project.

Crop Maximization Project

6.16 The on-going "Crop Maximization Project" being implemented since 2002-03 in 109 villages of 15 districts of all the provinces and AJK will be completed on 30-06-2006. This project has resulted in 30-40% enhancement in crop productivity. Its follow up "Crop Maximization Project-II" will be launched in other 1,012 villages of 27 districts of all the provinces, AJK and NAs during 2006-07. The project envisages to benefit from the experience of phase-I project in increasing the agricultural productivity of rural areas on sustainable basis, enhance food security and reduce poverty. It will establish collective institutions, i.e. Village Organizations one each in 1012 villages which will be owned and managed by the farmers themselves for procurement/management of critical inputs/services, marketing of outputs and diversification of income generation activities, especially by the small land holders.

Biosaline Agriculture

6.17 A project of Pakistan Atomic Energy Commission (PAEC) entitled "Farmers' Participatory Saline Agriculture Technology Project" is being launched in the country since 2001-02 for re-habilitation of 25000 acres of saline wastelands through implementation of bio-technology/saline agriculture technology developed by the PAEC. Under it, the on-going re-habilitation activities will be continued in 2006-07 through economic utilization of wastelands and highly brackish ground waters on sustainable basis. Based on the results of the project, a "National Bio-saline Agriculture Programme" will be launched. The on-going project on "Upgradation of Nuclear Institute for Agriculture and Biology (NIAB)" launched in 2004-05 for enhancing nuclear research capabilities of the institute in the fields of agriculture and biology will be continued during 2006-07. Two projects of PAEC, entitled "Upgradation and Strengthening of National Institute for Bio-technology and Genetic Engineering (NIBGE)" Faisalabad and "Upgradation of National Institute for Food and Agriculture (NIFA)" Peshawar will be continued.

Oilseed Development

6.18 The on-going oilseed development and promotional programmes will be continued in the direction of enhancement of domestic edible oils production and self-reliance. These include "Rapid Conversion of Wild Olive into Oil Bearing Species" aiming at conversion of 1.640 million wild olive plants to fruit bearing trees, and "Sunflower Cultivation in Balochistan" to grow sunflower on 12,000 acres in Balochistan for increasing the production of oilseeds/edible oil in the country alongwith transfer of technology to the farmers by demonstration plots at various locations in the province. The oilpalm cultivation technology has already been demonstrated in the coastal areas of Sindh and Balochistan through Phase-I "Oilpalm Development Pilot Project". As a follow-up to it another "Oilpalm Development Project" was launched in 2005-06 in Sindh and Balochistan envisaging oilpalm promotional programme for increasing the production of edible oils. It will be continued in 2006-07. Under it, 300,000 oilpalm seedlings will be imported, 500,000 nursery plants will be established for distribution to farmers in Sindh and Balochistan and a small oil mill will be installed for palm oil extraction from oilpalm fruit produced by the farmers.

Agribusiness Development and Diversification Project

6.19 The on-going "Agribusiness Development and Diversification Project" will be continued in all the provinces, AJK, FATA and FANA with the assistance of Asian Development Bank. It aims to promote private sector agro-enterprises with the main focus on development of horticulture, livestock and dairy sub-sectors. In the current year, funding to various project components alongwith technical assistance will be provided. The activities regarding creation of enabling environment for development of private sector agro-enterprises, their capacity building through workshops/trainings and enhanced coordination will be continued. It will help in production and export of value-added crops/commodities such as dairy products, fruits, vegetables, flowers and livestock.

Agricultural Research

6.20 The Pakistan Agricultural Research Council (PARC) is responsible for coordination of research throughout the country in order to avoid duplication of research activities and strengthen the research and practice interface. The PARC will undertake a new project entitled, "National Agricultural Research Programme" in 2006-07 wherein various projects will be launched with the main focus on emerging research issues and problems in production system to maximize productivity per unit of land, water, animal, etc. Main fields include productivity improvement, high value agriculture (horticulture, livestock, fisheries), post-harvest technologies, value chain, export competitiveness, WTO compliance, sustainable resource use and others. A new project on "Up-gradation of Central Cotton Research Institute (CCRI), Multan as International Institute" will be launched in 2006-07 with the objectives to strengthen the research capabilities of the institute and enhance capacity building of its research scientists, field staff and cotton growers. It will help in improving the productivity and quality of cotton by ensuring and effecting continuous induction of new research based technologies, indigenous knowledge and skill transfer system. The on-going project on "Managing Burewala Strain of Cotton Virus" will be continued for genetic and varietal research activities. The federal and provincial cotton research institutes are being strengthened by provision of research equipment

and materials through this project. The ultimate focus of the project will be the development and release of cotton varieties resistant to Burewala strain of cotton virus. The projects on "Use of Electronic/Print Media for Technology Transfer" to accelerate the pace of transfer of agricultural technologies developed by the PARC to the farmers and "True Potato Seed Production" project for developing potato seed at economic prices will be continued for enhancing the agricultural productivity.

6.21 The on-going activities under the project "Restructuring and Strengthening of National Agricultural Research System, Balochistan" will be continued for improving/strengthening the existing four research institutes and establish five new research stations in different agro-ecological zones to address the agricultural problems of arid and semi-arid regions of Balochistan and enhance farmer's productivity.

6.22 A new project entitled "Production of Medicinal Herbs in Collaboration with Private Sector" will also be launched during 2006-07 with the emphasis on growing medicinal herbs on WHO guidelines to make them acceptable in the international markets, ensure provision of registered/authentic herbs seeds, promote contract growing and herbs processing industry. The on-going "Tea Research and Development Project" at Manshera will complete on 30-06-2006. It has developed and demonstrated tea production and processing technology in the area. To further promote tea cultivation in the area with the help of private sector, a new project on "Commercialization of Tea Production through Public-Private Partnership" in NWFP will be launched during 2006-07.

Biotechnology

6.23 Biotechnology is one of the fast emerging technologies and has been included as one of the six priority areas by the National Commission on Science & Technology. Its maximum impact is on agriculture whereby it is possible to introduce genes of interest into crop varieties through genetic engineering. Several projects funded through Ministry of Food, Agriculture and Livestock (MINFAL), Ministry of Science and Technology (MOST) and Higher Education Commission (HEC) are being implemented at different institutions. The National Institute for Biotechnology and Genetic Engineering (NIBGE), Faisalabad has been able to develop Bt-Cotton by introducing insect resistant genes into local approved varieties of cotton namely FH901 and F11000. The proposal for its release is pending with the National Bio-Safety Committee of the Ministry of Environment and will be released for commercial cultivation after their approval. Similarly work on developing cotton varieties resistant to CLCV and Burewala virus through genetic engineering has continued. MINFAL through ASPL-II has also funded projects for developing salt tolerant crop varieties through genetic engineering and for increasing cotton fiber length and strength through biotechnological means.

6.24 Plant genomics is regarded as backbone of all activities related to genetic engineering. A project on functional genomics is also underway at PARC and NIBGE focusing on wheat and cotton genomes. It will help among other things; identify molecular markers, which can greatly expedite development of new crop varieties through conventional breeding.

LIVESTOCK AND FISHERIES

Introduction

6.25 Livestock accounts for 46.8 percent of agriculture value added and 10.8 percent of the GDP. The role of livestock in rural economy may be realized from the fact that 30-35 million rural population is engaged in livestock raising, which help them to derive 30-40 percent of their income from it. There is considerable potential to increase the productivity of livestock and fisheries. Some of the best breeds of cattle, buffalo, goat and sheep are available in the country, whose full production potential has not been realized. The productivity of livestock can be improved through provision of adequate and nutritious feed, improved coverage against diseases, and adoption of modern animal husbandry practices. The production of fisheries can be increased considerably through proper exploitation of marine fisheries resources and development of aquaculture facilities for in-land fisheries.

Review of 2005-06

6.26 The production targets of meat and milk, 2,419.0 thousand tonnes and 31,294.0 thousand tonnes, respectively, were achieved. The production of fish was 620.0 thousand tonnes against a target of 597.0 thousand tonnes.

Programme for 2006-07

6.27 The policies, strategies and programmes of 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 breeds, 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. It is expected that 33,235.0 thousand tonnes of milk, 2,576.0 thousand tonnes of meat and 647.1 thousand tonnes of fish will be produced during 2006-07. The physical targets and achievements of livestock products and fisheries are given in Table 6.2.

Table 6.2
Targets and Achievements of Livestock and Fisheries

Items	Unit	2004-05	2005-06		2006-07 Targets	Percent change	
			Targets	Prov.		2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Livestock Products							
Milk	(000 MT)	29,438.0	31,294.6	31,294.0	33,235.0	6.3	6.2
Meat	(000 MT)	2,238.0	2,419.0	2,419.0	2,576.0	8.1	6.5
Wool	(000 MT)	40.0	40.7	40.7	41.2	1.8	1.2
Hides	(Mln Nos)	8.4	9.1	9.1	9.6	8.3	5.5
Skins	(Mln Nos)	42.4	45.2	45.2	48.0	6.6	6.2
B. Fish Production							
Inland	(000 MT)	170.0	176.0	230.0	241.5	35.3	5.0
Marine	(000 MT)	335.0	421.0	390.0	405.6	16.4	4.0
Total	(000 MT)	505.0	597.0	620.0	647.1	22.8	4.4

Major Programmes

6.28 The major programmes are discussed in subsequent paragraphs.

Strengthening of Livestock Services for Livestock Diseases Control in Pakistan – Eradication of Rinderpest

6.29 The project activities cover animal health, animal nutrition and marketing. The project targets the problems of animal disease control. Animal nutrition and feed supply strategies, especially fodder supply, together with the improvement of markets and the marketing system for internal as well as external needs will also be addressed.

Prime Minister's Special Initiative for Livestock

6.30 The project will enhance livestock productivity through provision of livestock production, extension and veterinary services at farmers' doorstep. The project is being implemented through Rural Support Programme (RSP) network in 1,963 Union Councils of 80 districts of the country. A total of 290 Veterinary Doctors will be trained and deployed in the project area. Every Veterinarian will open a clinic/laboratory with the help of a revolving fund. A total of 7,250 Community Livestock Extension Workers will be trained, who will work as self-employed livestock specialists. The services will be provided in the domain of curative and preventive medicine, vaccines, best farming practices, advice for fattening of animals, increasing milk production, etc.

Milk Collection/Processing and Dairy Production and Development Programme

6.31 The project will improve milk collection network, increase dairy potential of indigenous buffaloes and cattle, and enhance milk processing and marketing facilities in the project area. It will provide subsidized veterinary/breeding cover, balanced feed and assistance for improved fodder production for increasing milk production by 10-15 percent. It will help reduce poverty in rural areas. The Livestock Production Research Institute, Bahadarnagar in collaboration with Semen Production Unit, Qadirabad will be strengthened for genetic improvement of Nili-Ravi buffalo and Sahiwal cattle. New progeny testing programmes for Kundi buffalo and Red-Sindhi cattle will be initiated in Sindh.

Livestock Production and Development and Meat Production

6.32 The project will increase meat production through sustainable and coordinated efforts with an active involvement of all the stakeholders. It will motivate the livestock farming community to participate in feedlot fattening of small and large ruminants to double the meat production at the project target farms/area. It will provide full technical and partial financial support to the farming community for establishing lead, small and feeder farms for veal, beef and mutton production.

6.33 In Punjab and Sindh, 160 lead beef farms will be established with 100 to 200 animals on each farm. Besides, 500 to 600 small beef farms will be setup with 10 to 20 calves at each farm in the provinces, AJK and Northern Areas. About 200 to 300 feeder beef farms with 10 to 20

calves on each farm will be setup in four provinces. It will also establish 30 to 50 veal production farms with 20 to 30 calves on each farm in Punjab and Sindh.

6.34 The project provides for establishment of 300 to 400 lead mutton farms with 100 to 200 sheep and goats on each farm in all the provinces. About 700 to 800 small mutton farms with 20 to 30 sheep and goats on each farm and 400 to 500 feeder mutton farms with 30 to 40 sheep and goats on each farm will be setup in Punjab, Sindh, NWFP, Balochistan, AJK and Northern Areas.

Up-gradation and Establishment of Animal Quarantine Stations in Pakistan

6.35 The project will provide certification services to exporters and importers of animal and animal products through examination and laboratory tests to meet the international trade requirements. Under this project, new stations at Khunjrab and Khokhrapar will be established and five other will be strengthened.

Establishment of Animal Quarantine Stations at Quetta and Gawadar

6.36 The projects envisage provision of quarantine services to the importers/exporters of animals and animal products. Construction of office, laboratory and quarantine houses will continue during 2006-07 at Quetta, while work will be started at Gawadar.

Up-gradation of Animal Health Laboratory at NARC to Serve as National Reference Laboratory for Poultry Diseases

6.37 The laboratory will be strengthened by providing additional equipment and staff. A mobile diagnostic unit will also be established. 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.

National Coordinated Research and Development Project on Improvement of Wool Quality

6.38 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 sheep production areas. The shearing centers will arrange technical training programmes for farmers on quality like clean fleece, staple length and mechanical shearing. The documentation of wool characteristics of different sheep breeds will be carried out.

Stock Assessment Survey in EEZ of Pakistan

6.39 The project will be started in 2006-07. The objective of the project is to conduct stock assessment surveys in coastal and off-shore waters of Pakistan on regular basis, which will help develop management strategy for fish exploitation and utilization. A research vessel will be chartered for the purpose. The Marine Fisheries Department will also be strengthened by providing additional staff and equipment.

Strengthening of Quality Control Laboratories at Marine Fisheries Department, Karachi

6.40 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 World Trade Organization (WTO) regime. Quality control services will be provided to seafood exporters. Export consignments will be tested to meet the requirement of the importing countries.

Monitoring of Deep-Sea Fishing Vessel through Establishment of 03 GPS Base Stations and Deputation of MFD Representatives on Each Vessel

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

WATER RESOURCES DEVELOPMENT

6.42 Water is essential for sustenance of life in all forms and fresh water is a finite resource, progressively becoming more scarce due to persistent increases in its competing demands. It is important to ensure water security for the people through a national water policy laying down the outlines of an integrated water management strategy that aims at maximizing the sustainable economic, social and environmental returns on the water resource development, allocation among its competing demands, its use by consumers and safe disposal of post-use effluents.

6.43 Irrigated agriculture is the backbone of the national economy. The level of agricultural production is directly related to the availability and effective use of water as a major input over 43 percent of employment is also created by the agriculture, hence investments made in the water sector for irrigated agriculture have multiplier impact such as direct economic benefit by addition/enhanced production, creation of jobs in agriculture and non-agriculture sector and strengthening of services sector through provision of agriculture input and supporting social sector by enhancing paying capacity of the beneficiaries.

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

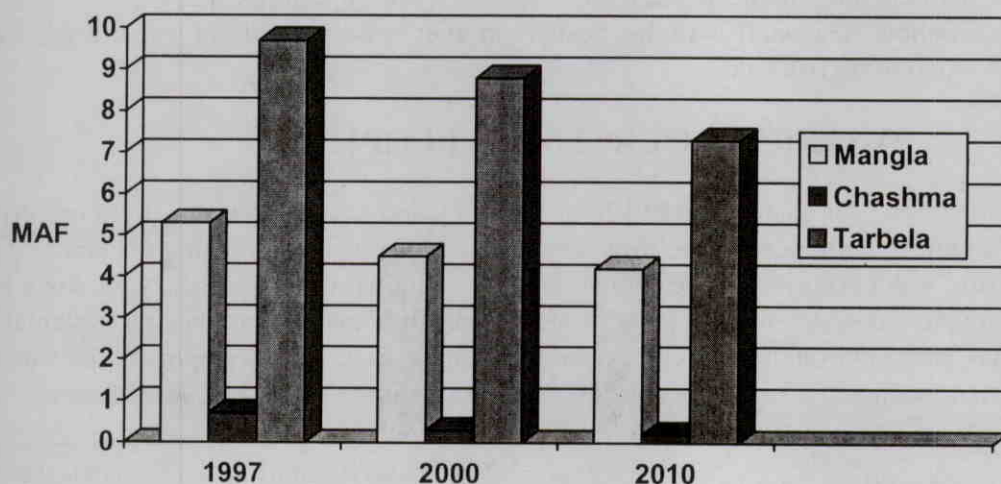
6.44 The demand for water is increasing rapidly while the opportunities for further development of water resources or maintaining their use to existing levels are diminishing. The shortage of water particularly in Rabi season has further aggravated the ongoing water crisis. The current per capita water availability at 1200 m³/person is low, with Pakistan in the category of a high water stress country.

6.45 The storage capacity, which is one of the key development indicators, at 9 percent (live storage) of its average annual flow is low when compared with 40 percent world average, 33 percent in India, 347 percent of Nile river basin and 497 percent of Colorado river basin.

6.46 As never before, there is now a strong and growing need to manage the precious water resource more carefully and efficiently to ensure water for all on a sustainable basis. This is also important in view of the depleting storage capacity of the existing reservoirs (see the chart below).

Capacity Loss of existing Storage Reservoirs (MAF)

6.47 Accordingly, the water sector strategy centers around three important elements i.e. water



augmentation, water conservation and efficient water use. In this context, the challenge will be the formulation and effective implementation of a comprehensive set of measures for the development and management of water resources. This would include the development of additional medium and large-size reservoirs, integrated resource use, the introduction of water efficient techniques, containment of environmental degradation, institutional strengthening, capacity building and human resources development. The Government has decided to commence work on six priority water storage dams (Mangla Raising, Mirani, Gomal, Satpara, Kurram Tangi and Sabakzai Dams).

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

6.49 The key issues that have been addressed in Medium Term development Framework (MTDF) 2005-2010 include (a) the need for a holistic, integrated and sustained approach, (b) sub-optimal use and low productivity of water, (c) inadequate storage capacity with water

escapages to sea, (d) extensive seepage losses in the irrigation system, (e) inadequate operation & maintenance and poor cost recovery, (f) excessive groundwater pumpage without groundwater recharge (mining of groundwater), (g) absence of measures for rainfall harvesting, (h) unsafe disposal of drainage effluent to the sea, (h) inadequate protection of infrastructure from floods, (i) lack of private sector participation, (j) deteriorating institutional capacities of key water sector institutions, (k) increased poverty in backward irrigated areas, and (l) poor linkage among water, agriculture and rural development projects and related research.

6.50 The National Water Policy calls for integrated water resources management and water conservation, high efficiency irrigation systems by farmer's participatory management and gender mainstreaming. The main features of the policy are:

- i) Providing adequate and safe drinking water for all;
 - a. Providing food security for all and feed security for livestock;
- ii) Providing hygienic sanitation facilities for urban and rural population;
- iii) Maintaining water quality and protecting water resources by preventing their pollution;
- iv) Treatment and possible reuse of waste water – domestic, agricultural and industrial;
- v) Restoring and maintaining the health of the environment and ecology;
- vi) Flood management to mitigate floods and minimize flood damages;
- vii) Hydropower development for economic growth;
- viii) Security of benefit streams of the water related infrastructure for sustained provision of services,
- ix) Conservation and optimizing water use efficiency.

Review of 2005-06

6.51 The programme for 2005-06, the first year of MDTF 2005-2010, focused on the irrigation, drainage and flood control sub-sectors. The maximum resources were allocated to complete the on-going projects and high priority storage and canals projects in an effort to overcome the scarcity of water through augmentation. The overall implementation remained satisfactory and the planned targets were generally been achieved. However in some programmes, such as the lining of irrigation channels and RBOD-II & III, the achievement was lower than the planned targets due to a variety of implementation issues.

6.52 It is expected that the revised financial allocation of Rs. 42,225 million for the year 2005-06, would be fully utilized by the end of June 30th 2006. The overall water availability of 16.74 Mhm (135.68 MAF) in 2004-05 is expected to have increased to 16.94 Mhm (137.38 MAF) during 2005-06 against the target of 138.58 MAF (17.09 Mhm)). Out of the total water availability during 2005-2006, about 10.74 Mhm (87.06 MAF) was from surface water supplies and 6.21 Mhm (50.32 MAF) from underground water.

6.53 Under Irrigation sub-sector, the overall physical progress of fast track (high priority) projects namely Raising of Mangla, Mirani, Sabakzai, Satpara, and Kurram Tangi Dams, Greater Thal, Kachhi, Raineer and Extension of Pat Feeder Canals remained satisfactory except Gomal Zam Dam where the work was stopped due to the law and order situation. The progress of Irrigation System Rehabilitation in Punjab was satisfactory whereas in Sindh the planned target

could not be achieved due to the revision of CSR and other implementation problems. An amount of Rs. 500 million as allocated to each province for lining of irrigation channels. Under this programme, progress in Punjab was as planned. However work in Sindh could not start due to the late appointment of consultants. In NWFP, the physical progress of lining work was satisfactory at about 15% as planned.

6.54 Under Drainage sub-sector, RBOD-I, II and III remained behind schedule due to land acquisition and design problems, revision of PC-I and other related issues. During 2005-06, a sum of Rs. 3,000 million was allocated to continue the on-going activities of the National Drainage Programme (NDP). The overall physical progress of the NDP was about 70%.

6.55 The national programme for water-course improvement was implemented in 2005-06 to achieve the revised target of 15,000 watercourses in all the four provinces. A sum of Rs. 6,767 million was allocated which was transferred to the provinces. This programme was in addition to the OFWM-IV project, undertaken in the provinces of NWFP and Sindh on decentralized basis for which the financial allocations were reflected in the Provincial ADPs.

6.56 Under the ADB-assisted Second Flood Sector Project overall 88 on-going flood protection schemes, including 33 in Punjab, 23 in Sindh, 20 in NWFP and 12 in Balochistan, were completed by June 2006, at an expenditure of Rs. 818 million. Under the normal flood protection programme, the allocation of Rs. 800 million was utilized to complete the priority schemes of all provinces. Sub-sector-wise physical achievements are given in the following Table-6.3.

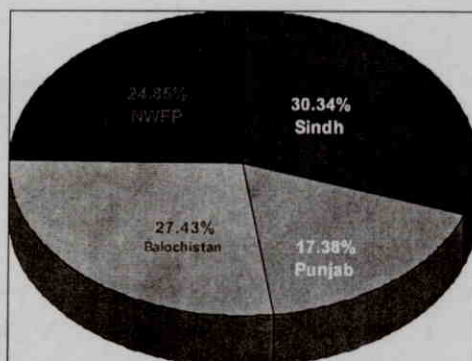
Table 6.3
Physical Targets and Achievements during 2005-06

S.No	Item %age	Unit	Targets	Expected Achievement	% age Achievement
1	Irrigation	Mhm	17.09	16.94	99
a)	Water availability (Cumulative)	MAF	138.58	137.58	
b)	Earthwork for dams & canals	MCM	67.11	57.00	84
c)	Concrete Work for dams & Canal	MCM	12.40	In progress	
d)	Land Acquisition	Ha	3611	In progress	
2.	Drainage & Reclamation				
a)	Disastrous area protected	Mha	0.24	0.10	42
b)	Surface Drains (Earthwork) (Extension, rehabilitation & remodelling)	MCM	27.12	23	85
c)	Transfer of FGW/TWs	No	474	300	63
d)	Rehabilitation of SGW/TWs	No	119	200	168
3.	Flood Control Programme				
	Small flood protection schemes				
a.	2 nd Flood Project	No	40	42	105
b.	Under Normal Flood Program	No	38	38	100
4.	OFWMP Programme				
	Watercourse Improvement	No	10,824	15,000	138

Programme for 2006-2007

6.57 The Water Sector has been accorded high priority in the PSDP for 2006-07 with an allocation of Rs. 54.976 billion, representing an increase of 28 percent over the programme for 2005-06. Priority has been given to timely completion of on-going projects, including water storages and canal. Extensive monitoring is planned to ensure effective implementation. A notable feature of the federal programme is the priority given to the programmes in the smaller provinces as shown by the provincial share in the chart below.

Provincial Share in Federal PSDP 2006-07



6.58 It is expected that the overall water availability will increase from 16.94 Mhm (137.38 MAF) in 2005-06 to around 17.13 Mhm (138.86 MAF) in 2006-07. This would include about 10.92 Mhm (88.54 MAF) from surface water supplies through canal withdrawals, watercourse improvement, canal remodelling, irrigation system rehabilitation programme and small irrigation schemes, and the remaining 6.21 Mhm (50.32 MAF) from underground fresh water aquifer mainly by private tubewells. The water availability will be improved through a major emphasis on water conservation measures such as remodeling/revamping/lining of canals and watercourses, and completion of on-going mega projects being implemented on fast track basis.

6.59 In the Drainage Sub-sector, in line with the MTFD target, 0.24 Mha of disastrous area is planned to be reclaimed from water logging & salinity through rehabilitation/replacement of 220 saline ground water tube-wells, transitioning of 1,000 SCARP tubewells, excavation of 22.14 MCM of earth for surface drains and construction of about 475 structures.

6.60 Under OFWM Programme, more than 12,000 watercourses (under National OFWM Program, NDP, OFWM-IV and other small projects) will be improved.

6.61 Under Normal/emergency Flood schemes, it is planned to spend an amount of Rs. 1,050 million. The detailed physical targets for 2006-2007 are shown in Table 6.4. The main programmes/projects to be implemented during 2006-2007 are given below:

Irrigation

6.62 An amount of Rs. 38,100 million (70% of the total water sector's allocation) has been allocated for irrigation projects during 2006-07. Under this sub-sector, nine on-going and one new dam/canal projects (Gomal Zam, Raising of Mangla, Mirani, Sabakzai, Satpara Dams, Kurram Tangi, Construction of Bolan Dam, Greater Thal, Kachhi and Raineer canals) have been fully protected whereas adequate funds have also been provided for revamping/rehabilitation of irrigation system of Sindh and Punjab, Lining of Irrigation Channels in Punjab, Sindh and NWFP and extension of Pat Feeder canal in Balochistan. The major irrigation projects are as under:

Major On-going Projects

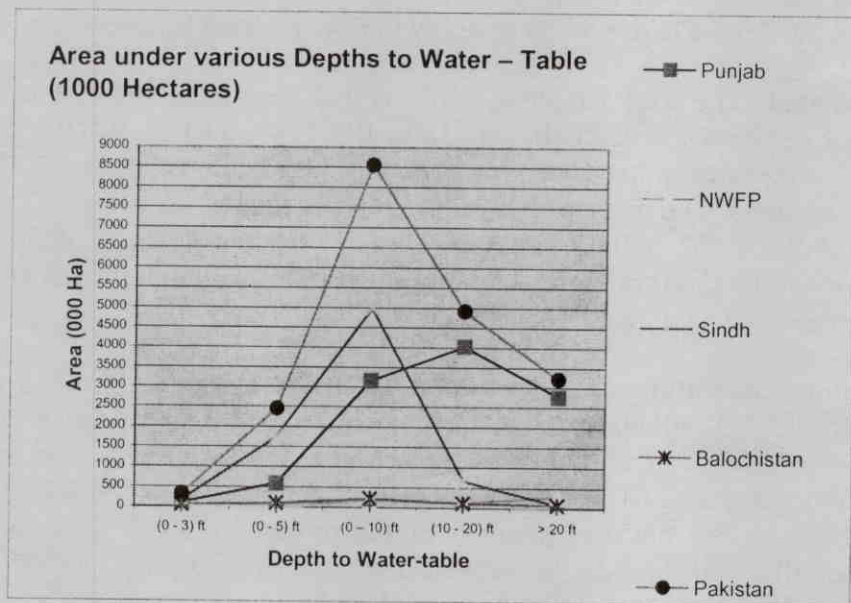
- **Raising of Mangla Dam.** The construction of main dam, intake embankment, land acquisition/ compensation, infrastructure development in new city, Dhanghali bridge, Sukian Dyke, Jari dam/rim works and resettlement works would continue during 2006-07. An amount of Rs. 11,000 million would be utilized for timely completion of these works.
- **Mirani Dam.** The project will be completed during 2006-07. The physical works to be undertaken include earthwork of 1.50 MCM and 0.03 MCM of concrete/stone work for dam embankment and main dam; spillway, irrigation system and construction of 1234 structures. An amount of Rs. 750 million has been provided during 2006-07 for its timely completion.
- **Satpara Dam.** The dam would have a storage capacity of 0.045 MAF and would irrigate 19,920 acres of land in Skardu Valley. An amount of Rs. 500 million has been provided during 2006-07 to undertake works on irrigation system, coffer dam/outlet structures, power house and spillway.
- **Sabakzai Dam.** About 55% works on main dam; powerhouse, irrigation system and 100% of land acquisition have already been completed. The remaining works (earthwork of 0.93 MCM and concrete work of 0.024 MCM for dam embankment, spillway and construction of irrigation system) would be completed during 2006-07, for which an allocation of Rs. 300 million has been made.
- **Gomal Zam Dam.** The project was delayed due to stoppage of works by the contractor in October 2004 due to the law and order situation. FWO has now been asked to complete the works relating to the main dam during 2006-07, for which an amount of Rs. 3,000 million has been allocated.
- **Greater Thal Canal.** The earthwork from RD 00+425 to RD 15+00 (GTC-01), RD 15 to 64 (GTC-02), RD 64+112 (GTC-03) has been already been completed whereas work on GTC-03A and GTC-05 is in progress. A sum of Rs. 1,500 million has been allocated during 2006-07 for 18 MCM of earthwork, 0.07 MCM of concrete lining, 2500 acres of land acquisition and construction of 100 structures.

- **Kachhi Canal (Punjab Portion 300 km lined contract No. KC-I to KC-V).** KC-I was completed earlier whereas KC-II (RD 40 to RD 106, 20 Km length) is also expected to have been completed by June 2006. Work on KC-IV (RD 106 to 531, 129 Km) and KC-V (RD 531 to RD 1050, 144 Km) is in progress. In Balochistan work on contract KC-VI commenced in March 2005. An amount of Rs. 92.414 million has been transferred to Government of Balochistan for land acquisition. During 2006-07, an amount of Rs. 5,500 million has been earmarked for completion of on-going contracts, including 18.40 MCM of earthwork for construction of main canal and 0.24 MCM of lining, construction of 24 structures, land acquisition of more than 5,000 ha. Phase-I of the project will be completed by December 2008.
- **Rainee Canal.** The total length of canal is 164 km. RC-I (RD 18 to 38) was completed earlier whereas RC-II (RD 38 to RD 128) and RC- III (RD128 to RD 181) is also expected to have been completed by June 2006. Work on RC-IV to RC-VII is in progress. The overall physical progress is about 25%. During 2006-07, an amount of Rs. 1,500 million has been allocated for construction of 26 CuM of earthwork, 1.40 CuM of concrete work of main canal and distributaries, 138 structures and 460 ha of land acquisition.
- **Revamping/rehabilitation of Irrigation & Drainage System in Sindh.** The project costing Rs. 12,963 million includes strengthening of 8,082 km of canals/drains, silt clearance of 3,635 km of branches, stone pitching of 380 km of canal banks, repair/remodeling of 241 regulators and rehabilitation of 1,596 SCARP tubewells during 2005-06, the physical progress of the project remained slow due to late releases of allocated funds by the provincial government. During 2006-07 a sum of Rs. 2,000 million has been allocated to complete the on-going works.
- **Punjab Irrigation System Rehabilitation Punjab.** The project includes strengthening of 1000 km of canals/drains, earthwork of 198 MCM for silt clearance of branches, stone pitching of canal banks, repair/remodeling of 90 regulators, 50 bridges and rehabilitation/remodeling of 17,500 modules. An amount of Rs. 2,787 million has been allocated for this program for the year 2006-07.
- **Punjab Barrages Modernization Phase-I.** Under this on-going project, an amount of Rs. 466.63 million has been utilized upto March 2006. The revised project costing Rs.1647.877 million has been recommended by CDWP to ECNEC for on-going and additional repair/emergent works of barrages. A sum of Rs. 150 million has been earmarked for 2006-07 to complete the remaining emergent repair works.
- **Extension of Pat Feeder canal.** A sum of Rs. 500 million has been allocated for this projects during 2006-07 for remodeling and extension of 65 km and 18 km of canal respectively and construction of about 10 structures.

Sustainability of Land and Water Resources

6.63 The irrigation water brings million of tons of salts to lands, further due to the poor natural drainage lands are waterlogged. In order to keep the land productive, drainage and reclamation

programmes have been started. These programmes have been allocated Rs. 5,300 million are about 10% of the total water sector allocation. The sub-sector includes 4 drainage projects (3 in Sindh and one in Balochistan), in addition to NDP that has been shown separately, being federal in nature. Adequate allocations have been made for Lower Indus Right Bank Drain (RBOD-I, II & III) for timely completion. The above-mentioned projects are being implemented to effectively control waterlogging and salinity problems and safe disposal of drainage effluent in an environmentally safe manner into sea. The current area under various depths to water-table in graphical form is shown below.



- National Drainage Programme (NDP).** This program, costing Rs. 25,047 million, envisages rehabilitation/extension of 10,000 km of existing and new surface drains, rehabilitation/ replacement of 1,140 saline groundwater TWs, installation of 250,000 acres of tile drainage, 1,050 watercourses, construction of 400 km interceptor drains and transfer of 1,500 fresh groundwater tubewells. The program is a mix of institutional and policy reforms, physical works, coordination, motivation of beneficiaries and research and studies in drainage. For this purpose, a sum of Rs. 3,000 million, including foreign aid of Rs. 1,000 million, as share of Federal Government, has been allocated. The provincial allocations will be reflected in the provincial ADPs.
- Lower Indus Right Bank Irrigation & Drainage Project (RBOD-I).** The revised project, costing about Rs. 8.60 billion, is under approval. The main components of the project include extension/widening of RBOD-I, rehabilitation of Miro Khan and Rehabilitation of Shahdad Kot. An amount of Rs. 1,500 million has been allocated to complete the on going works.
- Right Bank Outfall Drain from Sehwan to Sea (RBOD-II).** The revised project, costing Rs. 29.00 billion, is being processed for approval. It includes construction of 273 km of drains for disposal of 3,525 cusecs of drainage effluent into sea. The

project has been delayed by two years. About 34.49 MCM of earthwork and 1.20 MCM of stonework for the main drain and construction of 75 structures are expected to have been completed by June 2006. An amount of Rs. 3,000 million has been earmarked during 2006-07 to complete the on-going contracts.

- **Balochistan Effluent Disposal into RBOD (RBOD-III).** During 2006-07, an amount of Rs. 500 million has been earmarked for earthwork of 8.32 MCM, stonework of 0.60 MCM for the main drain, construction of 217 structures and land acquisition of 145 ha.

Conservation & Efficient Use of Water

6.64 The OFWM programme aims at reducing conveyance losses and field losses by improving watercourses, precision land leveling and organization of water user associations and establishing demonstration plots. In addition, water storage tanks are to be constructed and lifting devices installed on streams so as to provide irrigation water to barani agricultural land. The watercourse improvement would be accelerated to save water, minimize water loss and alleviate poverty. The remaining 86,500 water-courses have been proposed to be improved during the MTFD resulting in saving of about 8 MAF. A sum of Rs. 6,000 million has been made to meet the target of improvement of 12,000 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.

6.65 A new initiative is being launched on efficient use of water at farmland to enhance farm irrigation efficiencies from 60% to 80% within an allocation of Rs. 1000 million by encouraging farmers to use modern trickle and sprinkler irrigation.

Flood Protection Programme

6.66 The flood control works are being undertaken under three programmes namely Normal/emergent Flood Works, Second Flood Sector Project and Improvement in the Flood Forecasting System for Lai Nullah. An amount of 1,345 million has been allocated for these three programmes during 2006-07.

Survey, Investigation and Research

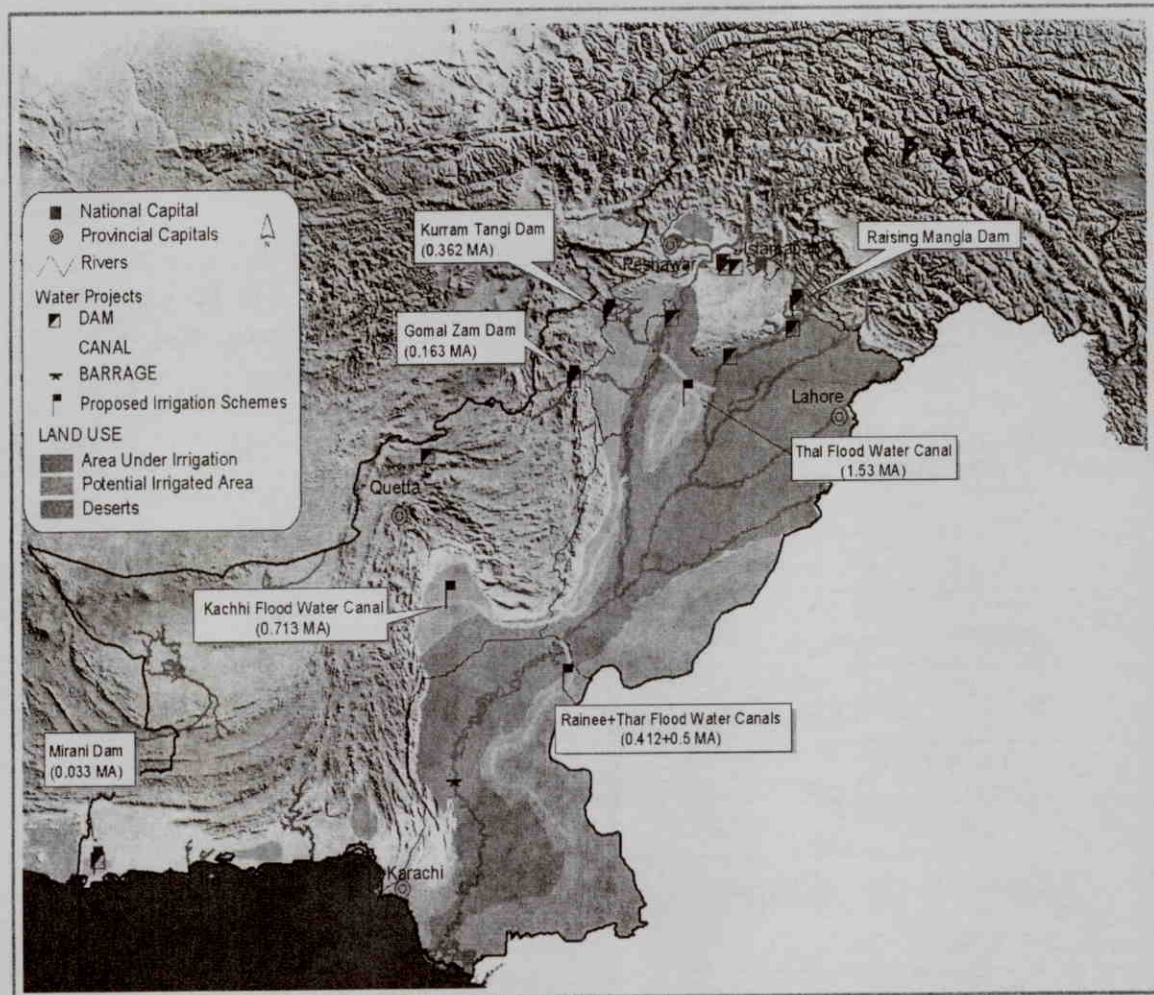
6.67 Survey, Investigation and Research is a continuing programme being carried out by WAPDA. During 2006-2007, the work will continue on a number of important schemes such as International Waterlogging & Salinity Research Institute, Mona Reclamation & Experimental Project, Lower Indus Water Management & Reclamation Research Project, WAPDA's engineering studies for small dams (Hingol, Naulong, Winder, Sukleji, Rohtas, MOL and Khedji dams), feasibility study for construction of new small dams in Balochistan, Installation of Telemetric System, Hydrological Investigation in Nowshera, Land & water Monitoring of Indus Plains and feasibility study on causes for waterlogging and remedial measures along C.J Link Canal. A sum of Rs.200 million has been allocated for this programme during 2006-07.

Table-6.4
Key Physical Targets for 2006-07 and Expected Achievements for 2005-06

S.No	Item	Unit	Targets 2005-06	Achievements 2005-06 (Exp.)	Target for 2006-07
1.	<u>Irrigation</u>				
a)	Water Availability (Cumulative)	Mhm MAF	17.09 138.58	16.94 137.38	17.13 138.86
b)	Earthwork for dams & canals	MCM	67.11	57.00	84
c)	Concrete work for dams & canals	MCM	12.40	In progress	2.065
d)	Land Acquisition	Ha	3611	In progress	9320
2.	<u>Drainage & Reclamation</u>				
a)	Disastrous area protected	Mha	0.24	0.20	0.24
b)	Surface Drains (earthwork) (Extension, rehabilitation & remodeling)	MCM	27.12	23	22.14
c)	Transfer of FGW Tws	No	474	300	174
d)	Rehabilitation of SGW Tws	No	119	200	Completed
3.	<u>Flood Control Programme small flood protection scheme</u>				
a)	(2 nd Flood Project)	No	40	42	Completed
b)	Under Normal Flood Programme	No	38	38	38
4.	<u>OFWM Programme (Revised)</u>				
	Watercourse Improvement	No	10,824	15,000	12,000

MAF:	Million Acre Feet
MCM:	Million Cubic Meters
Mhm:	Million Hectore Meters
Mha	Million hectoros

**PRESENTLY IRRIGATED AREAS AND PROPOSED WATER PROJECTS
(Figure-1)**



ENERGY SECURITY

Energy Security Action Plan

6.68 Energy is the lifeline of economic development. An Energy Security Action Plan (2005-30) has been developed to meet the requirements of Pakistan's Vision 2030 for reliable and quality energy supplies and to ensure that energy deficiency does not become a constraint in development. The main objective of the energy sector development is to enhance energy supply through an optimal mix of all resources including hydropower, oil, gas, coal, nuclear and renewable energy such as wind and solar. It is planned to optimize utilization of the country's indigenous resource to reduce dependence on imported fuel. In view of the public sector resource constraints, an important focus is also creating an environment conducive to the participation of the private sector, both international and domestic.

6.69 The total primary energy consumption is expected to rise 7 fold from 55 million tonnes of oil equivalent (MTOE) to 360 MTOE by 2030. The requirement for power generation would increase more over eight fold from 19,540 MW in 2005 to 162,590 MW in 2030. It is recognized that Pakistan is running out of useable and affordable energy and more efficient use of energy is absolutely vital. While improving efficiency, a major shift is planned towards coal, nuclear and renewables over the long-term period. The share of coal in the energy mix is planned to be increased from the current about 6% to 19% by 2030. However, the energy mix can only be changed gradually over a longer period of time. In the mean time, there is an urgent need for import of gas, both through pipeline as well as Liquefied Natural Gas (LNG).

6.70 The total investment requirements in the energy sector during the next 25 years are estimated at \$150 billion (\$50 billion in the public sector and \$100 billion in the private sector). This works out to an annual average of \$6 billion (\$2 billion in the public sector and \$4 billion in the private sector) and calls for a doubling of the current investment levels.

6.71 The energy demand, the indigenous supply projections, energy supply/demand gap and energy gap coverage strategy are shown in Tables-6.5 to 6.8 below:

Table-6.5
Energy Demand Projects by Fuel

	2005	2010	2015	2020	2025	2030
Oil	16.33	20.69	32.51	45.47	57.93	66.84
Gas	28.17	39.99	52.98	77.85	114.8	162.5
Coal	4.22	7.16	14.45	24.77	38.28	68.65
Hydel	6.13	11.03	16.40	21.44	30.50	38.93
Renewable	0.00	0.84	1.60	3.00	8.58	9.20
Nuclear	0.67	0.69	2.23	4.81	8.24	15.11
Total	55.5	79.40	120.1	177.3	255.3	361.3

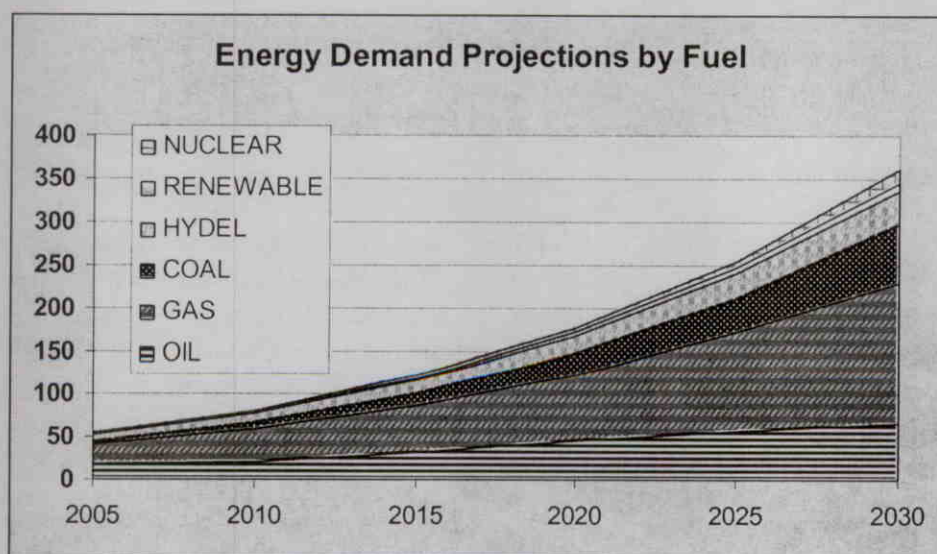
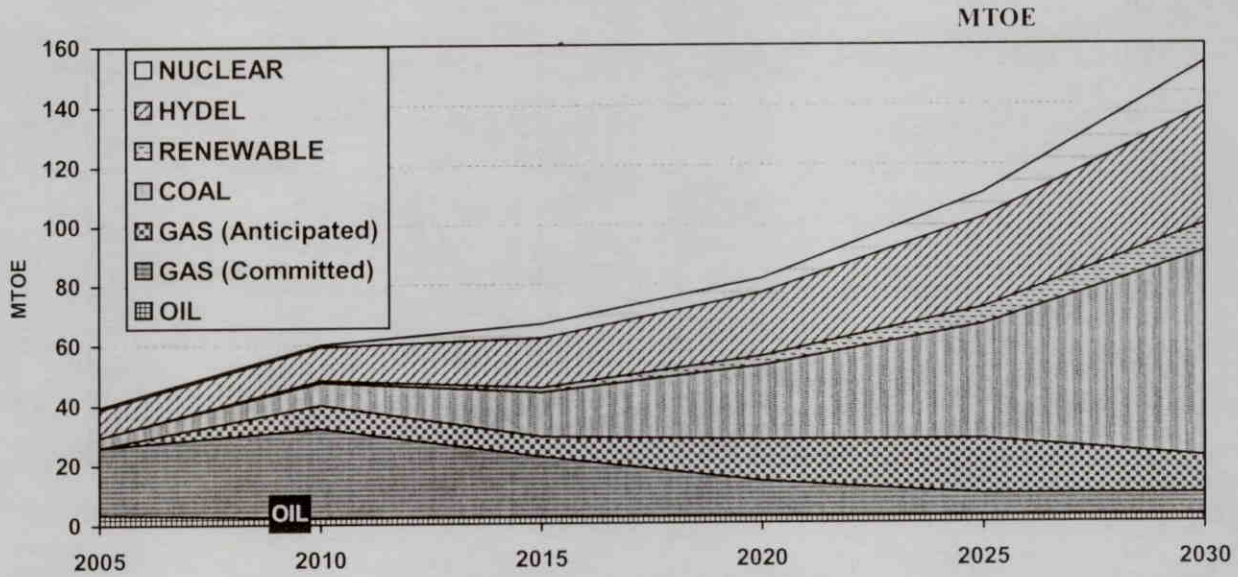


Table 6.6

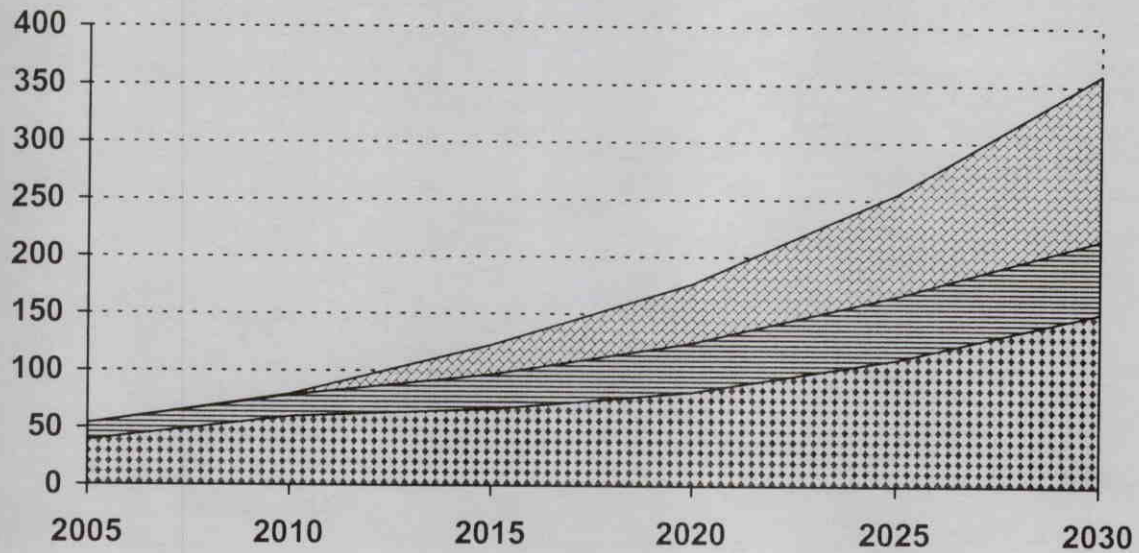
INDIGENOUS SUPPLY PROJECTIONS



	2005	2010	2015	2020	2025	2030
OIL	3.62	2.20	2.18	2.20	2.20	2.20 (1.4%)
GAS (Committed)	22.30	29.93	20.22	11.81	7.29	7.29 (4.7%)
GAS (Anticipated)	1.00	7.85	6.68	13.82	18.34	12.35 (8.0%)
COAL	2.30	7.40	14.81	24.77	38.28	68.65 (44.6%)
RENEWABLE	0.00	0.84	1.60	3.00	5.58	9.25 (6.0%)
HYDEL	9.24	11.03	16.40	21.44	30.5	38.93 (25.3%)
NUCLEAR	0.73	0.69	4.81	4.81	8.24	15.11 (9.8%)
TOTAL	39.29	59.94	66.70	81.85	110.43	153.78 (100%)

Table 6.7

ENERGY SUPPLY DEMAND GAP

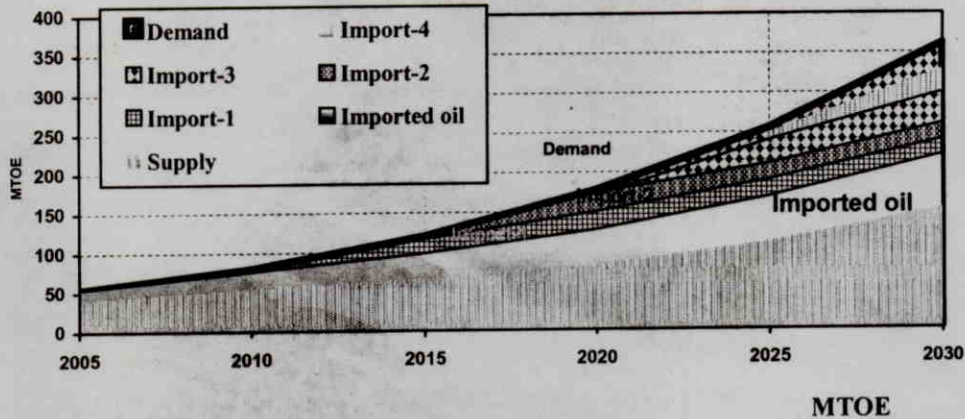


Total Indg.
 Imported Oil
 Gap

	2005	2010	2015	2020	2025	2030
INDIGENOUS SUPPLIES	39.38	59.94	66.70	81.85	110.43	153.79
IMPORTED OIL	14.66	18.80	30.33	43.27	55.73	63.55
IMPORTED COAL	1.00	2.00	2.00	2.00	2.00	2.00
<i>GRAND TOTAL</i>	54.04	80.74	99.03	127.12	168.16	219.34
DEMAND	53.78	79.55	122.96	176.63	255.37	361.47
GAP	0.00	0.81	25.93	51.51	89.21	144.13

Note: Greater explorations as proposed should result in increased indigenous supplies and narrow the demand-supply gap. The dependence on imported energy would accordingly go down and timely adjustment for import of fuel taken to reduce outflow of foreign exchange.

Table 6.8
ENERGY GAP COVERAGE STRATEGY



	2005	2010	2015	2020	2025	2030
SUPPLY	54.04	76.19	98.66	127.11	168.16	220.37
DEMAND	54.05	79.40	120.17	177.34	255.37	361.31
GAP	0.00	(3.21)	(21.51)	(50.23)	(87.21)	(140.94)
Gas Import-1	--	5.0	15.6	15.6	15.6	15.6
Gas Import-2	--	--	5.0	27.0	27.0	27.0
Gas Import-3	--	--	--	5.0	27.0	27.0
Gas Import-4	--	--	--	--	15.0	27.0

6.72 In the oil sector, it is planned that the number of exploratory and development wells to be drilled would be increased from at least 100 wells per year during 2005-10 to 330 wells per year during 2025-30. Plans are also being made to accelerate the exploration of indigenous coal. The import of coal is also being encouraged in the short term for use along with local coal for industrial purposes and for power generation. Based on energy demand supply gap, there is also an urgent need for import of gas. Accordingly, various alternatives for import of gas (particularly from Iran and Turkmenistan) are under active consideration at the highest level for finalization of an option to ensure that the 1st pipeline gas is available by 2010. Establishment of refineries and petrochemical plants in the private sector is also being emphasized. The targets for drilling and gas supply demand projections and investment needs are given below in Table-6.9 and 6.10 respectively. The power generation capacity addition and investment needs are given in Table6.11.

Table-6.9

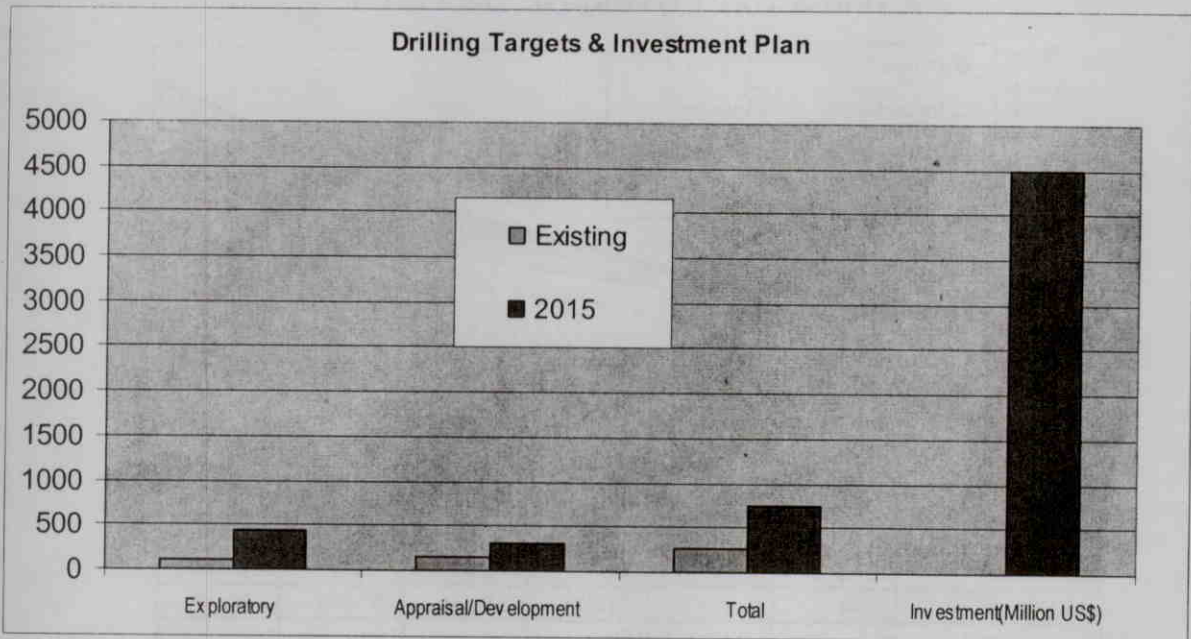


Table 6.10

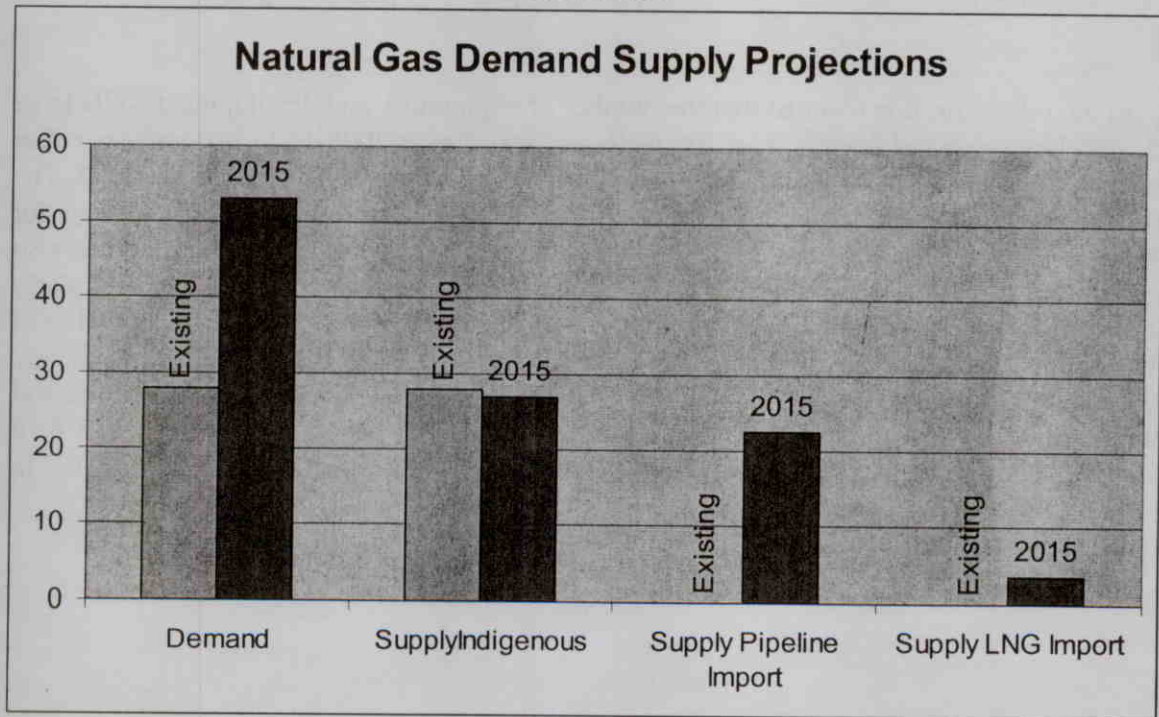
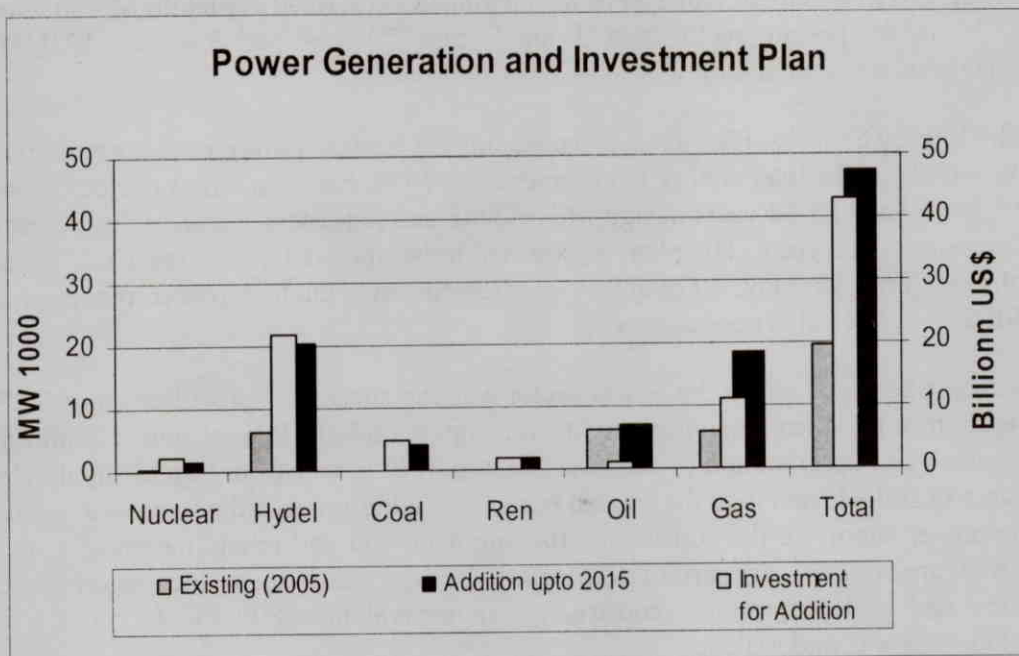


Table 6.11



6.73 Serious efforts are underway for enhancing regional cooperation. Energy Forums have been established with USA and China. The avenues for import of electricity from Central Asian Republics are being explored. An energy corridor is also envisaged under the planned National Trade Corridor, with Gwadar as a hub for energy storages and transportation to regional countries.

Review of 2005-06

(i) Power Sub-sector

6.74 An allocation of Rs. 41,335.9 million (including foreign aid of Rs. 14,783 million) was made for the power sub-sector, including budgetary allocations for corporations. Against the above allocations, the revised estimates for 2005-06 are Rs. 30,550.5 million (including foreign aid of Rs. 8,179.5 million, or 74% of the allocation). The main reasons for the shortfall relate to disruption resulting from the earthquake in the northern part of the country and non-availability of foreign aid for some of the projects of WAPDA. (Annex-6.1)

6.75 The President of Pakistan has announced the construction of five major dams on priority basis and has recently inaugurated the Diamer-Bhasha dam project, which is envisaged to have an installed capacity of 4500 MW.

6.76 The government is pursuing a policy to enhance the power generation by harnessing more indigenous resource based generation such as hydel, coal and gas. In order to improve the hydel-thermal mix towards hydel as well as to augment the existing water storage facilities, the optimal utilization of hydroelectric potential is being accorded priority in the power development programme. In the public sector, construction of the seven medium hydro-electric projects

(Malakand-III 81 MW, Khan Khwar 72 MW, Allai Khwar 121 MW, Duber Khwar 130 MW, Kayal Khwar 130 MW, Golan Gol 106 MW and Jinnah Low Head Hydel 96 MW) is underway. Additionally, in the private sector New Bong Escape 79 MW and Rajdhani 132MW are in advance stages of implementation.

6.77 The Energy Security Plan aims at increasing the nuclear power from current 400 MW to 1300 MW, or 5% of the total energy requirements by 2030. Pakistan's first nuclear power plant, KANUPP, completed its 30 years design life in 2002 and is presently undergoing refurbishment for life extension of 15 years. The plant is expected to be operated at around 100MW capability against the existing 50 MW. Feasibility studies for two nuclear power plants at Karachi (KANUPP-2 & 3) have also been approved.

6.78 A major achievement in the power sector was the successful privatization of KESC. The other programmes included feasibility studies for import of 4000 MW of power from Tajikistan via Afghanistan and up gradation of facilities for import of power from Iran to supply electricity to costal area of Balochistan near the Iranian border. In addition, in order to ensure uninterrupted and stable power supply to the consumers, the augmentation and rehabilitation of transmission network was undertaken. As part of this effort, besides addition to the ongoing secondary transmission and grid programme, construction of several new 500 kV & 220 KV primary transmission lines was undertaken.

6.79 The Power Policy 2002 received encouraging response from private investors. The investors were attracted due to the growing demand for electricity, competitive fiscal incentives and improved macro-economic conditions. As a result Private Power Infrastructure Board (PPIB) has so far processed 45 power projects having a cumulative generation capacity of 11,915 MW. Letters of Interest (LOIs) for 25 projects having 5,422 MW cumulative capacity have already been issued. PPIB is also processing three thermal power projects having cumulative capacity of 1300 MW namely, Uch-2 Power Project (450MW), Faisalabad Power Project (450MW) and Chichoki Mallian Power Project (400MW) near Lahore under International Competitive Bidding (ICB) mode. These projects are expected to be completed by 2010. PPIB is also processing six proposals totaling 1450 MW combined capacity by leading business houses on fast track basis. In addition, capacity expansion of existing IPPs for 775 MW on fast track basis is also in hand.

6.80 During 2005-06, more than 2,000 homes were lit in the remotest locations with solar and micro wind turbines under the programme of Alternative Energy Development Board (AEDB).

6.81 During the year, there was no increase in the total installed generating capacity of 19,505 MW. However, the peak demand of the national grid system increased from 14,501 MW in 2004-05 to 15,410 MW in 2005-06 and the total energy generation is expected to have increased from 86,452 GWh in 2004-05 to 92,026 GWh in 2005-06. It is also estimated that the losses in both WAPDA and KESC system have decreased from 26.25 % in the year 2004-05 to 25.23 % by the end of 2005-06.

6.82 During 2005-06, 985,000 new connections are estimated to have been provided by WAPDA and KESC. It is also estimated that WAPDA would have electrified about 13,000 villages/abadies during the year. (Annex-6.2)

(ii) Fuel Sub-sector

6.83 An allocation of Rs.642.0 million was made for Fuel Sector during 2005-06 excluding non-budgetary corporation programme. Against the above allocation, the revised estimates are Rs.404.0 million, showing 63% utilization. The main reasons of shortfall was the law and order situation in Balochistan, which slowed down implementation of projects.

6.84 Crude oil production during 2005-06 is expected to be about 64,595 BPD against the target of 71,635 BPD showing an achievement of 90% and gas production is expected to be 3,785 MMCFD against the target of 4,189 MMCFD, showing 90% achievement. A total of 60 wells both in public and private sector comprising 26 exploratory and 34 development/appraisal wells, are expected to be drilled against the target of 100 wells showing 60% achievement. The Liquefied Petroleum Gas (LPG) production is expected to be 1,550 tonnes per day against the target of 1,600 tonnes per day showing 97% achievement. Estimated production of coal during 2005-06 is 4.95 million tonnes per annum as compared to target of 3.9 million tonnes per annum showing 27% increase. The refining capacity increased from 12.73 million tonnes to 12.82 million tonnes showing an increase of 0.7%.

6.85 The new Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) Policies have been announced. The LNG Policy provides incentives regarding income tax, import duty and sales tax and lays emphasis on LNG import with private sector investment. The investors are free to choose project structure based on commercial considerations. Under the new LPG Policy, the LPG allocation and prices have been deregulated. Therefore, the LPG prices for producers as well as consumers are not fixed with a view to promote healthy competition and to improve safety and service standards. All the new producers of LPG are now free to market their product themselves or dispose it off through any LPG marketing company. The setting up of a Coastal Refinery in private sector at Khalifa Point having refining capacity of 9 to 13 million tonnes per year has also been announced.

6.86 The regulatory functions in respect of Oil Sector including the fixation and notification of petroleum prices from Oil Companies Advisory Committee (OCAC) have been transferred to Oil and Gas Regulatory Authority (OGRA). The use of Compressed Natural Gas (CNG) in automotive sector is being encouraged and about 800 provisional licenses for setting up CNG stations are expected to be issued by OGRA. About 20 provisional licenses for construction of LPG storage and filling facilities are also expected to be issued by OGRA.

Programme for 2006-07

(i) Power Sub-sector

6.87 An allocation of Rs. 60,313.1 million (including Foreign aid of Rs. 13,075.0 million) has been made for the power sub-sector during 2006-07, including budgetary corporations. This represents an increase of - percent over the allocation for 2005-06. Agency wise details are given in Annex-6.1

6.88 The maximum power demand of the country is expected to have increased from 15,410 MW in 2005-06 to 16,454 MW in 2006-07. This maximum power demand is being met with the existing installed capacity. An additional capacity of 328 MW is expected to become available

during the next year. This includes the Wind Mill Project (100 MW), Power from Sugar Mills (50 MW), 81 MW from Malakand-III hydropower project with a total of 231 MW in WAPDA system. The KESC system would be able to meet a total 97 MW installed capacity comprising of Anode power 17 MW (Diesel set) and DHA Cogen (combined cycle) 80 MW. Meanwhile, the interconnection of Hub power station with KESC has been completed to meet the future growing demand of KESC system. The target set for the total energy generation (including private sector) is 98,239 GWh in 2006-07, an increase of 6.70% over the energy generated in 2005-06. During 2006-07, 810,000 new electric connections would be provided by WAPDA and KESC besides electrification of 15,000 new villages/abadies under the Khushal Pakistan Programme. In addition 26,000 homes will be provided lighting in the remote locations during next year with the use of solar and micro wind turbines under the programme of Alternative Energy Development Board (AEDB). Physical Targets/achievements during 2005-06 and 2006-07 are given at Annex-6.2.

6.89 The Private Power Infrastructure Board (PPIB) is processing fifteen hydel projects with a cumulative capacity of 3,757 MW. These projects are expected to be completed by 2014.

Programme for 2006-07

6.90 An allocation of Rs. 1004.3 million has been proposed during 2006-07 for the Fuel Sector, excluding the non-budgetary corporations programme.

6.91 During 2006-07, the crude oil production is planned to be 74,753 BPD against estimated production of 64,595 BPD in 2005-06 showing 15.7% increase over the previous year. The gas production is planned to be 4,279 MMCFD against the estimated production of 3,785 MMCFD in 2005-06 showing an increase of 13 % over the previous year. The LPG production is planned to increase to 1,650 tonnes per day from 1,550 tonnes per day showing an increase of 6% over the previous year. The coal production is planned to increase to 5.20 million tonnes per annum from 4.95 million tonnes during 2006-07 showing 4.8% increase over the pervious year.

6.92 The Ministry of Petroleum and Natural Resources is undertaking a feasibility study to ascertain techno-economic viability of Thar Coal gasification and extraction of chemicals. The selection of the consultant has been finalized. In addition, Sui Northern Gas Pipeline Limited (SNGPL) is also undertaking a feasibility study for setting up a pilot coal gasification plant at Bhakkar. The selection of the consultants for the study is being processed. Both the studies are expected to be completed during 2006-07.

6.93 Physical targets/achievements during 2005-06 and 2006-07. (Annex-6.3)

MANUFACTURING

Review of 2005 – 06

6.94 The manufacturing sector has improved its output in recent years, growing at a compound rate of 10.9 percent per annum during 2001 – 05. This is an impressive recovery from the stagnation of the nineties (average growth of only 3.9 percent), which had been mainly caused by reduction in investment levels due to lack of continuity and consistency in policies. Political

instability, law and order position in the major industrial centres, transport bottlenecks, as well as unreliability and inadequate availability of power supply at affordable rates were additional factors pulling down the sector. The growth rate had earlier averaged 8.0 percent in the previous three decades.

6.95 Large Scale Manufacturing (LSM) has grown even faster in recent years, touching 15.2 percent in 2004-05. This was facilitated by several factors, chief among them being political and macroeconomic stability, rationalisation of tariffs, increased investments, and improved utilisation of productive capacity. The growth in demand for manufactured products was further fuelled by higher exports and consumer financing in the country. Manufacturing contributes more than 18 percent to GDP, and employs over 14 percent of employed labour force; its contribution to export earnings is about 80 percent.

6.96 During the year 2005-06, the manufacturing sector growth slowed down (as compared to the previous two years), to 8.6 percent against the target of 11.0 percent. Growth in large scale manufacturing (LSM) is also estimated to be lower at 9.0 percent against the target of 13 percent for the year (and 11.3 percent average until 2009-10). The small scale industry performed better, however, growing by 9.3 percent against the target of 7.4 percent. The growth during 2005-06 was 9.0 percent, which is less than the targeted average of 11.3 percent during the five years ending 2009-10.

Items	Growth Rate, %
Cars	29
LCVs/Jeeps	33
Trucks	58
Tractors	16
Vegetable Ghee	13
Cotton Yarn	11
Cement	10
Paper & board	12

6.97 During the year under review, several industrial items have shown significant growth over the previous year (Annex-6.4). Some other items, specially those related with Pakistan Steel, (billèts, HR/ CR sheets, pig iron/hot metal, coke etc.) declined considerably due to obsolete plant and machinery particularly Coke Ovens and By-products Plant which required major repairs/ replacements. Among automobiles, while cars, trucks, LCVs / jeeps and tractors showed healthy growths of 29, 58, 33, and 16 percent respectively, the sector was distorted by import of used cars, and buses, specially the latter whose production declined by 62 percent.

6.98 The consumer electronics/ electrical sector which had seen explosive growth in the previous two years, still grew by a healthy 77 percent for electric motors, 20 percent for air conditioners, 12 percent for TV sets, and 11 percent for refrigerators. Tightening of credit policies was a major factor.

6.99 Among the zero rated sectors, good growth was observed in export of textile made-ups, leather products and sports goods which increased by up to 18.9, 41.6, and 9.8 per cent respectively over the previous year. While this points to the growing competitiveness of these industries and their ability to face global challenges, it also highlights the need for greater diversification and improved design capabilities, in order to capitalize on available opportunities. Pakistan's relative value addition in manufactured exports is shown in Table-6.12.

Table 6.12
Manufacturing Value Added in Exports.

S. No	Country	Manuf. value/capita in exports US \$	Share of Medium/High Tech. goods in Manufacturing (%)	Trade to GDP ratio, %
1	Pakistan	58	10.1	37.3
2	India	38	19.7	28.7
3	China	234	46.6	56.9
4	Brazil	222	51.5	29.8
5	Malaysia	4121	76.2	210.5
6	Korea	3591	70.6	75.9

Ref: UNIDO, IDR 2005

Pakistan's Production of the 39 items which constitute LSM, (with a combined weight of 44.66 percent in manufacturing) is shown in Annexe -6.4.

Issues Affecting Growth

6.100 Several bottlenecks have appeared during the year 2005-06, which have affected growth in the sector. These are:

- i) **Saturation of Capacity** in key sub-sectors such as steel, automobiles, fertilizer, cement, paper and paper board, chemicals. Modernization and investment as has taken place in the textile sector, and is underway in the auto and cement sector.
- ii) **Skills.** Pakistan is facing both a skills shortage, and skills gap in key modern technologies. This reduces optimum operation of plant and machinery.
- iii) **Energy Shortages and Unreliability.** This forces firms to generate their own power which can tie up as much as 12 percent of the capital , while power outages are estimated to cost nearly 6 percent in terms of annual production..
- iv) **Transport and Communication Infrastructure.** The growth in the last few years has placed great strains on an ageing infrastructure which is best highlighted by the spurt in sale of automobiles and motorcycles , resulting in a clogged road network.

This is now being addressed through a massive integrated north-south trade corridor, in which the infrastructure, procedures, and operations will be completely revamped so as to reduce dwell times at ports, and freight travel times by nearly half.

- v) **Certification and Standards.** The MTFD 2005-10 has emphasized infrastructure and facilities for proper certification of quality, safety, and reliability. While some progress has been made, many of manufactured products still lack adequate certification and accreditation, which hinders their wider acceptance locally as well as globally.
- vi) **Productivity Levels:** Productivity has increased, but it is still inadequate to meet global trading challenges. Special efforts are underway to enhance skills and numbers through a holistic.

PSDP Allocation/ Utilization (2005 – 06):

6.101 An allocation of Rs 590.066 million was made for four projects including Japanese aid of Rs 552.072 million against which only Rs 349.066 million were utilized reflecting 59 percent utilization. Two major projects carried out during the year were Balancing and Modernization of Workshop Facilities at Pakistan Industrial and Technical Assistance Centre (PITAC), Lahore, and Up-gradation of Plastic Technology Centre, Karachi. Plastic Technology Centre, Karachi was completed at a total cost of Rs 455.00 million and is expected to start production by June, 2006.

Prospects for 2006 – 07

Policies and Strategies:

6.102. Pakistan has in the middle of implementing important strategic choices to ensure sustainable growth in the manufacturing sector in a rapidly changing and challenging international competitive environment. This involves 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 inefficiencies of import substitution are already giving way to an export led strategy, as is evident from surging exports. The private sector is the key stakeholder in the growth strategy, and would receive its due emphasis, while the role of public sector would be that of a catalyst and an efficient regulator to ensure a competitive market structure. The role of the public sector will be promotional, facilitator and infrastructure development. For the year 2006 – 07, a growth rate of 8.6 percent has been targeted for the manufacturing sector including 9.0 percent for large scale manufacturing and 9.3 percent for SMEs.

Public Sector Development Programme (2006 – 07):

6.103. For the year 2006 – 07, an allocation of Rs 579.123 million has been earmarked for the manufacturing sector which includes development of technical and industrial infrastructure. Some major activities include Development of Industrial Infrastructure in Sindh (Rs 100 million), Supply / Installation / Commission and Operation of 2.0 MGD Water Desalination plant for Gwadar Industrial Estate (Rs 200 million), as well as a survey for AHAN (Aik Hunar Aik Nagar) to be carried out with an ADB assistance of Rs 114 million. The design capacity of the textile / garment sector is being upgraded through hiring of foreign experts on long term basis (Rs 50 million), while the Gujranwala Business Centre (Rs 45 million), Balancing and

Modernization of Workshop Facilities at PITAC, Lahore (Rs 17.393 million) and other projects (Rs 70.123 million) will greatly improve the training, design, and promotional infrastructure in the country.

MINERALS (NON-FUEL)

6.104 Pakistan is endowed with a diversified mineral resource potential, however the growth of the sector had remained confined to construction and industrial minerals e.g., limestone, rock salt, gypsum, marble, dolomite and silica sand. After several years of neglect, the MTFD 2005-10 expanded the scope of the mineral sector to take advantage of the extensive deposits available in the country.

6.105 Many metallic and non-metallic minerals are now 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 about 30 million metric tones (MMT) out of which 23 minerals are important contributors to the economy. Share of the top 5 (limestone, coal, aragonite/ marble, gypsum, and dolomite) is nearly 95 percent. Major minerals/ raw materials presently being imported are iron ores, coal, and phosphate rocks.

Review of 2005 – 06

6.106 The mineral production has recorded a growth of 9.4 percent against the target of 5.2 percent during the year 2005 – 06 showing an impressive increase in mineral activities of the country. Details of estimated major mineral production during the year 2005 – 06 as compared to 2004-05 are given in Annexure – 6.5. In order to enhance capacity of provincial and federal agencies / departments, an allocation of Rs 257.5 million was made for several on-going and new projects in the Mineral Sector against which an estimated expenditure of Rs 198.54 million is expected by June 2006. Major projects executed during the year are:

- a. Ground follow-up of aeromagnetic anomalies in Chagai District, Balochistan (Rs 48.29 million).
- b. Accelerated geological mapping and geochemical exploration of the out-cropped area of Pakistan, (Rs 51.70 million).
- c. Upgradation/ strengthening of Geoscience Laboratories, Geological Survey of Pakistan, Islamabad (Rs 49.00 million).
- d. Accelerated mineral exploration programme of the Geological Survey of Pakistan to identify economic mineral deposits in the country (Rs 8.83 million).
- e. Construction of office and laboratory building for Geological Survey of Pakistan (GSP) at Peshawar (Rs 5.00 million).
- f. Others, including training programmes for mining, development and processing of semi-precious and precious gemstones in the areas of Hazara Division, Malakand Division, AJ&K and Northern Areas.

6.107 One of the world's largest copper deposits has been identified at Rako Dek, District Chagai, and trial production mines are under construction. This is in addition to mining at nearby Saindak, which has produced cumulative blister copper of 36,975 tonnes from 2003, thereby generating a total exportable revenue of nearly 170 million US dollars.

Issues

6.108 The mineral sector suffers from lack of investment in machinery, skills and processes resulting in poor efficiencies and sub-standard products. While this is more visible in the marble sub-sector where primitive methods lead to large wastage, smaller size blocks, and poor quality material, inefficiency and low technology is endemic to the sector. Generally, the mining industry is small scale, working on open quarries, and spread over many sites. It is also inefficient and lacking in modern technology, except for copper being produced at two major sites in Baluchistan.

Other issues are:

- i) Inadequate investment in the Mineral sector which is being addressed through provision of improved in the mineral bearing areas.
- ii) Insufficient detailed surveying and geological/geophysical mapping (only 37% of the country's area is geologically mapped to a scale of 1 : 50,000, while geophysical surveys (gravity and magnetic) have even less coverage, at 21% of the total area. This has now been accelerated
- iii) Inadequate skill levels in the industry, with little opportunity for training, skill development or career progression because of antiquated administrative structures. Training and capacity building of personnel in the federal and provincial Mineral Departments are major programmes. Value addition of gems and other precious stones is receiving special attention
- iv) The (traditional) private sector has shown little interest in moving up the value-addition chain, and has relied on low cost (in some cases primitive) methods of extraction. The health and safety of miners remains an area of concern, which is being addressed through better education and training , as well as enforcement of the revised National Minerals Policy.

Prospects for 2006 – 07

6.109 The focus of the mineral sector during the year 2006 – 07 would be on generation of basic geological data and securing international investment particularly in metallic minerals and coal related energy projects. Regional geological mapping on 1:50,000 scale would increase mineral resource potential besides geological understanding of the respective areas. The National Mineral Policy 1995 is under active revision which will be announced during 2006-07. The revised Mineral Policy will enhance local and foreign investment and accelerate exploration activities in the country. An allocation of Rs 350.96 million has been earmarked for the Minerals (non-fuel) Sector. Proposed major activities in the Mineral Sector during the year 2006 – 07 are summarized as under:

- Large scale geological mapping of prospective sites at appropriate scale in Chagai area, Balochistan.
- Ground geophysical surveys in Dalbandin area, Balochistan.
- Regional geological mapping of 12,000 sq. km area in D.G. Khan, Punjab and Dera Bugti areas, Balochistan.
- Measurement of 20 stratigraphic sections of various geological horizons.
- Geochemical survey of 6,000 sq. km areas in Khuzdar, Lasbella, Dadu, Nager Parker and D.G. Khan.
- Analysis of 4,500 geo-chemical samples.
- Training in gemstone cutting and polishing at Gilgit, Muzaffarabad and Malakand.
- Geohydrological exploration for under ground water development in Chagai District, Balochistan.

6.110 Major capacity building is required in the Mineral Sector and this is the thrust of Medium Term Development Framework (MTDF) 2005-10, particularly in the provinces, AJK and Northern Areas.

6.111 A major emphasis during 2006-07 and subsequent years is the improvement of infrastructure in the mineral producing areas, for which Rs 1.6 billion has been set aside in the MTDF 2005-10. Further, value addition of minerals is underway such as the establishment of a pilot scale plant for production of electrolytic grade copper by PCSIR.

TRANSPORT & COMMUNICATIONS

6.112 Transport is an important sector of the economy contributing 10 percent of the GDP and over 17 percent of the Gross Capital Formation. The sector consumes 35 percent of the total energy annually and is recipient of 20 percent to 25 percent of the annual federal public sector development program. The transport sector covers roads, road transport, railways, ports and shipping, and aviation. The sector has direct and indirect linkage with all important sectors of the economy, which influence economic and social development. An efficient transport system contributes to economic growth by lowering domestic production cost through timely delivery of raw materials (in agriculture and manufacturing sectors), enhancing economies of scale in the production process, and creating economic opportunities and communications links among people. The sector generates a large number of employment opportunities currently estimated at 2.3 million jobs (5.9 percent of employed labour force). It also helps in integrating markets, strengthening competition, and increasing access to improved farming techniques and social services, besides promoting trade, tourism and foreign investment. The sector also contributes to the Government revenues through taxes and duties on production and import of vehicles and parts, petroleum products, and fees on ownership and operation of vehicles.

6.113 The total inland traffic by road and rail transport is currently estimated at 239 billion passenger-km of passenger traffic and 153 billion ton-km of freight traffic. Freight and passenger traffic has been growing at 6.24 percent and 6.65 percent per annum respectively. Road transport accounts for 90 percent of passenger traffic and 96 percent of freight traffic. The deregulation of the road transport services in the 70s has resulted in development of a competitive and vibrant private sector for goods and passenger transport. The road network is about 258,000 km with on-road vehicles at about 4.2 million. The National Highway Authority (NHA) maintains the national highway network while the Provincial Communications and Works Departments are responsible for the provincial road network. Following the implementation of the devolution plan, a majority of the intra-district provincial networks have been devolved to the districts.

6.114 The road transport services are regulated by the provincial governments through the Provincial Transport Departments. The Provincial Transport Authorities (PTAs) and Regional Transport Authorities (RTAs) plan, allocate routes, regulate, enforce and assert day-to-day control over inter- and intra-city passenger transport services, which are dominated by the private sector. Road related public revenue collection is about Rs.32.5 billion per year (52 percent from surcharge on POL products). The total public expenditure on roads is over Rs.30 billion per year, with 65 percent on national highways. The road sector has been the main recipient of public sector funding, consuming about 69 percent of the PSDP allocation for Transport and Communications sector. However, road maintenance expenditures over the years have only been at about 20 percent to 30 percent of the requirements.

6.115 Around 95 percent of the country's imports and exports are handled through the ports. The two existing national ports are handling about 40 million tons of cargo annually. Karachi Port, maintained by the Karachi Port Trust, handles about 30 million tons of cargo, while Port Qasim, maintained by the Port Qasim Authority, handles about 11 million tons. There are 44 airports maintained by the Civil Aviation Authority of which only 25 are operational. There is one major public sector airline and a few private airlines.

6.116 An efficient transport system is a pre-requisite for Pakistan to become globally competitive. The growth in capacity must be achieved while increasing service levels and decreasing costs. Internationally, prices of transport services have fallen due to increased productivity, increased competition between suppliers and pressure from users who face growing global competition in their own markets. There would be need for a higher level of investment in transport with enhanced private sector participation in the provision of transport infrastructure and services.

6.117 The vision for the transport sector is the establishment of an efficient and well integrated transport system that will facilitate the development of a competitive economy and poverty reduction, while ensuring safety in mobility. The strategic thrust is on optimal utilization of the existing capacity, improved management for maintenance and operation and coordinated use of various modes of transport. Private sector participation in the sector would be enhanced and institutional capacity building and Research and Development activities undertaken to enhance sector efficiency.

6.118 The performance of the transport system has been poor, with high economic losses from congestion and poor quality roads and a mismatch between supply and demand for transport services and supporting infrastructure. There are logistics constraints, which impede competitiveness of the country's trade and industrial development. The conventional system towards documentation clearance, movement facilitation and electronic data interchange is yet to be modernized. It is estimated that the inadequate and inefficient transport system is imposing a cost to the economy in excess of Rs.220 billion annually or 8.5 percent of the GDP, constraining economic growth, reducing export competitiveness, and hindering social development. The development of an efficient transport sector has also been hindered due to misplaced priorities and the absence of an approved transport policy.

Review of 2005-06

6.119 The public sector development program for 2005-06 envisaged an outlay of Rs.41,388 million for the federal public sector program comprising Rs.17,322 million for the budgetary program and Rs.24,066 million for the budgetary corporation program (NHA). Against this, an expenditure of Rs.41,851 million has been incurred giving an overall utilization of 101 percent of the total outlay. An expenditure of Rs.17,630 million has been incurred under the budgetary program and Rs.24,221 million under the budgetary corporation program (NHA). Salient features of implementation of the program are given below:

6.120 An allocation of Rs.10,762 million was made for Pakistan Railways, against which an expenditure of Rs.10,723 million has been incurred giving a utilization of almost 100 percent of development program. The main thrust was aimed at the improvement of infrastructure and procurement of essential material for locomotives, coaches, bogie wagons and track rehabilitation of the railway network. Work on track rehabilitation, 450 passenger coaches, procurement of 30 locos, 69 DE locos, 175 passenger coaches and 1300 high capacity wagons continued with further acceleration. Work for conversion of Mirpur Khas – Khokhropar section from meter gauge into broad gauge was substantially completed and made operational in February 2006 to start inter-regional connectivity with India and Central Asian Republics (CARs).

6.121 An allocation of Rs.2,149 million was made in the Ports & Shipping sub-sector, against which an expenditure of Rs.1,882 million has been incurred giving a utilization of 88 percent. Consultancy work on preparation of a comprehensive master plan for Gwadar deep sea port and its related infrastructure & port market strategy was taken in hand. The Gwadar deep sea port project is expected to be completed during the 2006-07.

6.122 An allocation of Rs.24,066 million was made for the National Highway Authority, against which an expenditure of Rs.24,221 million has been incurred on the development program of the National Highways giving a utilization of more than 100 percent. Work on 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 was accelerated. Work continued on rehabilitation of National Highway (N-5), two interchanges of M-2 at Sial Mor & Khanqah Doghran, Islamabad-Peshawar Motorway (M-1), Lyari Expressway, Islamabad-Muzaffarabad Road, Mansehra-Naran-Jalkhad Road, Nutal-Sibi-Dhadar sections of N-65 and Ratodero-Shahdadt-Khuzdar road. Work was completed on the Kohat Tunnel, Pindi Bhattian-Faisalabad Motorway (M-3), Dera Allahyar-Nutal section of N-65 & Indus Highway (Phase-I&II). Preliminary construction works on projects of Chenab bridge at Shersah, five bridges on Gilgit-Skardu road, Indus Highway Phase-III and construction / improvement of existing sub-regional roads under NWFP Road Development Sector project were initiated.

6.123 An allocation of Rs.28 million was made for National Transport Research Center (NTRC), against which an expenditure of Rs.27 million has been incurred giving a utilization of 96 percent. Work continued on the on-going studies / projects namely National Transport Policy project, meant for developing a national policy covering all modes of transport and Pakistan Transport Plan Study.

6.124 The entire allocation of Rs.150.0 million made for the National Highways & Motorway Police (NH&MP) was incurred for acquisition of part of land for establishment of police posts and offices along N-5.

6.125 An allocation of Rs.700 million was made for Planning & Development Division, against which an expenditure of Rs.306 million has been incurred giving a utilization of 44 percent. Work on Upgradation & Expansion of Existing NLC Communication Network and feasibility on the Project for CNG buses for Karachi on Private - Public partnership basis was completed.

6.126 An allocation of Rs.6 million was made for Commerce Division, against which an expenditure of Rs.6 million, all in foreign exchange, has been incurred on completion of the balance work on the World Bank financed Trade and Transport Facilitation Project (Phase-I) for preparation of documents of various transport Acts relating to road, rail, sea and multi-model network in Pakistan.

6.127 Against an allocation of Rs.1,190 million for the Special Communication Organization (SCO), an expenditure of Rs.897 million has been incurred giving a utilization of 75 percent. Works for the on-going projects in AJ&K and Northern Areas continued. These include GSM project for provision of 50,000 mobile telephone connections in AJ&K and Northern Areas, International Gateway Exchange & Earth Station for AJ&K and Northern Areas and Rural

Digital Expansion Project for AJ&K (Phase-II). Work on the laying of Optic Fibre Cable alongwith Transmission System between Mansehra & Gilgit and Gilgit-Skardu and Expansion / Improvement of Telecom Facilities in Northern Areas was initiated.

6.128 Against an allocation of Rs.422 million for the National Telecommunication Corporation (NTC), an expenditure of Rs.200 million has been incurred giving a utilization of 47 percent. 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 were nearing completion and work on Telecom Sector De-regulation projects almost completed.

6.129 The entire allocation of Rs.298 million for the SUPARCO has been utilized on payment of the annual operating & lease for the PAKSAT-I (Phase-I) Satellite.

6.130 The entire allocation of Rs.1050 million for the Civil Aviation Division (CAA) has been incurred on Land Acquisition for Gwadar International Airport at Gwadar.

Programme for 2006-07

6.131 A comprehensive and integrated transport policy will be developed during 2006-07. The Transport development program 2006-07 would be based on a broad strategy that will include establishment of a multi-modal transport system; an emphasis on asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system; enhanced private sector participation in sector development and institutional capacity building, with research & development and use of modern technology, procedures and processes to increase sector efficiency. The strategy also takes into account the regional and domestic scenarios, particularly with respect to rail, road and shipping sub-sectors, enhancing regional connectivity to improve links to the Central Asian States, Iran, Afghanistan and India. During the period, ways and means to improve the transport planning, prioritization and rationalizing public sector expenditure and mobilization of resources from users and the private sector and other institutions governance reforms would be explored. An integrated and holistic approach would be adopted for making transport system more productive, efficient and reliable, which may lower the transport costs and enhance the productivity in the economy. It is planned to revitalize the Railway by transforming it into a commercially oriented entity, while retaining the railway network in public ownership. Development of port infrastructure and rationalization of port charges is envisaged to cater to trans-shipment through the landlord port concept with enhanced private sector participation. Likewise rationalization of airport charges and the development of airports through the private sector are also planned. Benchmarking will be carried out and performance indicators would be developed for each of the sub-sectors to assess progress against envisaged targets.

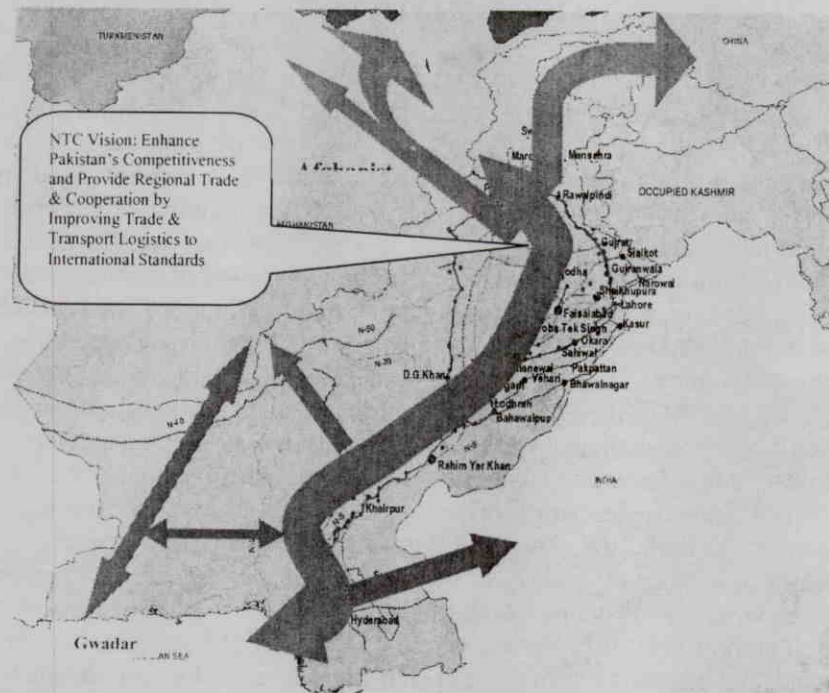
6.132 An allocation of Rs.41,527 million has been made for the development program of the Transport & Communications Sector. This includes Rs.16,487 million for the budgetary program and Rs.25,040 million for the budgetary corporations program (NHA). Salient features of the program are detailed below:

MAJOR INITIATIVES

National Trade Corridor

A major new initiative is the National Trade Corridor. The strategic framework for the National Trade Corridor Implementation Program (NTCIP) has been developed based on a holistic and integrated approach. The objective is to reduce the cost of doing business by improving the trade and transport logistics chain in Pakistan and bringing it up to international standards. A three-pronged approach has been adopted in order to address the trade & logistics issues: streamlining procedures, improving services, and investing in physical infrastructure projects. It is estimated that over the next five years an amount of about US\$ 6.0 billion would be required for the implementation of first phase of the NTCIP, including railways, roads, trucking, ports & shipping, aviation, trade facilitation. The World Bank (WB), the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC) are actively supporting the programme. Under the direct leadership of the Prime Minister, the task of development of proposals for NTCIP and overall coordination, implementation, monitoring and evaluation of the NTCIP has been assigned to the Planning Commission with the Deputy Chairman chairing the Prime Minister's task force. Six committees have been constituted under the task force each chaired by the concerned federal secretaries of the participating Ministries/Divisions, viz; CBR, Railways, Communications, Defense, Industries and Ports & Shipping. With the emerging concept of Energy corridor, Ministry of Petroleum is likely to become part of the task force. A management unit (NTCMU) is being set up within the Planning Commission, to act as the Secretariat. In addition, a Trade & Transport Facilitation Unit (TTFU) is being set up in the Ministry of Commerce. It is envisaged that the World Bank would provide a loan of US\$25 million for carrying out detailed studies on infrastructure sub-sectors and for the operational cost of the NTCMU and TTFU.

National Trade Corridor



Pakistan Railways

6.133 A major step under the NTC initiative is the restructuring of Pakistan Railways on commercial lines. The Railways would be transformed into a corporate entity making profitable business through its core activities. Railways Business Plan is being prepared and a professional CEO would be appointed to run the Railways. Five fast freight trains have already been introduced from Karachi to Faisalabad / Lahore and back. Three more fast trains are expected to be started during 2006-07. The other important initiatives include finalization of track access policy for private sector and outsourcing of container transportation.

6.134 An allocation of Rs.10,882 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, rehabilitation of 450 passenger coaches, recommissioning of 55 stabled DE locos, doubling of Lodhran - Khanewal & Khanewal - Raiwind sections, and other on-going projects. Work will also be embarked on the procurement / manufacture of 75 DE locomotives, 150 passenger coaches, feasibility study and investigation of defects of bridges and proposing remedial measures, construction of railway line and container terminal at Gwadar to provide up-country linkages, setting up of a PMU in the ministry, replacement of old and obsolete gear system from Kotri to Rohri and conversion of Quetta - Zhob meter gauge line into broad gauge line & further extension to D.I.Khan-Bannu-Kohat-Peshawar.

Ports & Shipping

6.135 A Ports master plan study, defining the roles of Karachi Port, Port Qasim and the Gwadar Port would be carried out. The Business Plans of the three ports would be completed. A project

monitoring unit would be established within the Ministry of Ports & Shipping to study the existing bottlenecks in efficient operation of ports and recommend phase-wise improvements required at the ports. Outsourcing of container and other terminals at the ports is also planned. The closure of Karachi Dockyard Labour Board (KDLB) at the Karachi Airport is also envisaged.

6.136 An allocation of Rs.1,220 million has been made among others, to complete the balance civil works and deepening of channel on the Gwadar Deep Sea Port Project, initiate works for acquisition of land and for construction of East Bay expressway at Gwadar.

National Highway Authority (NHA)

6.137 An allocation of Rs.25,040 million has been made for the National Highways program. The National Highway Authority (NHA) would also raise additional funds of Rs.6,000 million through loans from commercial banks by securitizing their toll revenues. The main thrust of the program is aimed at the acceleration of work on the rehabilitation & dualization of National Highway (N-5) on different sections, Islamabad-Peshawar Motorway (M-1): a section of which from Islamabad to Burhan (50 Km) has already been opened to traffic, two 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- Shahdadkot-Khuzdar Road, Qilla Saifullah-Loralai-Bewata Section of (N-70), D.I.Khan-Mughalkot Section (N-50), Realignment of N-65 near Dera Allahyar and Jaccobabad & Bridge on River Jhelum at Azad Pattan. Work will also be undertaken on the Lowari Tunnel, Lakpass tunnel on BOT basis, remaining sections of the Gwadar Ratodero Road (Khuzdar-Khori, Ratodero-Quba Saeed Khan & Gwadar- Turbat), Hoshab-Panjgur-Nag-Baseema-Surab (450 Km long section) & the remaining portion of the Indus Highway (N-55) (Sehwan-Dadu, Dadu-Larkana, Rajanpur-D.G.Khan & Malana Junction-Sarai Gambila Sections). In addition, work will be initiated on the improvement of N-65 from Jaccobabad Bypass to Shikarpur, Quetta-Kalat-Chaman road, Quetta Western bypass, Jhalkhad – Chilas Road, and the National Highway Development Sector program and NWFP Road Sector program. Procurement of land is planned for additional carriageway from Faisalabad to Khanewal (M-4), Lodhran to Khanewal section of N-5, Peshawar Northern bypass, Lakpass Tunnel & Rawalpindi By-pass projects to be undertaken on BOT basis. The projects will increase the total kilometrage of national highway network and contribute towards smooth and safe flow of vehicular traffic on the national highways network.

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

National Transport Research Center (NTRC)

6.139 An allocation of Rs.19 million has been made for continuation of research program and work on the Pakistan Transport Plan Study and National Transport Policy.

National Highways and Motorway Police (NH&MP)

6.140 National Highway & Motorway Police is an effective organization working towards ensuring safety and smooth mobility on the national highways and motorways. It is planned to develop posts and offices along the national highways and motorways, for which the process would be commenced with an allocation of Rs.429 million for acquisition of land. In addition, work will be initiated on road safety under the NWFP Road Development Sector Project as well as Establishment of National Highway & Motorway Police Training Center at Sheikhpura.

Planning and Development Division

6.141 The Planning & Development Division has been allocated an amount of Rs.560 million for the establishment of the NTC Management Unit and the Provision of CNG buses for Karachi city on PPP basis.

Commerce Division

6.142 An allocation of Rs.60 million has been made for the Trade & Transport Facilitation Unit to be established in the Ministry of Commerce.

Special Communication Organization (SCO)

6.143 An allocation of Rs.1,225 million has been made for increasing the telecom connectivity in the remote areas of AJK and Northern areas. The major programmes include development of 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), Inter Transit Main Exchange Optical Fibre alongwith Transmission line System for AJ&K, Interconnect Billing & Custom Support System, and initiation of work on Northern Areas Terrestrial Microwave link, OFC Connectivity along Gupis – Gilgit – Sust, and GSM Expansion for AJ&K.

National Telecommunication Corporation (NTC)

6.144 An allocation of Rs.210 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 and Gwadar / Jiwani and Karachi to Keti Bandar and Telecom Sector De-regulation projects. Work on Shifting of GHQ Circuits from PTCL to NTC Network and Provision of PSTN Legal Interception Facility by the NTC would also be undertaken.

Pakistan Meteorological Department (PMD)

6.145 An allocation of Rs.82 million has been made for initiation of works on 14 new projects scattered all over the country for enhancing the capabilities of PMD.

SUPARCO

6.146 An allocation of Rs.755 million has been made for the SUPARCO.

Maritime Security Agency (MSA)

6.146 An allocation of Rs.40 million has been made for initiation of work on construction of MSA Headquarters Building at Karachi.

Airport Security Force (ASF)

6.147 An allocation of Rs.50 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, barrack accommodations at Islamabad, Quetta, Multan, Faisalabad and one office accommodation for Chief Security Officer (CSO) North at Islamabad airport. Works on reconstruction / rehabilitation of ASF barracks at Muzaffarabad & Rawalakot airports and Tube Well at Quetta airport would also be undertaken.

Civil Aviation Division (CAA)

6.148 An allocation of Rs.100 million has been made for engaging consultants for design consultancy services and initiation of work on the construction of New International Airport at Gwadar.

PHYSICAL PLANNING AND HOUSING

6.149 The Physical Planning and Housing Sectors covers the policy formulation and planning for the development of urban and rural areas, provision of shelter and utilities, drinking water supply and sanitation. It also covers the Government office accommodation and the development of Islamabad. The local development activities are undertaken by the provincial governments, by setting the standards, preparing the master plans, regulation and monitoring of development projects as well as sharing of financial resources with the local governments. The delivery of local services is the responsibility of local governments.

6.150 At independence, Pakistan was a predominantly rural country. While the rural population still constitutes about two-thirds of the total population, the share of urban population has been progressively increasing as a result of the structural transformation of the economy. People move to urban areas because of expectations that cities can provide better employment opportunities and higher incomes. While urban settlement patterns have varied across countries, efforts to significantly restrain migration or urban growth have largely proven to be unsuccessful. To an extent, the development of smaller towns can reduce the migration to metropolitan areas and megacities. Creation of employment opportunities in such areas must be accompanied by investment in social infrastructure. The policies that determine the "terms of trade" between urban and rural areas should ensure that pricing distortions do not encourage migration.

6.151 Rural and urban development are complementary. Strengthening linkages between urban centres and rural areas is necessary to ensure that the two remain mutually reinforcing. Towns and cities provide markets for rural products and jobs to absorb surplus rural labour. If marketing systems are improved for both agricultural products and inputs, production, employment and the scope for private enterprise in rural areas and cities can be increased. Efficient infrastructure and services can facilitate complementary rural-urban development with diversification and commercialization of rural economies. If properly strengthened, the rural-urban dynamics can help ensure that investments in services, facilities, infrastructure and productive activities are located strategically in towns to serve a wide area.

6.152 In recent years, urban population has been growing at the rate of 2.9 per cent annually, among others, due to rural-urban migration and influx of illegal entrants and Afghan refugees. With increasing contribution of the urban economy to national development, the management of urban areas, particularly the metropolitan areas and the megacities of Karachi and Lahore, will play a key role in the country's economic development in the decades ahead. This urban growth will take place in a period of major economic and technological change, dominated by the emerging global economy, a revolution in information technology and an increasing emphasis on

Table-1: Urban Population

Presently, 34 per cent of total population i.e. around 53 million persons live in urban areas

- 448 towns with population less than 100,000;
- medium size towns with population between 100,000 and 1 million;
- 7 metropolitan cities of Faisalabad, Multan, Gujranwala, Hyderabad, Peshawar, Rawalpindi & Quetta with population over one million; and
- Mega cities of Karachi and Lahore.

market-based decision making. These new external influences mean that the country's metropolitan areas such as Faisalabad, Rawalpindi, Peshawar, Multan, Gujranwala, Hyderabad and Quetta, and the megacities of Karachi and Lahore will have to enhance their urban management capabilities and improve integrated development of urban infrastructure and services to provide a better quality of life for their residents (Table-1).

6.153 The urban centres in Pakistan are characterized by haphazard growth, congestion, pollution and unplanned expansion, including settlements along major national highways adjacent to metropolitan areas. This has put increasing burden on an already inadequate infrastructure and contributed to environmental problems including traffic congestion and pollution problems associated with inadequate provision of water supply, sanitation, drainage, solid waste management, and urban flood protection. The situation has been further compounded by the lack of an integrated urban development approach. The inefficiencies in urban services and urban management have resulted in a higher cost for business, slowed urban based economic growth, and led to increased crime, violence and social unrest.

6.154 The infrastructure and services as well as housing and traffic situation in all these urban centres are extremely deficient, requiring immediate substantial improvement involving major investment in urban infrastructure. During 2005, 65% of total population had access to safe drinking water including 85% in urban areas and 55% in rural areas. The sanitation facilities were available to 42% of total population (65% in cities and 30% in villages). The main water supply issues relate to diminishing resources due to population growth, contamination of water bodies, extensive system losses due to weak O&M and poor sanitary conditions with unhygienic disposal of waste water and solid wastes.

6.155 In addition to the backlog of 6 million housing units, the incremental housing need during the MTDF will be 3 million housing units. Increasing the house construction from 300,000 units in 21005 to 800,000 units by 2010 will only cater to the incremental needs during 2005-10. A much larger mass housing construction will be required if the housing backlog is to be reduced during the MTDF. Accordingly, the strategy will be to undertake mass housing programme with enhanced supply of institutional finance and long term fixed rate financing options; increase availability of developed land; enhance proportion of small-size plots for low income groups; undertake high rise condominium development where appropriate, to utilize land more effectively; build capacity for land administration; discourage speculation in land; improve house construction technology including standardization of components for mass production; regularize notified Katchi Abadis complemented by policies to restrain the emergence of new Katchi Abadis; increase community participation in housing and service delivery; provide sufficient and affordable credit for rural housing to meet the needs of shelterless poor; invest in human capital to improve the quality of construction; and put in place legal and regulatory framework to facilitate the development of housing both in urban and rural areas.

6.156 The main aim of the strategy to improve the performance and utilization of water supply and sanitation systems and reduce financial dependence on the Federal/Provincial Governments is by: improving planning and management of capabilities of the involved agencies; by encouraging the involvement of communities; and by promoting community responsibility, particularly for operation and maintenance. The strategy includes (i) adoption of an integrated approach, rational resource use, and the introduction of water efficient techniques, (ii)

containment of environmental degradation, (iii) institutional strengthening, capacity building and human resource development, (iv) improving performance and utilization of local systems through better planning, management and community participation; (v) improving quality of and easy access to water supply, especially for women, (vi) improving sanitation through sewerage and drainage schemes, (vii) promoting increased take up of household sanitation, and (viii) improving the understanding of the linkages between hygiene and health through community education campaigns, especially among the women and children. To effectively tackle the above mentioned issues, the MTDF has proposed a strategic thrust of the planning framework to ensure the integrated fast tract urban development during 2005-10, compatible with the devolved arrangements, by adopting a holistic approach for local development, including: enhancing the rural-urban complementarities and linkages to improve the functional efficiencies for productivity, growth and sustainable development; ensuring equitable and integrated development through provision of infrastructure and services; and developing the public-private partnerships in urban services delivery. To improve the performance of various sub-sectoral activities of PP&H Sector, the MTDF strategy has suggested certain specific measures for implementation by concerned stakeholders, as exhibited in the Table-2.

Table-2: Specific Measures to Improve Sectoral Performance

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

Review of 2005-06

6.157 The Annual Plan 2005-06 had envisaged a financial outlay of Rs 7,536 million for undertaking PSDP-funded PP&H activities at the Federal level, and Rs 3,500 million through Provincial programs. The major allocation (Rs 4,000 million) was for water supply and sewerage to increase population coverage. An amount of Rs 2,000 million was earmarked for urban development, including Rs 1,026 million for roads and Rs 510 million for construction of Government housing and office buildings. Besides, the WWF and OPF were to implement Industrial Workers Housing and Overseas Pakistani Housing programs. The Provincial Governments allocated more than Rs 3500 million for the PP&H sector, with priority to

implement water supply projects mostly in rural areas, and urban development activities including Katchi Abadis upgradation and area development.

6.158 During 2005-06, the PSDP-funded projects increased the coverage of planned water supply from 65% to 68% and extended sanitation facilities from 42% to 43% of the population. Most of the works focused on completing the ongoing water supply schemes in urban and rural areas, and extension of sanitation/drainage networks in urban areas. A major initiative taken during the year was the launching of Clear Drinking Water for All Program, envisaging the installation of 6,035 water purification plants in each Union Councils throughout Pakistan, with the purpose to provide safe drinking water free from harmful contamination to the general public. The overall cost of this programme, to be completed during 2007-08, is estimated Rs 6.50 billion. During 2005-06, around 320 purification plants were installed at Tehsil level.

6.159 As regards the provision of shelter, the development of residential plots remained slow. According to the information supplied by Provincial Governments, around 50,000 residential plots were developed in public housing schemes, whereas in the private sector there was insignificant delivery of new plots. Similarly, the progress on Katchi Abadis regularization and their upgradation could achieve 50% of the target coverage i.e. 0.60 million population coverage in 2005-06. For government housing, hire-purchase schemes were launched in Islamabad and Lahore. The Workers Welfare Fund completed its two ongoing projects of flats construction for the workers in Peshawar and Karachi. Keeping in view the acute shortage of government offices accommodation, the Ministries of Local Government, Population Welfare, Petroleum and Natural Resources, and Foreign Affairs continued the construction of their buildings which are targeted to be completed during the next year.

6.160 The Government has given high priority for effective management of mega and large cities of the country, and a high powered Steering Committee has been set up under the Deputy Chairman, Planning Commission. The Committee has initially focused on Karachi, Lahore, Peshawar and Quetta. The strategic development plans of these cities are being finalized, as per the objectives of the MTDF and the Vision 2030, to make these cities a hub of modern technology and education, professional services and industries, business and trade centres in order to compete with the successful mega cities of the world. The Asian Development Bank is assisting Karachi City District Government to strengthen its institutional and management capacities alongwith the establishment of a Special Financial Vehicle, providing funds for implementing the large urban infrastructure improvement projects. Also, to coordinate various initiatives of urban planning and development, economics and environment with the purpose to achieve sustainable development and growth, the Pakistan Urban Forum is being set up in the Planning Commission to enhance interaction with all the stakeholders, both in the public and private sectors.

Programme for 2006-07

6.160 a Based on the PP&H sectoral initiatives taken during the first year of the MTDF, the PP&H programs during 2006-07 would be continued to achieve the sub-sectoral goals as listed in the Table-3.

Table-3: **PP&H Goals 2006-07**

- To further narrow the gap between housing demand & supply through implementing National Housing Policy including Government Servant Housing & adoption of measures by the federal & provincial Governments to increase housing supply especially for middle & low income groups. Also, encourage corporate sector, banks & private entrepreneurs to make investment in housing.
- To provide water supply & sanitation services to maximum population in both urban and rural areas by developing and extending the water supply and sanitation schemes throughout the country, both by federal and provincial governments. Overall water supply coverage by end on 2006-07, would be increased to 69% (88% urban, 58% rural). Whereas, the sanitation service would extend to national 44% (67% urban, 32% rural).
- Regularize and improve Katchi Abadis and slums as per the approved Policy on Katchi Abadis and National Housing Policy.
- Improve the management of civic services in urban areas as per the recommendations approved under National Housing Policy.

Development of federal capital Islamabad and new satellite towns around the over crowded metropolitan cities; and new townships along the motorways / highways.

6.161 To effectively implement the PP&H programmes, including housing schemes for government employees; provision of infrastructure development schemes; consideration of proprietary rights to dwellers of Katchi Abadis located on federal land; and effective implementation of foreclosure laws, the following activities will be undertaken during 2006-07.

- i). At Federal level through PSDP a large number of projects pertaining to government office buildings, urban development, housing accommodation, and water supply and sewerage will be undertaken, involving an overall financial outlay of Rs 19.733 billion. This includes Rs 4 billion for the Clean Drinking for All Programme, reflected in the Environment Sector.
- ii). An amount of Rs 3.930 billion would be utilized to implement water supply projects in all Provinces including the mega water supply projects of Karachi and Quetta.
- iii). An allocation of Rs 2.5 billion has been made in the PSDP for development of Islamabad including constructing the flyovers / underpasses, urban development and augmenting the water supply as well as rehabilitation / construction of sewage treatment plants. In addition, the Capital Development Authority will invest substantial fund from own sources to implement projects for development of Federal Capital.
- iv). Several projects for the infrastructure development relating to Police and Judiciary, urban renewal and construction of government offices and residential accommodation will be undertaken.

- v). Effective governance of human settlements under Devolution Plan, through the adoption of a two-prong approach (a) immediate improvement in the use of existing administrative resources within the constraints of existing situation, and (b) initiation of long-term improvement, capable of dealing with rapid change under the guidance of Nazims and local governments with better knowledge of PP&H problems and opportunities.
- vi). The Government would continue (a) facilitating the development of housing by private sector; (b) providing site and services, (c) promoting housing finance institutions; and (d) providing house building credit at relatively low mark-up.
- vii). To expedite improvement of Katchi Abadis, the City District Governments, particularly in Karachi and Lahore, would ensure participation of end-users in identifying problems and setting priorities, and prepare the master plans for development of respective areas/cities.
- viii). For efficient delivery of water supply and sewerage services in urban areas, a mechanism would be developed to efficiently recover the full O&M costs; a phased programme of rehabilitating the old water supply and sewerage network will be initiated; water-losses reduced; and the planning and development of water and sewerage projects integrated.

6.162 The overall planned physical targets pertaining to PP&H sector during 2006-07, involving a financial outlay of Rs 19.733 billion at Federal level and the anticipated Rs 5 billion by the Provincial Governments, are summarized at Annex-6.6.

MASS MEDIA

6.163 The media of communication has been undergoing rapid and innovative developments during the last two decades. The rapid technological advancements coupled with unprecedented expansion and enormous outreach has compelled the mass communication in general and the electronic media in particular to redesign their policy foundations in line with the emerging trends. In Pakistan, the electronic media has largely been a domain of public sector while the print media has been predominantly a private sector monopoly. During the last two decades, the Government of Pakistan has allowed the international broadcasters to start their operations in the country, particularly in the urban centers, through cable television broadcasting. Now almost 25 percent of population has access to cable TV broadcasts and the country as a whole is fully covered by Radio and Television signals. This scenario has posed yet a stronger challenge to national broadcasters in terms of content and coverage.

6.164 Appreciating the new trends in the broadcasting sector, the Government of Pakistan has embarked upon an ambitious long-term development programme. It has been planned to introduce state of the art technology in state television and radio. Under an expanded programme of modernization and up-gradation, the five television stations have been provided satellite earth stations and at least two studios at each TV station have been digitalized completely by providing most modern post production, recording and transmission equipment. In the radio sub-sector, the left out pockets have been provided with powerful transmitters to beam their signals to the neighboring countries for a better communication of policies and messages of goodwill.

Review 2005-06

Financial

6.165 An amount of Rs.534.2 million was allocated during the year 2005-06 to the Mass Media sector against which the expected expenditure is Rs.522.4 million. The details of sub-sectoral allocations and expenditure are given in Table-6.13:

Table-6.13

Sub-Sector	(Rs. Million)		
	Allocation	Utilization	Percentage
Pakistan Television Corporation	491.846	480.000	97 %
Pakistan Broadcasting Corporation	27.629	27.629	100 %
Associated Press of Pakistan	6.360	6.360	100 %
Department of Films and Publication	8.400	8.400	100 %
Total:	534.235	522.389	98 %

Physical

6.166 The implementation of a broader long-range programme started in the year 2000 still continues. The major allocation was for replacement of electronic equipment at studios in the five TV Stations. Equipment has been imported and studios have been upgraded at Karachi, Lahore, Peshawar, Quetta and Islamabad. For TV Station at Multan, land and equipment have been acquired and the station is expected to go on air soon. Land has also been acquired for

Rebroadcast Station (RBS) Shakargarh; equipment is being ordered and civil works have been started. The RBSs Umerkot and Qilla Saifullah have utilized funds on civil works. Land and equipment have been acquired for RBS Besham, Buner and Kund Bangla. In the Northern Areas work on RBSs Chilas, Gahkuch, Khaplu, Jaglot/Boonji, Astore and Shigar has been started. In the radio sector, about 60 percent of civil works on 100 KW MW Transmitter and Broadcasting House Turbat has been completed. The project of APP for up-gradation and advancement of technology has been completed; equipment has been purchased and installed. The project of the Department of Films and Publications for digitalization of equipment is expected to be completed by the end of the year.

Programme 2006-07

Financial

6.167 An amount of Rs. 834.437 million has been allocated for Mass Media Sector. The sub sector-wise details are given in Table-6.14:

Table-6.14

(Rs. Million)

Sub-Sector	Allocation	Foreign Aid	Local
Pakistan Television	742.367	0.0	742.367
Pakistan Broadcasting Corporation	92.070	0.0	92.070
Total:	834.437	0.0	834.437

Physical

6.168 The main thrust in the sub-sector is on replacement of old and obsolete equipment and provision of TV signals to all parts of the country. There are still some areas/pockets where PTV signals cannot be received through terrestrial network, therefore, Rebroadcast Stations (RBS) are being set up in these areas. Under the balancing and modernization programme of the current year, besides replacement of studio equipment at all the five TV Stations, main Out Broadcast (OB) Van for Karachi and Islamabad and mini OB Vans for Peshawar and Quetta will be fabricated. Rebroadcast Stations at the Mirpur and Bhimber will be constructed which are a component of TV production and transmission facilities at AJK project.

6.169 The RBS Shakargarh has been provided funds for completion. The TV Station building will be constructed at Multan. Civil works of the Rebroadcast Stations located in Northern Areas namely Alliabab/Karimabad, Chilas, Gahkuch, Khaplu, Jaglot/Boonji, Astore and Shigar will be taken up. New Rebroadcast Stations at the following places have been given funds for acquisition of land and designing work: Kotli Sattian, Talhar, Badin, Kharan, Kohat, Mian Channu, Bar Khan, Jura, Athmuqam, Sharda and Kel. In the radio sub-sector the replacement and up-gradation of equipment is the main objective. Moreover, emphasis is being placed on improving the world and external services. The ongoing project of Radio Station at Turbat will be completed.

6.170 The new projects of Balancing and Modernization of Equipment, phase-V for up-gradation of old and outdated studio equipment of PBC and replacement of two 50 KW short-

wave transmitters by 100 KW short wave transmitters at Karachi have been provided funds for purchase of equipment. The enhancement in the power of transmitters will improve the world and external services of radio Pakistan.

6.171 A comprehensive portfolio has been prepared for mass media in the MTRF 2005-10, which is being implemented through the annual public sector development programmes (PSDPs). A visible change in the media structure has taken place during the last three years and it is expected that a number of projects will reach completion during 2006-07 while other major projects will make speedy headway.

CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS

6.172 The scope of activities associated with culture and tourism has widened throughout the world. The sustained development of tourism supported by cultural activities can be a source of funding for the growth of economy. Pakistan has a unique cultural setting and wonderful natural attractions to invite tourists from abroad and from within the country. Although, the touristic activities have not been dovetailed with cultural development and the sector has suffered worldwide slump during the last five years, still Pakistan has great potential to be an attractive place for the tourists owing to its cultural diversity, centuries old remains of ancient civilization and high mountains in the north.

6.173 Sports is another area where Pakistan claims pride. Despite insufficient resources and lack of proper planning by the respective organizations in the past, the country's sportsmen have been keeping country's flag high. However, during the last five years, the problems, bottlenecks and issues in culture, tourism and sports sector have been addressed adequately. The Government is striving hard to develop tourism through cultural promotion and encouraging sports to provide recreational facilities to the people and to create a soft image of Pakistan across the globe. The Culture, Tourism, Sports and Youth sectors have been strengthened to satisfy the aesthetics of the people on the one hand and to promote Pakistan as active partner in peace and harmony on the other. This policy has been pursued vigorously through enhanced allocations and launching of a number of mega projects. The review of performance in these sectors during 2005-06 is given below:

Review 2005-06

Financial

6.174 The revised allocation for Culture, Sports, Tourism and Youth sub sectors is Rs 985.368 million, which will be utilized entirely. The details are given in Table-6.15:

Table-6.15

(Rs. Million)

Sub-Sector	Allocation	Utilization	Percentage
Culture	621.311	600.311	96 %
Sports	329.073	300.073	91 %
Youth	5.000	5.000	100 %
Tourism	28.980	28.980	100 %
Total:	984.364	984.364	95 %

Physical

6.175 Major funds in the Culture Sector were allocated to the National Monument and National Art Gallery. The National Monument project is nearly 80 percent complete. Work on the National Art Gallery is also in full swing, and June 2006 is the target date for its completion. Equipment has been acquired for air-conditioning of Ethnological Museum and is being installed. The Museum Hall of the National Monument has been handed over to Lok Virsa which have initiated the creative works for the Museum. The project of Museum Educational Services and Public Facilities at Lok Virsa Complex Islamabad has been launched and Lok Virsa has begun offering courses in various fields of art and craft. Quaid-e-Azam's birth place at Kharadar Karachi is being renovated. The conservation and restoration activities at Archeological sites from Taxila to Swat and Rewat to Taxila are continuing. In the Sports Sector, Boxing Gymnasia at Karachi, Lahore, Islamabad, Peshawar and Quetta have utilized funds and civil works are in progress at all these locations. Sports Complexes at Thatta, Badin and Mardan were provided full funding for speedy completion where civil works are in progress. Sports stadiums at Charsadda, Bannu, Lakki Murwat, Skardu, Jhang, and Lodhran have utilised funds and are making good progress. The new projects of sports stadia at Pattoki, Chunian, Nowshehra were allocated funds for taking off. Youth Development Centre at Quetta has been 80 percent completed. In the Tourism sector, the five ongoing projects of motels at Astak, Chaman, Baran Kalay, Hawks Bay and Bunni have almost been completed. The contract for web-site development at Ministry of Tourism has been awarded and development of the site is in progress. Similarly the contract for Research Studies on foreign and domestic tourism has also been awarded.

Programme for 2006-07

Financial

6.176 The allocation for Culture, Sports, Tourism and Youth sub sectors is Rs 510.804 million. The details are in Table-6.16:

Table-6.16

(Rs. Million)

Sub-Sector	Allocation	Foreign Aid	Local
Culture	185.982	0.0	185.982
Sports	251.051	0.0	251.051
Youth	18.181	0.0	18.181
Tourism	55.590	0.0	55.590
Total:	510.804	0.0	510.804

Physical

6.177 National Monument and National Monument Museum are the major projects in the Culture Sector. Both the projects will be completed and are expected to be inaugurated in August 2006. The Museum Educational services and public facilities at Lok Virsa Complex Islamabad will also be completed. Preservation works at Rohtas Fort and Jehangir's Tomb will continue. The project for construction of a National Museum at Islamabad has been allocated funds for preliminary works. In the Sports Sector, the ongoing projects of Boxing Gymnasia at Karachi,

Islamabad and Peshawar, sports stadiums Jhang, Nowshera and Skardu will be completed. The following new projects of sports have been provided allocations for taking off: Sports Medicine Center at PSB Islamabad, Baseball stadium at PSB Islamabad, sports stadium at Saidu Sharif, Dir, Kasur and Taxilla. Hockey turfs for Khuzdar, Muzaffarabad and Gilgit will also be acquired. The Youth Development Center at Quetta is planned to be completed and progress on civil works will be made at Youth Development Center, Peshawar. In the Tourism sector Research Studies project of Ministry of Tourism will be completed. The damaged motels of PTDC in the quake-affected areas will be restored and construction of Bus Terminal at Nankana Sahib has been provided funds for civil works.

6.178 The projects and programmes launched during the last five years are making speedy progress and a visible change is in the offing. After completion of the ongoing projects, the culture and tourism sectors will not only get a new boost but contribute significantly in the economic development of the country by way of larger participation of people in these activities.

EDUCATION FOR THE KNOWLEDGE SOCIETY

6.179 Pakistan intends to become a vibrant 'Knowledge Society' within one generation, which demands certain features and capabilities to be widely present in society. First, it requires a focused investment in education and training (especially technical education), and lifelong learning and development. It also requires efficient and low cost, national and international communications network, and a large number of scientists, engineers technicians & managers to *maintain and improve* the technological infrastructure. These basic requirements are necessary to generate products, processes and services with high - embedded knowledge or knowledge intensity. In addition, excellent public institutions need to be established and stabilised to provide the legal, administrative and regulatory framework.

6.180 Apart from economic value for its user, education is an extremely important instrument for social mobility and cohesion within societies; it serves as a repository and defender of core national values and memories, leading to a society which is innovative and at peace with itself.

6.181 Pakistan is investing heavily in education and its infrastructure in order to meet growing demand for an educated populace and workforce, which offers diverse skills, technologies and management expertise. While considerable improvement has been observed in gross enrolments, the country continues to face some major challenges in providing suitable education in schools and beyond school for its growing population. Basically, the issues can be reduced to six questions of participation, preparation, completion, affordability, benefits and alternative pathways.

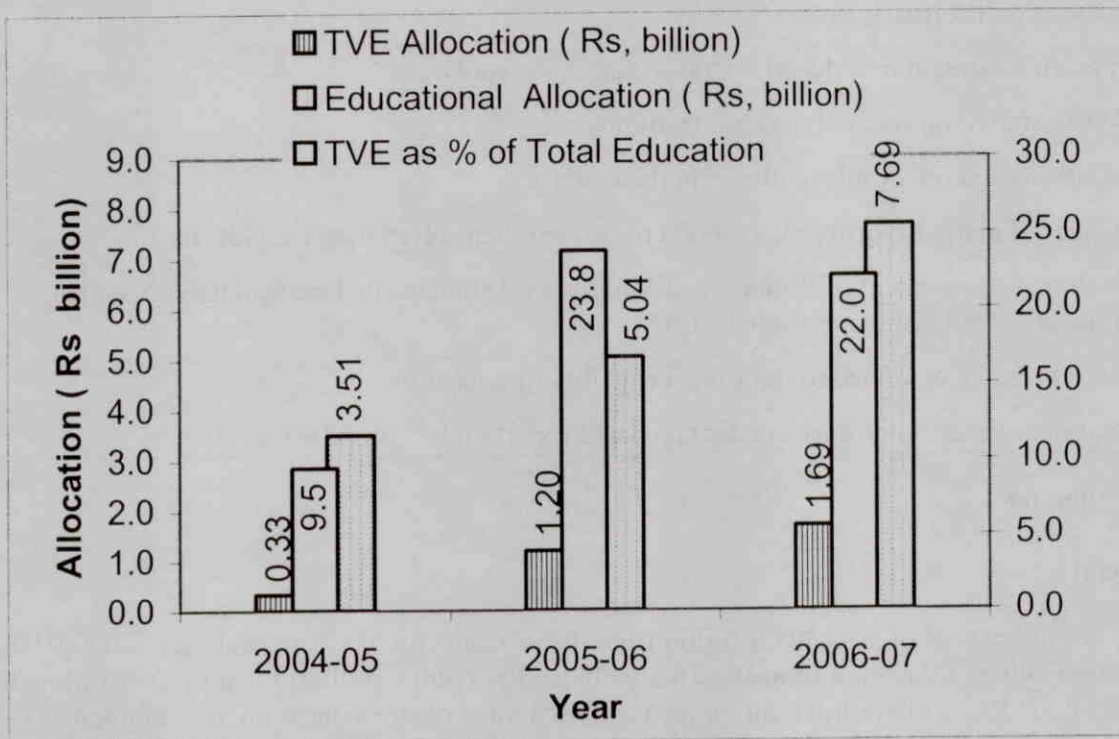
6.182 All tiers of education are facing varying degrees of distress. In recent years much attention has been focused on increasing participation at school and university levels, while the crucial issues of completion and good preparation at the secondary / higher secondary, and vocational / technical education have been relatively less emphasized. Further, college education had been neglected as compared with higher education, both in terms of funding and capacity building, with attention being drawn to this issue in the MTRF 2005-10, with equal emphasis across all tiers.

i) School and College Education

Review, 2005-06

6.183 During the fiscal year 2005-06 an amount of Rs.4562.8 million was provided for the expansion and development of Basic and College Education in Federal PSDP. This included allocation of Rs. 4520.0 million for projects of Ministry of Education, Rs. 32.8 million under Ministry of Defence for school / college education in Cantonments & Garrisons and Rs. 10.0 million under Cabinet Division. Under Labour and Manpower programmes, Rs 515 million was allocated for development of vocational / technical skills. The total allocation for all federally funded vocational and technical programmes was Rs 1201 million in 2005-06 (Fig 1).

Fig 1: Share of TVE as % of total educational Allocations



Major Programmes, 2005-06:

6.184 An amount of Rs.1607.0 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, Revamping of Science Education at Secondary Level and Establishment of Polytechnic Institutes at districts level, 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, establishment of cadet colleges, Basic Education Schools, 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 with NORAD assistance, established community schools in FATA, National Education Census for all categories of institutions

Physical Achievements 2005-06

- Missing facilities in all primary schools were facilitated
- free text books provided to all primary school children
- scholarships provided to needy & talented students at all levels
- Science laboratories and science equipment provided to Secondary schools under Science Education Project.
- Technical stream introduced in 200 secondary schools.
- Work started on five polytechnic Institutes.
- Work started on 9 Cadet colleges in the country.
- Under Madaris Reform project, 6000 registered themselves with the GoP for funding.
- National Assessment of Primary and Middle level students undertaken under National Education Assessment System (NEAS)
- 30,000 teachers trained to improve the quality of education.
- National Education Census under taken and report under compilation.

PSDP 2006-07

Financial

6.185 An allocation of Rs.6598.6 million has been made for the financial year 2006-07 for Basic and College Education projects. This includes Rs. 6560.3 million for projects of Ministry of Education, Rs. 23.0 million for projects of School/ college education in Cantonments & Garrisons under Ministry of Defence and Rs. 15.3 million under Cabinet Division for Center of Excellence for Urdu informatics and production of reading material in national language. Rs 1094 million has also been allocated for skills and vocational / technical development under Labour and Manpower, bringing the overall total to Rs 7692.6 billion for 2006-07, as shown in Fig 1.

Major Programmes

Major Targets for 2006-07

- Establishment of 6000 literacy centers
- Establishment of 15 cadet colleges under President's/ Prime Minister's Directives
- Establishment and consolidation of 50 colleges
- Establishment of 10 Polytechnic Institutes
- Introduction of technical stream in 200 secondary schools
- Provision of funds to 8000 Madaris
- Enrolment of 100000 out of schools children in skill based literacy programme
- Strengthening of 120 teachers training Institutes under Canadian Debt Swap
- Training of 100000 teachers under Canadian Debt Swap
- Repair of 150 earthquake affected institutions of ICT
- Sustainability of earthquake affected institutions of NEF in AJ&K

6.186 An allocation of Rs. 1750.0 million has been made for President's Education Sector Reforms (ESR) specific programmes which include Education For All (EFA), Adult literacy programme, Revamping of Science Education at secondary level, Introduction of technical stream and Establishment of Polytechnic Institutes at district level. 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 "Madrasa Reforms" for introduction of formal subjects in Madaris has been allocated Rs.500.0 million. An allocation of Rs.1337.0 million under Canadian Debt Swap has been made for capacity building of teacher training institutes and training of elementary schools teachers all over the country. Under German Debt swap Rs. 332.8 million has been provided for improvement of Punjab Schools' Libraries and Rs.100.0 million under German Debt Swap-II for education for earthquake affected areas in NWFP.

ii) Higher Education

Review of 2005 – 2006

Financial

6.187 During the financial year 2005-2006, an amount of Rs 11.7 billion was allocated to the Higher Education Commission (HEC), which was reduced to Rs 11.2 billion during Mid-Year Review of PSDP. The portfolio of the HEC during this period consisted of over 347 development projects, of which 123 have been successfully completed, with the remaining in various stages of implementation. It is expected that 86% of the total allocation would be utilized by June 2006.

Physical

6.188 Institutional and thematic quality is assured through the setting of performance metrics and specific time-based targets for all programs, and subjecting them to quarterly performance

reviews. Whilst the majority of programs were rated as operating effectively, deficient programmes were encouraged to improve their shortcomings in a systematically manner.

Human Resource Development

6.189 The indigenous PhD program provided opportunities to 485 scholars making total stock of 2140 candidates working with carefully scrutinised local professors with a demonstrated and consistent record of excellence in research, and a pool of 229 highly-qualified foreign professors placed on short and long-term assignments at universities across the country through the Foreign Faculty Hiring Program. A set of carefully devised measures have been put into place to ensure that international standards of quality are met at each stage in this process. The HEC has also gradually inducted the tenure track system for appointment of faculty members in universities. This offers much higher salaries

6.190 In addition to indigenous programs, over 490 scholars have been selected for award of PhD scholarships to pursue their education in universities in industrialized countries in emerging technologies disciplines, while a further 171 scholars will be supported funding for post-doctoral research at leading international laboratories.

6.191 Faculty development programs were continued, and 390 in-service teachers were trained during the year, bringing the total number of faculty inducted in these programs to 733. These trainings, both short and long term consisted of components to enhance the pedagogical, Information and Communication Technologies (ICT) and subject-specific skills of the participant faculty.

Supporting University Research

6.192 To encourage world-class research and innovation in the universities, over 240 research projects were funded during the year after careful peer reviews; these included research grants, post-doctoral fellowships, and other initiatives to support research.

6.193 A National Committee on Examinations System (NCES) was constituted to devise reforms in examinations systems in order to improve the quality of the learning output. Ten Quality Enhancement Cells have been established under the umbrella of the Quality Assurance Agency at universities across the country to introduce quality improvement procedures within universities.

6.193 A core part of the HEC Quality Assurance Program is the establishment of National Accreditation Councils. In the initial phase (2005-2006), the National Computing Education Accreditation Council (NCEAC) and National Agriculture Education Accreditation Council have been established whilst Councils for Business Management and Teacher's Education are at various stages of approval. These Accreditation Councils will develop internationally acceptable and industrially viable set of criteria and standards for accrediting academic programs in all public and private sector universities and degree awarding institutions across Pakistan.

6.194 In the pursuit of institutional excellence in teaching and research, the HEC has made massive investments to upgrade the physical infrastructure of universities, particularly to cater for the increased enrollment from 3.5% to 4.5% (age between 18-23 years) in higher education,

and to accommodate the students admitted through the various human resource development programs. In addition, the HEC has continued to utilize ICTs and distance education to provide greater access to the masses.

6.195 The revolutionary Pakistan Education and Research Network (PERN), a fiber based intranet, has extended its reach to 60 universities, and provides connectivity of 155 MB across the network. This enables over 20,000 leading journals to be made available online to universities and R&D organizations across the country under the Digital Library Programme. Now a full voting member of the Asia Pacific Advance Network Consortium (APAN), PERN is enhancing its functionality by providing connected universities with additional applications such as video conferencing and 'Voice-over-IP' services for communication between connected universities. Universities and campuses in remote areas have been provided satellite based internet to support the delivery of ICT services.

6.196 The Pakistan Research Repository was launched to in promote the international visibility of research conducted in Pakistan. Established in line with the global movement to promote open access to scientific literature, it will serve as a one-window portal into Pakistani research university research and publications.

Program for 2005-06

Financial

6.197 An amount of Rs 16.3 billion has been allocated to the HEC for the financial year 2006-07, representing a budgetary increase of 46% over the previous financial year. A total of 369 projects will be carried out during the next financial year, with 209 ongoing and 160 projects under new initiatives.

Physical

6.198 The significant increase in the budgetary allocation for the higher education sector for 2006-2007 has been necessary not only to facilitate the ongoing implementation of the major HEC projects, but to fund several new mega-projects. These projects include the establishment of six new engineering universities, and three technology universities in collaboration with Germany, Austria, France, The Netherlands, Korea, China, Sweden, Japan and Italy and will be jointly staffed and administered with the host country, although all costs will be borne by Pakistan. A new Federal Law University is also to be established in Islamabad, with its campuses at each provincial capital.

6.199 The Engineering, Applied Sciences and High Technology sectors will continue to receive priority through the ongoing implementation of a host of development programs. Furthermore, in order to improve access and widen participation in higher education, satellite campuses of existing universities are to be established in towns where opportunities for quality higher education are currently not available to residents.

Human Resource Development will remain a priority area. Available programmes are:

- Local PhD studies 1100 scholars
- PhD programmes abroad 900 scholars
- Fulbright Scholarship Support Program 400 master's + 260 PhDs

The (new) Fulbright programme for Pakistan is the largest in the region and has been launched with funding of US\$ 120 million including US\$ 78 million as grant in aid by USAID. The second phase of the Post-Doctoral program will provide for of postgraduate research by leading Pakistani scientists at premier research laboratories in technologically advanced countries.

6.200 The project for the establishment of the Frontier University for Women Peshawar has already been approved whilst a further one is to be established in Multan to overcome cultural inhibitions which can discourage women in some areas from seeking higher education..

6.201 The flagship research support program will continue to provide funding for the conduct research in cutting-edge technologies at leading indigenous and local laboratories. In a drastic enhancement of a previous program, a further 35 departmental linkages will be established between universities in Pakistan and the UK. These mutually-beneficial linkages will assist in capacity building of departments and introduce improved teaching methodologies, management systems, and curriculum development opportunities to local universities.

6.202 The Pakistan Research Repository will continue to be populated with PhD theses and research articles, to provide a comprehensive open-access portal to the world of the research output of Pakistani universities. The Digital Library Program will be further enhanced in terms of content, training, and functionality by introducing revolutionary technologies to magnify the impact of this pioneering program.

iii) Science and Technology

Review of 2005-06

Financial

6.203 During the financial year 2005-06, an amount of Rs 3892.00 million was allocated for Science & Technology Sector. Out of this, Rs 3071.000 million were earmarked for Ministry of Science & Technology, Rs 596 million for Pakistan Atomic Energy Commission (PAEC), Rs 111 million for Pakistan Space & Upper Atmosphere Research Commission (SUPARCO), Rs 75 million for National Engineering Science Commission (NESCOM), Rs 55 million for Pakistan Metrological Department and Rs 11 million for Pakistan Nuclear Regulatory Authority (PNRA). The allocation for Ministry of Science & Technology was reduced to Rs. 2264.183 million in the 3rd quarter review. It is expected that 90% of the total allocation would be utilized by June 2006.

Physical

6.204 During 2005-2006, the Ministry of Science & Technology had assembled a portfolio of 120 projects with an outlay of Rs.16.00 billion. The overview of important projects of the Ministry revealed that under TROSS programme 93 scholars were placed in various centers of

excellence abroad; another 08 had been selected and would leave soon. At least 4 scholars are expected to come back by end December 2005. Under Water Quality Monitoring Projects, executed during 2005-06, some 33,000 field tests were undertaken by the PCRWR. Pakistan's water standards have been revised by the PSQCA, in consultations with all the stakeholders. In Cholistan desert, some 100,000 population with 2.0 million cattle heads have been stabilized by provision of drinking water around the year. In Baluchistan, concept of Leaky Dams has been successfully tested to improve water supply during lean season.

6.205 The wind power project executed through Meteorology Department established a potential to generate 1,100 MW electricity in a 10,000 sq. km. area in coastal belt of Sindh. The AEDB was provided the data and inputs, to attract private investment. The PCRET also remained active in the field, to demonstrate the technology and its viability. A village in Sindh has been electrified by it where wind power turbines provide free electricity. Additionally, scores of micro hydro-power stations have been installed in remote areas of the NWFP and Northern Areas where WAPDA network does not exist. To respond to the WTO inspection & certification requirements for exports, the Quality Testing Laboratories infrastructure has been, and is being upgraded in a phased programme.

Physical Activities 2005-06

- PCSIR laboratories, out of 7 in the country, have attained the prestigious ISO 17025 certification, and another is due to graduate soon.
- The NPSL Laboratories at Islamabad have been awarded the 'Newton Tree' through the EU after obtaining ISO 17025
- Services were rendered to some 6,600 business/industrial units.
- The CAMB at Lahore has upgraded its R&D Infrastructure.
- Besides DNA assistance in high profile cases, the Centre imparted training to investigation units of Lahore police to enable them to work on scientific lines.
- Under STED Programme, laser land-levelers have been successfully developed through PAEC and are being marketed with extreme success.
- A strategic study for 12 leading sectors of the economy was undertaken in consultation with principal stake-holders in public-private sector for HEC, and for eventual incorporation in the MTDF.
- The construction of Head Offices of PCSIR and PSF at Constitution Avenue, and the PCRWR laboratories at H-8, have been completed. Likewise construction of Ministry's own office-complex on Constitution

Programme for 2006-07

Financial

6.206 In the next financial year (2006-07), an amount of Rs. 5498.8 million has been allocated for Science & Technology Sector including Rs 4431.2 million for Ministry of Science & Technology, Rs 646.1 million for Pakistan Atomic Energy Commission, Rs 375 million for SUPARCO, Rs 38.0 million for NESCOM and Rs 8.5 million for Pakistan Met Department.

Physical

6.207 The progress in S&T sector is mainly dependent on quality technical manpower, modern equipment, requisite infrastructure and institutional facilities in existence. Advancement in scientific knowledge and development of a technological base are essentially required for rapid industrial growth. This emphasizes availability of information about the latest technical developments worldwide. It has, therefore, been planned to establish a Technology Information and Dissemination Unit at PCST to facilitate the industrial sector.

6.208 Establishments of accredited laboratories and trained manpower are required to provide testing, certification services for maintaining quality standards. PNAC is planning to help in lab accreditation. The issue of intellectual property rights (IPR) is of great importance for R&D with regard to industrial technology development. A strong IPR regime encourages R&D and foreign investments on international level. The IPR system is being administered by the TRIPs Agreement of WTO. This agreement is however, not favorable to the economies with a low knowledge base. Awareness about the various aspects of IPR, especially the patents and industrial design, the fundamental outputs of R&D efforts is required.

6.209 The Pakistan Council for Scientific and Industrial Research (PCSIR) undertakes R&D for the development of technologies, processes and products which can be used for the technological up gradation of the industry and improving product quality. The Council also offers technical services e.g. testing, calibration, certification and patenting etc. for the industrial products and processes. It has now established its industrial linkage programme for technology transfer to the local industry.

6.210 Applications of human DNA typing offer a benign method of crime investigation. CAMB has been helping the crime investigation agencies through DNA typing facility in cases of paternity, forensic identification murder besides some high-profile and important cases received from Federal Government. Training is also provided to crime investigation officials in the identification, collection and preservation of biological evidence collected from the crime scene. There is however, the need for expanding applications of previously established DNA typing procedures and generate and preserve DNA profiles of selected convicts.

6.211 Pakistan Council for Renewable Energy Technologies (PCRET), is expanding its silicon PV activities, which will supplement the activities of the Alternate Energy Development Board (AEDB). The Pakistan Council of Research in Water Resources (PCRWR) has established water quality testing and monitoring labs network to support the programme for safe and clean drinking water recently started by the government.

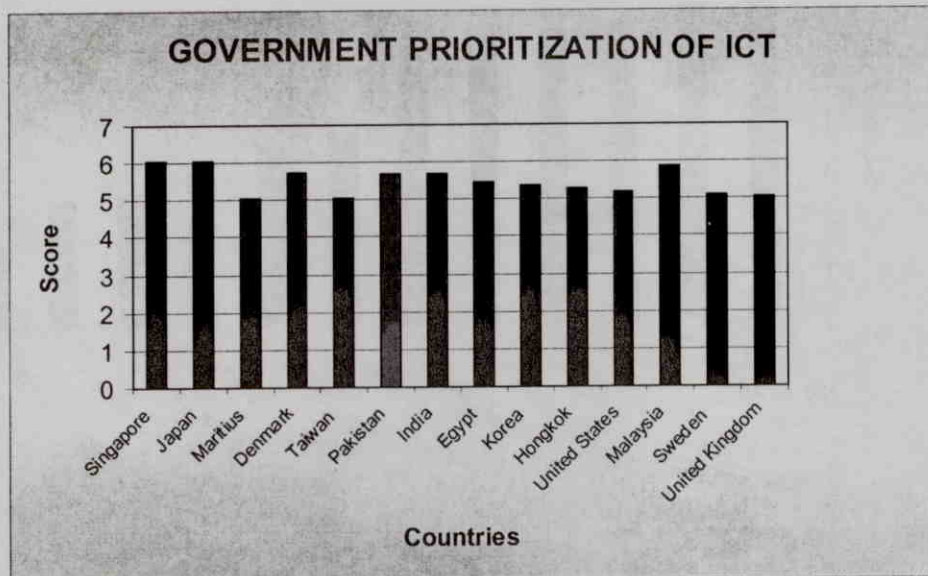
Nanotechnology is another emerging area which is being actively supported. A National Commission on Nanotechnology has been established and seed money has been provided for starting projects in Nanotechnology and nano-biotechnology.

6.212 National Institute of Oceanography (NIO) Karachi would be revamped and reinvigorated to undertake the next phase of demarcation of our EEZ. Participation in the International Seabed Authority (ISBA) meetings and Antarctic Research Programme are continuing.

INFORMATION TECHNOLOGY

6.213 Information Technology has brought about a revolution in economic growth of most developed and emerging economies through its strong restructuring impact on economic activities and processes. IT is influencing every aspect of human life be it trade, services, manufacturing, government, education, research, entertainment, culture, defense, communications etc. It has been the greatest change agent of the present time and is expected to play this role even more dramatically in the coming decades. It has also become the determinant of the progress of nations, communities and individuals.

6.214 From the IT revolution, a new kind of economy namely "K-Economy" has emerged in which knowledge, creativity and innovation play an ever-increasing and important role in generating and sustaining growth. In this economy, knowledge is the most critical factor of production and generates more wealth than other traditional factors of production, land, labour and capital. The Medium Term Development Framework of the Government of Pakistan places emphasis on transforming the existing economy to a K-based economy in least possible time and this is also substantiated by the data from the "Global Information Technology Report for 2004-05 published by the World Economic Forum.



Review of 2005-06

Financial

6.215 During 2005-06, an allocation of Rs. 3,620.761 million was made for the development of Information Technology Sector. The major allocations were for the projects of Ministry of IT and Ministry of Interior. Utilization was 98% of the allocated funds.

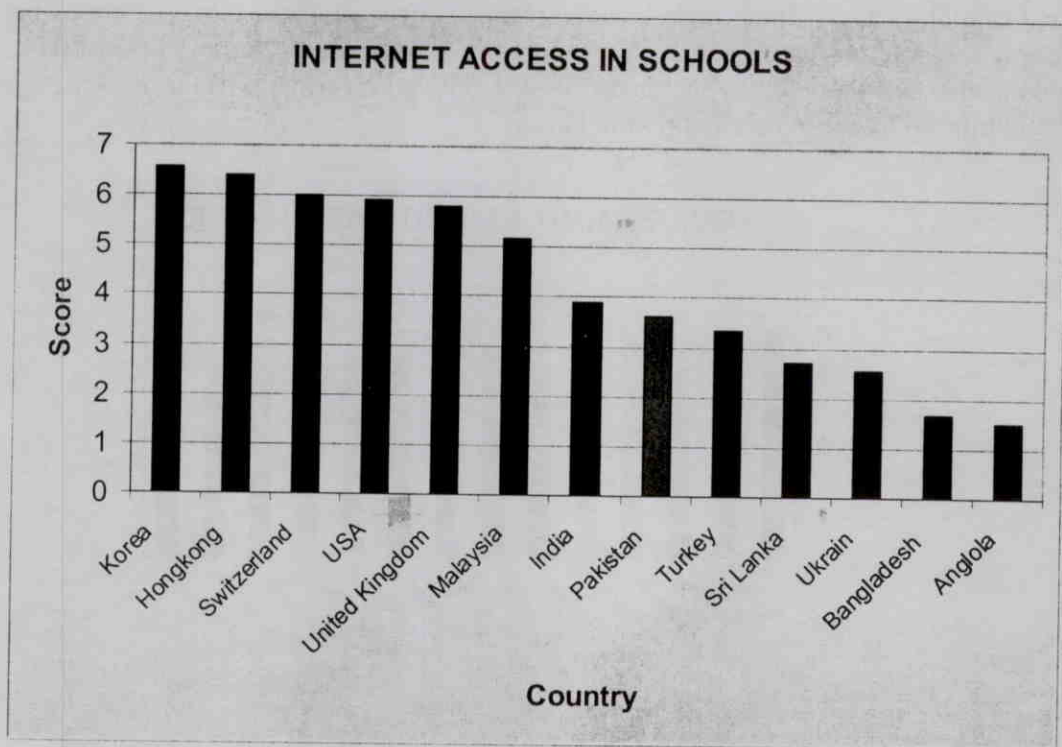
Physical

6.216 The main programmes and achievements are summarized below:

E-Governance Program

6.217 The Electronic Government Directorate (EGD) of MoIT and M/o Interior are leading the efforts in E-Governance for the Government of Pakistan. Following are the major achievements regarding various E-Governance initiatives:-

- Urdu Lexicon has been developed which will increase the use of Internet by the common citizen's manifolds. This will extend the benefits of IT Technology to the rural population in Urdu language. The present status of usage of internet in Pakistan vis-à-vis other countries is as follows:

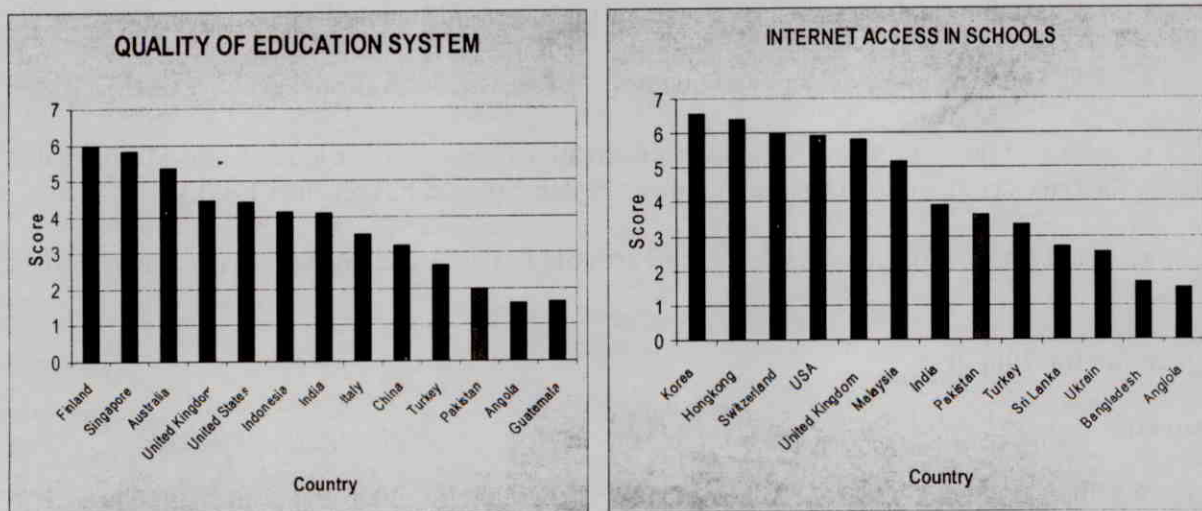


- Automation of National Assembly and Senate is nearing completion. This will improve the efficiency of the Government by integrating the core functions on an electronic platform.
- Provisioning of Hardware and Licensed Software in 31 divisions of Federal Government was completed. Deployment of Network and Fiber equipment in 28 divisions was also completed.
- Fiber Deployment for connectivity of 52 major entities of Federal Government with NTC was initiated

- Internet Services were provided to 7 Divisions of the Federal Government.
- The facility of Machine Readable Passports has been provided to 28 Regional Passport Centres and 10 foreign missions. The project is being implemented by the Directorate General of Immigration and Passports.
- A Police Record and Office Management System is being designed to improve the functioning of Police all over Pakistan by the introduction of IT.
- The project is being implemented by the Pakistan Police Bureau.
- A project for Personal Identification Secure Combat and Evaluation System is being implemented by FIA to computerize the record of people entering and leaving Pakistan through land, sea and air routes.
- A project for automated finger print identification system is being implemented with the assistance of US Government to combat terrorism and crimes by capturing fingerprints of all criminals captured by the police through digitization in a database.
- A project for the establishment of a motor vehicle registration system in the Islamabad Capital is being implemented by the Chief Commissioner Office in Islamabad.

Human Resource Development

6.218 The Pakistan Computer Bureau is working with the Ministry of Education and Provincial Education Departments not only for improving the quality of education but also for the provision of I.T. training to the Federal and Provincial Government Employees. A comparison of the quality of education and the availability of internet access in schools with other countries is as follows.



Source: Global Information Tech Report- 2004-05

6.219 Pakistan Computer Bureau is implementing a mega project for the provision of IT Teachers and establishment of Computer Labs in 11% Government Secondary and Higher Secondary schools all over Pakistan apart from other projects for HR development. The achievements of PCB are as under:-

- Implementation of a mega project in collaboration with Provinces that would result in establishment of IT labs and provision of IT teachers in 1,100 secondary schools throughout the country is under speedy implementation. So far, 468 computer labs have been established in various schools (and another 95 are at completion stages) and 1500 IT Teachers and Lab Incharges have been appointed in these schools.
- Establishment of IT Labs and recruitment of 252 I.T. Lecturers/I.T. Teachers, I.T. Lab administrators and Lab attendants in 81 F.G/Model Colleges and Schools in ICT, Islamabad was completed.
- Training was given to 1,500 officers/officials of Federal Government in computer applications.
- Over 2,000 persons both from public as well as private sector were trained in Linux Operating System & Open Office Tools and training to over 300 persons from public as well as private sector has been provided in Linux Systems Administration and Networking operations.
- Over 200 students of National College of Arts Lahore were trained in Graphics, Multimedia and Animation. Training to the remaining 150 students is in progress.

IT Industry Development Program

6.220 The Software Export Board is mainly responsible for the development and promotion of local IT Industry. PSEB has achieved following milestones under various development projects:-

- Certification of 107 software companies on ISO 9000 standard was completed.
- 7 IT and IT enabled services companies were certified at various levels of CMMi.
- 600 interns were placed in the current financial year with various IT and IT enabled services companies. The total number of interns placed has reached 1700.
- Land for establishment of Software Technology Park in Islamabad was acquired from CDA.

Programme for 2006-07

Financial

6.221 In the Public Sector Development Programme 2006-07, an amount of Rs.3,727.411 million has been earmarked for the development of Information Technology Sector. Substantial funds are allocated for the implementation of E-Governance, development of

IT Industry and Human Resource. It is anticipated that such significant investment will spur research & development and expand employment opportunities.

Physical

6.222 It is estimated that 107 IT projects will be implemented by various Ministries and Divisions in the financial year 2006-07. The basic emphasis will be on the following areas as described in MTFD 2005-10:

E-Governance Programme

6.223 Major thrust will remain on e-governance as nearly 50% of the total IT projects are for e-governance. Important new initiatives include:-

- Automation of District Courts and Case Management System in Punjab, Sindh, NWFP, Balochistan and AJK
- Land Revenue Records Management System in Rural Areas of ICT
- Automation of TCP
- Federal Government E-Procurement System
- E-Office Replication at 41 Divisions of the Federal Government
- Federal Government E-Procurement System
- Computerization of Police Stations

Human Resource Development

6.224 Pakistan Computer Bureau will continue work for the development of IT skills through various HR development projects. It is envisaged that:

- A follow up project for the establishment of IT Lab and hiring of IT teachers/lab administrators in 5,000 schools will be approved.
- IT training of 5,000 employees of the Federal, Provincial and AJK government shall be provided.
- Under the project titled "Capacity building of local IT industry", approximately 100 individuals will be trained in the areas such as networks, system security, software architecture and management. The trainings will be held in major cities of Pakistan.

IT Industry Development Program

6.225 The Ministry of IT in collaboration with the software industry will continue to create projects with a mix of conventional as well as aggressive approach to support our IT industry. Projects like internships, standardization of Pakistani Software Industry, participation in local and foreign IT exhibitions would be continued. The E-Governance program of the Government will create a large demand for application and services. It is expected that Local IT Industry will benefit the most. Other important targets include:-

- Setting up of new IT parks in Islamabad and Lahore.
- Establishment of Venture capital fund for IT and IT enabled services sector.
- Certification of 10 IT companies on CMMi level 2.
- Training of professionals from the IT companies in project management, network security and software industry standards.
- Placement of 2500 interns with IT and IT enabled services companies.

HEALTH AND NUTRITION

Health

6.226 The objective of the Health Sector is to strengthen the primary health care and to provide quality care to reduce infant, child and maternal mortality & improve the nutritional status of children below five years.

Review of 2005-06

A. Financial

6.227 PSDP allocation for Health Sector during 2005-06 was Rs.9936.38 million, whereas the revised estimates were Rs.9, 069.56 million. Priority was accorded to the preventive programmes including new initiatives like Prime Minister's Programme for Prevention & Control of Hepatitis, National Programme for Prevention & Control of Blindness, & National Programme for Prevention & Control of Avian Pandemic Influenza.

B. Physical

6.228 The Health Sector performance in terms of physical infrastructure i.e. Rural Health Centers, (RHC), Basic Health Units (BHU) and Hospital beds have been encouraging. The achievements in the health sector during 2005-06 are given in the following Table-6.17.

Table-6.17

Rs. Million

S/.No	Sub-Sector	Targets (Nos)	Achievements (Nos)
A. Rural Health Programme			
i.	New Basic Health Units (BHUs)	38	35
ii	New Rural Health Centres (RHCs)	7	5
iii	Upgradation of existing RHCs	12	10
iv.	Upgradation of existing BHUs	34	32
B.Beds in Hospital/ RHCs/ BHUs		2,000	1750
C. Health Manpower Development			
i	Doctors	5000	4500
ii	Dentists	450	400
lii	Nurses	2300	2200
iv	Paramedics	5000	4500
v	Training of LHWs	58000	48000
D. Preventive Programme			
i	Immunization (%)	80%	77%
ii	Oral Rehydration Salt (ORS) (Million Packets)	19.00	18.00

6.229 To achieve the MDGs and PRSP targets, the following programs were implemented during 2005-06:

- 1) **National Programme for Family Planning and Primary Health Care**
The project aims at increasing the access of health services at grass roots level through deployment of 100,000 Lady Health Workers. The number of LHWs was: 85,000 during 2004-2005 and increased to 96000 during 2005-06. Rs. 3880.00 million were allocated to the project for the year 2005-6 which is almost half of the total Health Division allocations.
- 2) **National Programme of Immunization**
The project envisages immunizing 5.4 million infants against seven preventable diseases besides 25 million children against Polio and 35.22 million childbearing women against Tetanus per annum. An allocation of Rs.985.00 million was made to the project for the year 2005-6. Resultantly the EPI overall coverage has improved to 77%.
- 3) **Roll Back Malaria Control Programme**
The project aims at keeping Malaria under control by selective spray, treatment

and provision of impregnated bed nets and provision of anti malarial drugs all over the country. An amount of Rs.33.00 million were allocated for the year 2005-06. The implementation of the project is reported to be satisfactory as the caseload of Malaria disease is under control according to the WHO standards.

- 4) **National AIDS Prevention and Control Programme**
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.253.00 million was allocated for the year 2005-06.
- 5) **National Tuberculosis Control Programme**
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 all levels are upgraded and after proper diagnosis free treatment for nine months is provided at the doorsteps of the people. Rs.25.00 million were allocated to the project for the year 2005-06. About 120,000 TB patients were diagnosis and treatment provided during the period under review

Programme for 2006-07

Financial

6.230 An amount of Rs.12, 333.683 million have been allocated in the PSDP (2006-07). The total outlay set aside for Health Division is Rs.9439.107 million. Major portion of the allocation goes to preventive programmes. There is an increase of Rs.2884.576 million (52 %) in the Health sector allocation over the 2005-06. Agency wise allocation is given in the following Table-6.18:

Allocation for 2006-07

Table-6.18

	(Rs. Million)
Health Division	11,010.00
Pakistan Atomic Energy Commission	1,084.00
Narcotics Control Division	30.45
Cabinet Division	204.00
Interior Division	5.233
Total	12,333.683

Physical

6.231 The physical targets during the year are addition of 2,200 hospital beds, graduation of 5,050 Doctors, 460 Dentist's, 23,000 Nurses and 5,500 Paramedics. 30 RHC's and 70 BHU's are also proposed to be established/ upgraded during the period. Under the Immunization Programme, 80% of children will be vaccinated against 7 communicable diseases while management of diarrhea 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 2005-06

Financial

6.232 Rs. 646 million were allocated for the year 2005-06, out of which Rs.70 million are expected to be utilized. These allocation and expenditure figures have been reflected in the Annual Plan Chapters and PSDP of the respective sponsoring ministries. The major programs are 1) Tawana Pakistan Project, School Nutrition Package for Girls sponsored by Ministry of Social Welfare 2) Improvement of Nutrition through Primary Health Care Project sponsored by Ministry of Health 3) Salt Iodization Programme by Planning and Development Division. The low utilization is due to reasons that allocation for Tawana Pakistan and Salt Iodization projects was surrendered by the sponsoring agencies.

I. Food Availability

6.233 The overall food availability in the country has been sustained to meet the national requirement across regions. Availability of major food items during the year remained satisfactory and depicted an increase in supply over the previous year. In terms of nutritional point of view average caloric availability per day increased from 2271 to 2328.

II. Programmes

6.234 The following programmes remained in progress during 2005-06.

A Micronutrient Deficiency Control Programme

6.235 The major micronutrient deficiencies are Iodine, Iron, Vitamin-A. Specific programs, which remained under implementation during the period are Control of Iodine Deficiency Disorders, Control of Iron Deficiency Anemia and Control of Vitamin A Deficiency.

B. Nutrition in Primary Health Care (PHC)

6.236 Improvement of nutritional status of women, girls and infants is addressed by providing PHC nutritional services. Lady health workers provided micronutrient supplementation and awareness across the country.

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

6.237 A nutrition targeted program covers schoolgirls in 5300 schools of the 29 poor districts across the country, providing food, micronutrient supplementation and deworming. The implementation of the project remained slow and incomplete as compared with the envisaged targets. The programme has been temporarily suspended. A third party evaluation of the project has been conducted to redesign the methodology and scope of the project.

Programme for 2006-07

6.238 Rs. 96 million have been proposed in PSDP 2006-07 for the ongoing and new programme in nutrition by different ministries. These figures have been reflected in the Annual Plan Chapters and PSDP of respective sponsoring ministries. In the context of poverty, progress in MDGs is directly related to intensity of nutritional problems prevalent in the country. Specific programme with the aim to control micronutrient deficiencies, Infant mortality and low birth weight will be started in different ministries and provinces. The persistent malnutrition which leads to poor education performance, low labor productivity and poverty will be tried to be overcome. The physical targets and activities for 2006-07 are given as under:

A. Food Availability

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

B. Nutrition in Primary Health Care

6.240 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.

C. Tawana Pakistan Project

6.241 The project design and scope will be revised to provide the complete package of nutritional activities. The project activities will be revamped to cover target schools and improve nutritional status and educational performance of the girl students in the poor districts.

D. Food Security

6.242 Indigenous production and promotion of weaning and supplementary foods will be undertaken and community programmes launched to improve nutritional status of women and children.

POPULATION AND DEVELOPMENT

Review of 2005-06

6.243 The total population of the country (1st July, 2006) is estimated at 156.26 million. There is a net addition of 22.94 million (17.2 %) in the total population of 1998 National Census. The endeavour of Population sector (both public and private) for demand creation remained satisfactory, particularly organizing the two International Ulema Conferences during the years 2005 and 2006 for mustering the support of Ulema from Muslim countries where the Population Programmes have been very successful.

Financial

6.244 In the 1st year of MTFD (2005-10) Population Welfare Programme was allocated an amount of Rs.4474.0 million which was 43.6 percent and 106.0 percent higher than the allocations and expenditures of 2004-05 respectively. The Programme has utilized Rs.1775 million upto April 2006. It is expected that the expenditures would be over Rs.2700 million by the close of current financial year.

Physical

6.245 During the period under review the performance of the Population Welfare Program remained slow. As per the decision of the ECNEC the programme had to shift all the Family Welfare Centres (FWCs) to the BHUs, RHCs or larger dispensaries of the Health Departments by the end of March 2006. The Programme has however, shifted 380 FWCs upto end April 2006, which is only 16.5 percent achievement. A total of 2206 FWCs have been established against the target of 2479, 204 MSUs against the target of 264 and 118 RHS-A Centres against the target of 180.

Contraceptive

6.246 As against an overall target of 8.717 million users, the sector has served 2.3 million users by the end of March 2006. It is estimated that a total of 3.5 million (40.2%) users will be served by the end of June, 2006.

6.247 **Public Sector:** The Ministry and Departments of Population Welfare have been able to serve 1.191 million users of contraceptives by the end of March, 2006. It will serve an estimated 1.6 million users including 0.044 million contraceptive surgery (CS) cases by the close of 2005-06. The share of the public sector in the overall performance remained at 47.8percent

6.248 **Private Sector:** The performance of the private sector particularly the Social Marketing Companies has been encouraging and has served an estimated 1.476 million users during July-March 2005-06 and will serve an estimated 1.968 million users including 0.126 million CS cases by the close of June, 2006. The private sector surpassed the public sector in the overall performance which remained at 52.2 percent.

Prospects for 2006-07

6.249 The Medium Term Development Framework (MTDF) envisages for achieving the following objectives during 2006-07:

- Decrease the population growth rate from an estimated 1.80 percent in 2006 to 1.76 percent in 2007.
- Increase the contraceptive users from the existing 3.5 million to 5.689 million in 2006-07.
- Reduce the total fertility rate (TFR) from the existing estimates of 3.28 per thousand to 3.13 per thousand in 2007.
- Increase the deployment of lady health workers from the existing number of 96,000 to 100,000.

Enhance the involvement of private sector i.e. NGOs / civil society organizations and social marketing companies projects.

Financial Allocations

6.250 **Public Sector:** In line with the MTDF commitments and the need determined through the Medium Term Budgetary Framework (MTBF) exercise an allocation of Rs 4369.0 million has been earmarked for the population sector in the financial year 2006- 07. There is an increase of about 62 percent in the allocation over the estimated expenditure of Rs 2700 million during 2005-06.

6.251 **Private Sector:** The Government will consider as to how the Government funding could be extended to private sector. The MTDF however, earmarks a provision for the private sector.

Physical Targets

6.252 **Public Sector:** The Ministry and Departments of Population Welfare will establish 2676 Family Welfare Centres, 311 Mobile Service Units, 169 Reproductive Health - "A" Centres and involve 7211 service out lets of provincial line departments including health departments, 25650 registered medical practitioners, 26120 hakeems / homeopaths and recruit an additional 1003 male mobilizers at union council level during the next financial year (2006-07).

6.253 **Private Sector:** The private sector particularly the social marketing companies and big NGOs namely, Family Planning Association of Pakistan and Marie Stopes Society etc. will provide better quality of services at the door steps and at competitive prices through their outlets in the underserved urban and peri-urban areas. The social marketing companies will continue to work in 2006-07 with the aim of making family planning service available more widely at subsidized rates and provide modern and traditional methods of contraceptives to the low and lower middle income groups of the population throughout the country by involving over 78,000 outlets.

EMPLOYMENT

Manpower

6.254 There is increasing evidence that country is beginning to experience skill gaps and skill shortages. The vocational training and skill development is a major input envisaged to address youth employment generation, having high sectoral priority during next financial years. The Annual Plan 2005-06 was an initiation towards key strategies laid down in the MTDF. Review of the plan 2005-06 is as under: -

Review 2005-06

Financial

6.255 An allocation of Rs. 561.5 million was made in PSDP 2005-06 which was revised in the 3rd Quarter Review of PSDP 2005-06 to Rs. 584.709 million, out of which an amount of Rs.

31.976 million is utilized. Strong emphasis is being given to the vocational skill development across the country.

Physical

6.256 The overall objective was to set the ground to streamline demand and supply in various tiers of vocational and skill development based on demand. Its is important initiative in the sector, therefore a block allocation of Rs. 500 million was made in the PSDP 2005-06. The objective was to initiate skill development program at all Provincial locations. The Provinces and at the Federal level project development process remained in progress.

6.257 The focus of the programme continued to be on integrating vocational training, skill development and establishment of database and information of outgoing and returning migrant workers.

Annual Plan 2006-07

Financial

6.258 An amount of Rs. 1136.8 million has been allocated in the PSDP 2006-07 for 10 projects including new initiatives. Allocation of Rs. 500 million for vocational training & skill development in the PSDP 2005-06 has been enhanced to Rs. 1000 million for development and implementation of the program. The objective of the project is to enhance vocational training and skill development in all Provinces.

Physical

6.259 The key priority strategy to be pursue during the year is demand based, multi-skill development, self and overseas employment;

6.260 The major projects of Labour Manpower Sector to be implemented during the year are as under: -

- 1. Training of Trainers for Skill Development**

The project was started in December, 2005 for a period of three years. The main objective is to up-grade teaching and technical skills to 770 Instructors in different skills and trades at national level.

- 2. Labour Market Information and Analysis System**

The project aims to collect basic information about manpower resources of the country on scientific method, develop and consolidate the collection and usage of Labour Market Information (LMI) in Pakistan. Its main objective is to yield regular statistics and information at local, regional and national levels about levels of employment, under-employment and unemployment.

- 3. Policy Planning Cell**

The objective of the project is i) to prepare employment HRD & Emigration

Policy ii) Consolidation of Labour Laws and iii) Developing of best practices in the area of pension funds of EOBI, surplus funds of Workers welfare Fund.

4. **Computerization of the data of outgoing emigrants and returning migrants**
The project plans to Computerize the data of outgoing emigrants and returning migrants by country, category and year wise etc for planning and labour market analysis.
5. **Skill Development and Technical Education**
The project envisages to train 165, 183 additional persons per annum in various vocational & services trades by introducing six months courses in evening classes. To attract the youth for vocational training stipend of Rs. 500/- per month will also be paid to each trainee.

Employment

6.261 Population of Pakistan is estimated at 155.37 million on the 30th June 2006. Out of this 79.22 million or 51 percent are males and 76.15 million or 49.0 percent are females. Out of total population 50.96 million or 32.8 percent are in the labour force. Of the total labour force males constitute 40.21 million or 78.9 percent, whereas females are 10.75 million or 21.1 percent. Of the total labour force 47.65 million are employed while 3.31 million percent, are unemployed. The labour force participation rate, during the current fiscal year, has risen to 32.8 percent against the 30.4 percent of the last year (i.e. increased by about 2.4 percentage point). The unemployment rate has substantially decreased to 6.5 percent, during the current fiscal year, against the 7.7 percent of the last fiscal year (i.e. declined by about 1.2 percentage point). This decrease in the unemployment can be rightly attributed to higher GDP growth that the economy has exhibited in the recent years. About 5.64 million new employment opportunities have been created during the last two fiscal years (FY 2004-05 & FY 2005-06).

Table-6.19
Employed Labour Force by Major Industry Sectors

Sector	2005-06	
	Million	Percent
Total	47.65	100.00
Agriculture	21.35	44.80
Manufacturing	6.48	13.60
Construction	2.81	5.90
Wholesale and Retail Trade	6.72	14.10
Transport & Communication	2.76	5.80
Community & Social Services	6.58	13.80
Others	0.95	2.00

Source: Estimates are made on the basis of average of 1st & 2nd quarters 2005-06 Labour Force Survey findings

Employment by sector

6.262 Of the total employed workforce, the majority i.e. 44.80 percent is employed in agriculture sector, 13.60 percent in manufacturing sector, 14.10 percent in wholesale & trade and 13.80 in community, social and personal services sectors. Detail about employment by sectors may be seen in Table 6.19.

Employment by Status

6.263 The majority of employed labour force consists of self-employed and unpaid family helpers that consist of 61.7 percent of the total employed labour force. Details of employed labour force by status are shown in Table-6.20.

Table-6.20
Employed Labour Force by Status

Status	2005-06	
	Million	Percent
Total	47.65	100.00
Employers	0.43	0.90
Self Employed	16.34	34.30
Unpaid Family Helpers	13.06	27.40
Employees	17.82	37.40

Employment by Occupation

6.264 Of the total employed labour force 35.30 percent are skilled agricultural and fishery workers, while 20.50 percent are elementary (unskilled) occupations. Details of employment by occupation may be seen in Table-6.21.

Table 6.21
Employed Labour Force by Major Occupational Groups

Occupational Groups	2005-06	
	Million	Percent
Total	47.65	100.00
Legislators & Managers	5.48	11.50
Professionals	0.81	1.70
Technicians	2.43	5.10
Clerks	0.67	1.40
Service & sale workers	2.33	4.90
Agricultural and fishery workers	16.82	35.30
Craft workers	7.34	15.40
Plant operators	2.00	4.20
Elementary (unskilled) occupations	9.77	20.50

Source: Estimates are made on the basis of average of 1st & 2nd Quarters 2005-06 Labour Force Survey findings.

Women in Employment

6.265 Women constitute 49 percent of the population. Although women participation in the economic activity has increased from 16.76 percent in 2003-04 to 20.16 percent in 2005-06 but when it is compared with other developing countries it is still very low. The women unemployment rate has fallen from 12.8 percent in 2003-04 to 9.7 percent in 2005-06. Thus showing substantial decrease of 3.1 percentage point.

6.266 The government has initiated a numbers of programme and projects for women in education, training & skill development and also for facilitating income generation activities for women. The international donors and Non-government Organizations (NGOs) are also supplementing the government efforts.

Unemployment

6.267 Presently the unemployed labour force is about 3.31 million, which constitutes 6.5 percent of the total labour force. The quantum of unemployment is quite high in urban areas as compared to rural areas. Similarly the unemployment rate amongst the female is higher as compared to male, but it is gradually decreasing. Of the total unemployed labour force, about 45.50 percent are illiterate, while 54.50 percent are literate. Educated unemployment is mostly amongst person having pre-matric level of education which constitute about 0.92 million or 51.11 percent of the total literates unemployed labour force. Details about unemployment by level of education are given Table-6.22.

Table-6.22
Unemployment by Level of Education

Level of Education	Million	Percent
Total Unemployed	3.31	100.00
Illiterate	1.51	45.50
Literate	1.80	54.50
No formal Education	0.01	0.33
Formal Education	1.79	54.34
Pre-metric	0.92	27.66
Matric	0.48	14.57
Inter	0.21	6.22
Degree and above	0.21	6.22

Employment Projections

6.268 Eradication of unemployment stands high on economic agenda of the Government. Sustaining and accelerating the current growth of GDP in the coming fiscal year would undoubtedly generate employment opportunities and prove helpful in eradicating unemployment menace. Employment projections for the next fiscal year are given in Table-6.23.

Table-6.23
Employment Projections

(Million)

Year	Population	Labour Force	Employed Labour Force	Unemployed Labour Force	Un-Employment Rate (%)
2005-06	155.37	50.96	47.65	3.31	6.5
2006-07	158.26*	51.91	48.78	3.13	6.03

* Population is estimated using 1.86 percent growth rate.

WOMEN EMPOWERMENT

6.269 Government of Pakistan is conscious of the issues of women development and is fully committed to the enhancement of the status of women on the grounds of equity and equality. Government actions for sectoral, economic and political empowerment of women through enhancement of women seats in the National and Provincial Assemblies, district government and at union council level are the major initiative in the recent past and the year. Financial and physical review of the plan 2005-06 is as under: -

Review 2005-06

Financial

6.270 An amount of Rs. 488.5 million was allocated in PSDP 2005-06 and revised to Rs. 430.243 million. An amount of Rs. 430.243 million is expected to be utilized upto June, 2006.

Physical

6.271 Three major initiatives were pursued during the year, which included Gender Reform Action Plan (GRAP), Economic Empowerment of Women, and Women in Distress.

Annual Plan 2006-07

6.272 The development programme has been prepared following MTFD (2005-10) framework for improvement of overall economic and social conditions of women and children. Proposed Plan for year 2006-07 is briefed as under:

Financial

6.273 An amount of Rs. 269.873 million in PSDP 2006-07 has been allocated.

Physical

6.274 The main projects of Women Development Sector are GRAP, Economic Empowerment of Women (Jafakash Aurat), and Women in Distress Project.

1. Gender Reform Action Plan (GRAP)

6.275 The GRAP was a major initiative during the year and an important plan of the MTFD. The overall program is planned to be implemented in two phases, with phase-I costing to Rs. 418.563 million for a period of three years. The National GRAP seeks to address some of the significant gender gaps through reforms in four key areas: i) Political reforms; ii) Administrative/institutional reforms; iii) Reforms in public sector employment; and v) Policy and fiscal reforms.

2. Economic Empowerment of Women (Jafakash Aurat)

6.276 The component program of the National Fund for Advancement of Women (Jafakash Aurat) remained in progress with close collaboration of the AKRSP, Khusahi Bank, First Women Bank, in NWFP (Chitral), Punjab (Sheikupura and Gujranwala) and Balochistan (Gwadar). The overall objective of the program is economic empowerment of the rural women. Following are the specific constituent programmes: -

i) **Jafakash Aurat; Supporting Skills and Micro Enterprises Development among Gwadar Women (Khushali Bank) (2004-07)**

The project was approved at a total cost of Rs. 39.785 million in collaboration with Khushali Bank (KB) being the executing agency. The project relates to skill and enterprise development in seven trades including preservation and packaging of sea fish by fisherwomen of Gwadar. The project was launched on 22nd January, 2006. The project will benefit 3500 women in the area.

ii) **Jafakash Aurat; Patti Development Project, Chitral NWFP. (AKRSP).(2004-2007)**

The project was approved at a total cost of Rs. 35.985 million in collaboration with Agha Khan Rural Support Programme. This project adds value in each stage of production chain from sheep to high quality Chitral patti. The project was launched on 30th Sep, 2005 at Chitral. Its main objective is to enhance economic empowerment through skills, self-employment, micro credit for women borrowers, which will benefit 9500 women in the area for the period of 36 months.

iii) **Jafakash Aurat; Economic Empowerment of Rural Women Sheikupura & Gujranwala Punjab (FWB) 2004-2007.**

The project was approved at a total cost of Rs. 35 million in collaboration with First Women Bank Limited being the executing agency. The project is designed to promote small women entrepreneurs like buffalo keeping, grocery stores, home

detergents etc. The project was launched on 5th January, 2006 at Gujranwala and Sheikhpura targeting 52 villages in the two districts, which will benefit 10,000 women in the areas.

3. Women in Distress Project

6.277 The main objective of the project is to provide free counseling, legal aid and medical facilities to the women in distress. The projects are implemented in different locations across the country and presently 18 crisis centers are in operation.

SOCIAL WELFARE

Review of 2005-06

6.278 The Social Welfare Sector was allocated an amount of **Rs. 797.217 million** during the financial year 2005-06. This included an allocation of Rs. 567.000 million for the Tawana Pakistan "Nutrition Package for Primary Schools Girls" Project but only Rs. 5 million could be utilized (The detail of Tawana Pakistan Project may be seen in the Chapter on "Nutrition"). The allocation for schemes / projects / programmes of M/O Social Welfare and Special Education was Rs. 219.745 million, which was subsequently revised to Rs. 197.690 million after the 3rd Quarter Review meeting. The Staff Welfare Organization was allocated an amount of Rs.10.472 million which is included in the total allocation shown above.

6.279 During the current year 12 Special Education Centres for Physically Handicapped Children, Visually Handicapped Children & Hearing Impaired Children are being upgraded from Primary to Middle level located at Rawalpindi, Quetta, Dadu, Abbottabad, Sialkot, Gujrat, Larkana, Mirpurkhas, Sargodha, Jhang and Sukkur. New Special Education Centres for PHC, HIC & MRC have been established at Karachi, Peshawar, Muzaffarabad, Faisalabad, Nawabshah, Mardan & Khuzdar. Five existing Special Education Centres are being converted into centres of excellence. The construction work of Special Education Centres has completed at Okara, while the centre at Gilgit is going to complete by 30.6.2006. The construction work at Kohat, Sibi, Hyderabad & Hunza Gilgit is in progress and these centres are likely to complete in 2006-07. Six Community Development Projects are providing community based vocational training, especially in knitting, embroidery and related skills to females and males in radio/television repairing etc. at Village Noor, Islamabad, Ghanche and District Ghizer in Northern Areas, Khurram Agency Para Chinar, Khyber Agency Bara, North Waziristan Miran Shah. The National Council of Social Welfare continued to provide financial and technical assistance to promote the working of NGOs, especially in far-flung areas of the country. The M/O Social Welfare & Special Education is establishing a data base of NGOs working in all sectors.

Programme for 2006-07

6.280 Major activities during the financial year 2006-07 will continue to be on implementation and completion of the ongoing projects and launching of new schemes. An amount of **Rs. 299.375 million** is being allocated for the ongoing and new schemes/projects/ programmes of M/O Social Welfare & Special Education. This include Rs. 20.000 million for Tawana Pakistan

Project to improve nutritional status of school girls (5 -12 years). An amount of Rs. 4.478 million is recommended for activities of Staff Welfare Organization (Establishment Division) for its ongoing schemes related to purchase of rehabilitation aids for federal government servants and their dependants and Strengthening of Existing Welfare Institutions.

6.281 About 46 new schemes of the M/O Social Welfare & Special Education have been included in the next year's PSDP.

RURAL DEVELOPMENT

6.282 The rural sector is the backbone of Pakistan's economy. The performance of agriculture is tied up with the well-being of rural population. Rural poverty remains high, with low level of quality of life indicators. The positive features include the emergence of empowered local governance and greater funds availability under Tameer-e-Pakistan Programme and wider spread of the Khushal Pakistan Programme. In the past, public sector initiatives in the rural areas were hampered due to a lack of strong and broad institutional base at the local level, and absence of participatory process in local development. With the implementation of the devolution plan, these issues are beginning to be addressed but considerable capacity building is required. However, deficiencies remain in the provision of basic infrastructure and social services in rural areas.

6.283 Rural Development thus is a multi-sector-al approach for development of physical and social infrastructure with a view to realize full productive potential of rural areas and spread benefits of development to the rural population, which currently forms about 68 per-cent of total population. Despite the emphasis of spreading the benefits of development to the rural areas in the past, the availability of social services is still lacking in the rural areas.

Review of 2005-06

Financial

6.284 During the year (2005-06) an amount of Rs. 5306.65 million including Rs. 712.88 million of foreign aid was allocated in the PSDP for rural development sector. Out of this allocation an amount of Rs 4883.44 million including foreign aid Rs 276.50 million has been utilized mainly for on going program. The Local Government & Rural Development sector was provided an amount of Rs 50.00 million, Khushal Pakistan Program KPP-I program was provided Rs 4420.00 million, Narcotics Control Division was allocated an amount of Rs 207.65 million including Rs 193.92 million as a foreign aid for the Agriculture and Area Development Project in poppy growing areas of NWFP and FATA, the projects under Finance Division was allocated an amount of Rs 464.00 included foreign aid of Rs 353.00 million, The projects relating to the Cabinet Division were provided an amount of Rs 122.00 million and the Interior Division was provided Rs. 78.90 million for construction of rural roads, women development and income generating programs for Islamabad Capital Territory. Agency wise allocation and utilization for the financial year 2005-06 is given in Table-6.24

Table 6.24

(Rs in million)

Sl.No	Agency	Allocation 2005-06		Utilization 2005-06	
		Total	F.Aid	Total	F.Aid
1	M/o Local Govt & Rural development	50.00	44.00	50.00	0.00
	Special Program (KPP-I)	4420.00	0.00	4420.00	0.00
2	Narcotics Control Division	207.65	193.88	207.65	193.88
3	Interior Division	43.00	0.00	43.00	0.00
4	Finance Division	464.00	353.00	212.79	82.62
5	NRB (Cabinet Division)	122.00	122.00	0.00	0.00
	Total	5306.65	712.88	4883.44	276.50

Physical

6.285 During the financial year (2005-06) the physical target for the activities of Narcotics Division under the Area Development Projects included construction of 37 km black topped roads and 6 km single roads, 25 Dug well schemes and 5 Hydel power stations were proposed and the work is heading towards completion. Interior Division has proposed to construct / rehabilitate 80 km of rural roads in Islamabad Capital Territory (ICT), which has almost been completed. The project under Finance Division namely T.A for Local Government Performance Enhancement proposed 15 Technical Investment Proposals (TIPs), which were achieved while 30 were rolled out.

Programme for 2006-07

Financial

6.286 Income generating programs for Islamabad Capital Territory. Agency wise allocation The proposed programs for the next financial year (2006-07) for the Rural Development sector include an amount of Rs. 5844.53 million including Rs.465.48 million as foreign aid. Out of total allocation M/O LG&RD has been provided Rs. 530.00 million, for the, and two new initiative relating to the program for Participatory Development through Social Mobilization and Pilot Project for Model Villages in Pakistan, Khushal Pakistan Program (KPP-I) has been provided Rs 4420.00 million, Narcotics Control Division has been provided Rs. 114.46 million for its ongoing and new Area Development projects, Finance Division has been provided Rs. 502.93 million, Interior Division is provided Rs. 277.41 million for construction of rural roads, women development and for 2006-07 is given in Table-6.25

Table 6.25

(Rs in million)

Sl.No	Agency	Allocation 2006-07	
		Total	F.Aid
1	Ministry of Local Government & Rural Development. Special Programme (KKP-I)	530.00 4420.00	0.00 0.00
2	Narcotics Control Division	114.46	65.48
3	Interior Division	277.41	0.00
4	Finance Division	502.93	400.00
	Total	5844.53	465.48

Physical

6.287 During the financial year (2006-07) the physical targets for the activities of Area Development Projects under Narcotics Control Division are to construct of 12 km black topped roads, 5 dug well schemes and 25 Hydel power stations. Interior Division has proposed to construct / rehabilitate 113 km of rural roads in Islamabad Capital Territory (ICT). The project under Finance Division namely T.A for Local Government Performance Enhancement has proposed to complete 62 rolled out Technical Investment Proposals (TIPs) and completion of procurement formalities for the remaining 62 TIPs.

Special Areas/ Less Developed Areas

6.288 The less developed areas lag far behind the national, provincial and rural indicators in terms of incomes, pattern of land ownership and availability of public infrastructure and services. They are economically poor due to their remote location and inadequate linkages with the more developed areas. The Special Areas consisting of Azad Jammu & Kashmir (AJ&K), Northern Areas (NA) and Federally Administrative Tribal Areas (FATA) are also considered less developed because of the special administrative arrangements for their development and low socio-economic indicators. This chapter covers the less developed areas in the provinces as well as the Special Areas.

6.289 In the past, the less developed areas have remained neglected due to a variety of factors, including inadequate resource and capacity constraints. Priority is now being given in the MTDf to the development of these areas in recognition of the need for balanced and equitable development and to integrate these areas with the rest of the country.

Review of 2005-06

6.290 During financial year 2005-06 an amount of Rs. 13641.00 million including F.Aid of Rs 1695.00 million was allocated for Special Areas including AJ&K, NA & FATA for on-going as well as new projects. It is estimated that upto 30th June 2006 an amount of Rs. 13441.00 million will be utilized. Out of the total allocation for the special areas an amount of Rs. 5150.00 million was allocated for FATA, Rs. 5100.00 million for AJ&K and Rs 3391.00 million for Northern

Area to boost up developmental activities in their respective areas. Agency wise allocation and estimated utilization for the financial year 2005-06 are given in Table-6.26

Table 6.26

(Rs in million)

S.No	Agency	Allocation 2005-06		Utilization 2005-06	
		Total	F.Aid	Total	F.Aid
1	AJ&K	5100.00	1190.00	5100.00	1190.00
2	Northern Area	3391.00	505.00	3191.00	505.00
3	FATA	5150.00	0.00	5150.00	0.00
	Total (Special Areas)	13641.00	1695.00	13441.00	1695.00

Programme for 2006-07

6.291 The proposed program for the development of less developed and Special Areas in PSDP 2006-07, includes an amount of Rs. 16190.00 million including Rs.1076.00 million as foreign aid has been proposed showing an increase of 18 percent over and above the PSDP 2005-06's allocation. Out of this an amount of Rs. 6200.00 million will be allocated for FATA, Rs. 6000.00 million for AJ&K and Rs 3990.00 million for Northern Area to improve the socio economic condition and reduce poverty in their respective areas through development of physical and social infrastructures. Agency wise allocation for 2006-07 is given in Table-6.27

Table 6.27

(Rs in million)

Sl.No	Agency	Allocation 2005-06	
		Total	F.Aid
1	AJ&K	6000.00	676.00
2	Northern Area	3990.00	400.00
3	FATA	6200.00	0.00
	Total (Special Areas)	16190.00	1076.00

ENVIRONMENT

6.292 Over the last decade, significant progress has been made in developing the environmental policy and regulatory framework, development of environmental institutions and raising awareness. The degradation of environment, however, continues affecting livelihoods and health as well as increasing vulnerability of the poor to disasters and environment-related conflicts.

6.293 The present degradation of environmental situation in Pakistan is due to high population growth rate, low-level of public awareness and education, deficiencies in management of natural resources and unplanned urban and industrial expansions.

6.294 During the MTFD (2005-10), environment conservation, management and use would be based on equitable sharing of benefits of environmental management, increasing community management of natural resources, and integrating environmental issues into socio-economic development planning to achieve sustainable

Table-1: Issues in the Environment Sector

- Forest cover needs to be increased
- Desertification has affected 43 million hectares land
- Marine environment is severely polluted by discharge of industrial and domestic sewage.
- Majority of population is exposed to hazards of drinking unsafe and polluted water.
- About 50 % population does not have access to adequate sanitation, while only 60 % of urban solid waste is collected.
- Excessive use of pesticides has adversely affected biomass and agriculture land.
- Energy efficiency needs to be enhanced, with focus on conservation measures.

development. The MTFD has given priority to the Environment Sector with an outlay of Rs 28.3 billion. This includes a major initiative for provision of clean drinking water to almost the entire population under the Clean Drinking Water for All Project to be completed by December 2007, at an overall cost of Rs 8.0 billion.

Review of 2005-06

6.295 During 2005-06, the Environment Sector received an unprecedented allocation of Rs. 3,075.0 million, a four-fold increase over the allocation of Rs. 743.0 million in the previous year. An expenditure of Rs. 2,200.0 million was incurred up to 30th April 2006 (71 percent of total allocation). The overall expenditure by the end of June 2006 is expected to have increased to Rs. 2,640.0 million (86 percent).

6.296 The MTFD 2005-10 recognized the lack of capacity as a major hurdle in the way of efficient realization of environmental objectives. Accordingly, capacity building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement was a major focus during 2005-06 in respective sub-sectoral areas

including M/o Environment, Pakistan Environmental Protection Agency, ENERCON and P&D Division (Environment Section). The capacity building initiatives such as Establishment of Project Planning & Monitoring Cell; Bio-safety Centre; Establishment of Pak-Environment Protection Agency Marine Water Pollution Monitoring Centre; Strengthening of Forest Products Research; Activity Based Capacity Development Project; Establishment of Multilateral Environmental Agreements (MEAs) Secretariat; National Conservation Strategy Resource Centre in the Ministry of Environment helped strengthen the environmental institutions with improved capacities. Besides, the Biodiversity Action Plan also remained under implementation focusing on capacity development for biodiversity (flora and fauna) conservation.

6.297 The Clean Drinking Water for All Programme for providing safe drinking water to the entire population of the country is a major initiative under the MTFD, with an allocation of Rs. 10.00 billion. During the year, the first phase of this programme, the Clean Drinking Water Initiative, aimed at installation of one water purification plant in each Tehsil of Pakistan, AJK, NAs and FATA (cost: Rs. 495.5 million) was approved and implemented with completion of 320 plants.

6.298 In the forestry, biodiversity and watershed management sub-sectors, the Project for "Environment Rehabilitation and Poverty Reduction through Participatory Watershed Management in Tarbela Reservoir Catchments Area" remained under implementation. The main objectives are to reduce sediment load, create employment opportunities, alleviate poverty and rehabilitate the degraded land resources. During the year, an expenditure of Rs. 86.9 million was incurred on raising of nurseries and plantation, construction of check dams, soil conservation, establishment of community organizations and terracing. Under the Rachna Doab Afforestation Project, an expenditure of Rs. 23.0 million was incurred to maintain block afforestation and linear plantation carried out during the last 2-3 years of the project.

6.299 The Ministry of Water & Power is implementing the "Mangla Watershed Management Project" at a total cost of about Rs. 169.0 million. An expenditure of Rs. 33.9 million was incurred on about 4500 acres of afforestation and survey/planning of 6052 sq. miles. Following approval during the year, implementation of the project for "Poverty Reduction through Participatory Watershed Development in AJK" costing Rs. 474.9 million was commenced. The Project envisages treating catchments areas of Mangla Reservoir as well as alleviating poverty in AJK. Rs. 6.0 million were spent to start watershed management activities.

6.300 Several projects are under implementation to protect and conserve the natural resources and increase the biodiversity. These include district projects for improvement of urban environment of Hazro, Chakwal, Rawalpindi, improvement of indigenous and medicinal plants, improvement of National Parks (Cherat, Ayubia, Khunjerab), Protected Areas Management and watershed rehabilitation & management projects in NWFP and AJK.

6.301 During the year, under the clean air initiative, the Ministry of Environment completed the project for "Fuel Efficiency in Road Transport Sector" under UNDP grant assistance. The project

helped improve fuel consumption efficiency and curtailing noxious emission from transport sector through digitalized tuning of gasoline and diesel vehicles. Under this project, 30 digital tune-up stations have so far been established while 96 mechanics and 204 private workshop owners have been trained in different parts of the country. In addition, a revolving loan fund of US\$ 3 million was established for financing the purchase of tune-up equipment. Substantial progress was made on the project for Establishment of Environmental Monitoring System which would be completed next year.

6.302 Under the meteorology/climatology sub-sectors, the National Center for Drought/Early Warning System and Up-gradation/Strengthening of Seismic Network projects are under execution by the Pakistan Meteorological Department (PMD) at an estimated cost of Rs. 358.4 million to build its capacity to be able to forecast about the drought, floods and earthquakes challenges with reasonable accuracy. During the period under review, an expenditure of Rs. 101.0 million was incurred on construction of building and purchase of equipment. Besides, the Climate Change Studies Center (GCISC), under the Ministry of Environment, spent Rs. 20.0 million to carry out climate change studies.

Programme for 2006-07

6.303 During 2006-07, the outlay for the Environment Sector has been doubled with an allocation of Rs 5,756.0 million, including Rs 4,000.0 million for Clean Drinking Water for All Project. The allocation of Environment projects in the Provincial Governments' ADPs is likely to be around Rs 1,250.0 million. The sectoral activities during 2006-07 will contribute towards achievement of the MTFD/MDG 2005-10 targets (Table-6.28).

S.N o	Environmental Indicators	Year 2004-05	2009-10 MTDF Targets	2015 MDG Targets
1	Forest cover (%)	4.9%	5.2%	6.0%
2	Area protected for conservation of wildlife (%)	11.3%	11.6%	12.0%
3	Energy production from renewable forms of energy (wind, solar,	17 MW	880 MW	--
4	No. of petrol& diesel vehicles using CNG fuel	380,000	800,000	920,000
5	Access to sanitation (national) (%)	42	50	90
6	Access to clean water (national) (%)	65	76	93
7	Clean Drinking Water for All (%)	10	100	100
8	Number of continuous air pollution monitoring stations	0	4	--
9	%age of Sulphur (by wt.) in high speed diesel	1	0.5	0.5 to 0.25
10	Improvement of Katchi Abadis/Slums	60%	75%	95%

Clean Drinking Water for All Programme

6.304 The "Clean Drinking Water for All Programme" is a major component of the Environment Sector Programme for 2006-07. Under the "Clean Drinking Water Initiative", a total of 544 water purification plants will be completed by December 2006. The plants cover five different packages depending upon the source of water and population. Under the second project called "Clean Drinking Water for All", an allocation of Rs. 4,000.0 million has been made in 2006-07 aiming to install one WPP in each Union Council of Pakistan, AJK, NAs, and FATA by December 2007.

Table-3: Water purification plant packages

Package A: At places where source of water is tube well operated by WASA, City/Tehsil Government or any Development Agency and there is no facility of any storage from where the water could be pulled out. There will be provision of overhead tank in the case.

Package B: At places where source of water is a storage facility (over head tank) operated by the WASA, City/Tehsil Government or any Development Agency.

Package C: At places where source of water is neither a tube well nor any facility for storage is available in shape of overhead tanks. In this case a deep well will have to be bored to obtain water.

Package D: At places where the source water contain high concentrations of Nitrates/Nitrites/Calcium or Magnesium, a Nitrate Chamber-Water Softener chamber will have to be provided in assembly line.

Package E: At places where sources of water are high in Arsenic/heavy metals/organic pollutants or any other contaminants for which an additional treatment technology is required.

Considerable spadework (such as approval of umbrella PC-I, mechanism to implement, provincial shares and responsibilities) has already been done. It is planned that one water purification filtration plant would be installed in each of 6,035 Union Councils throughout Pakistan including the areas of AJK, NAs & FATA, by December 2007. The project is being implemented on fast-track-basis, by the Ministry of Environment in collaboration with the Provincial Governments. Upon completion of the project, the incidence of water borne vector diseases, most common among the general masses, especially in the areas where the people are forced to take contaminated water, would be reduced.

Capacity Building

6.305 Capacity building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement would be continued in respective sub-sectoral areas. This includes M/o Environment, Pakistan Environmental Protection Agency, ENERCON and P&D Division (Environment Section). Capacity building projects started last year will build upon their earlier achievements. The specific measures include strengthening of National Center for Drought Monitoring and Early Warning System under the PMD. An allocation of Rs. 111.4 million has been made for Establishment of Seismic Network in Pakistan under the Pakistan Meteorological Department. Also, the Ministry of Environment would implement the Establishment of Environmental Monitoring System in Pakistan.

6.306 An allocation of Rs. 25.0 million has been made for establishment of Global Change Impact Study Center in the Ministry of Environment at Islamabad to build its capacity to

carryout studies and analysis for climate change impacts for Pakistan and mitigation measures. In addition, the Ministry of Environment would implement the Activity Based Capacity Development Project.

Forestry, Biodiversity, Watershed and Water Bodies

6.307 Substantial allocations have been made for the plantation, maintenance of afforestation, check dams, cut off drains and terracing under Tarbela Watershed Management project; the maintenance of afforestation (block plantation) under the Rachna Doab Afforestation Project; and soil survey/planning, afforestation, land improvement work, extension services, engineering and soil conservation structures under Mangla Watershed Management project.

6.308 Allocations have also been made for the Establishment of Forest Nurseries and Block Afforestation in Islamabad Capital Territory; for acceleration of work on Management of Khunjerab National Park in Gilgit; establishment of Cherat Wildlife Park at Nowshera, by Government of NWFP; implementing World Summit Sustainable Development Plan in Pakistan by Ministry of Environment; Poverty Reduction through Participatory Watershed Development in AJK to raise forest nurseries, plantation, soil conservation, community organization; and for scientific management of Ayubia National Park in district Abbottabad.

6.309 The Environment Sector PSDP for 2006-07 also includes district level projects for improvement of urban environment of Hazro, Chakwal, Rawalpindi, improvement of indigenous and medicinal plants, improvement of national parks, protected areas and watershed rehabilitation and management projects to protect and conserve the natural resources and increase the biodiversity.

6.310 The Government has also launched a nationwide drive to clean the polluted water bodies. In this connection, the preparation of River Cleaning Projects will be carried out as a matter of priority, focusing on the Rivers Ravi, Swat and Lyari in the first instance.

Air Pollution, Climate Change and Meteorology

6.311 The Brown Environment portfolio during 2006-07 includes the Establishment of Environmental Monitoring System project to install air pollution monitoring laboratories in the major cities by Pakistan Environmental Protection Agency of Ministry of Environment; carrying out a study of fog/aerosol transport pattern and its impact on agriculture and health, and identification of mitigation measures by Space & Upper Atmosphere Research Commission (SUPARCO).

6.312 Global Change Impact Study Center, Ministry of Environment would carryout studies and analysis for climate change impacts for Pakistan and identify mitigation measures. Similarly,

the National Center for Drought Monitoring and Early Warning System and Establishment of Seismic Network in Pakistan under the PMD would be strengthened. Activities would relate to better preparedness to meet the challenges of natural calamities like earthquake, tsunami, drought, and floods.

6.313 The National Center for Drought/Early Warning System and Up-gradation/Strengthening of Seismic Network projects, being executed by the Pakistan Meteorological Department (PMD), to build/enhance its capacity to meet the challenges of forecasting and devising mitigation measures for drought, floods and earthquakes with reasonable accuracy. During 2006-07, an allocation of Rs. 140.75 million is made to achieve the objectives of the projects. Besides, the Global Climate Change Impact Studies Center (GCISC), under the Ministry of Environment, is allocated Rs. 25.0 million to carry out climate change studies.

GOVERNANCE

6.314 Governance pertains to a pluralistic and holistic view where players in public, private, and corporate sectors, and civil society jointly share responsibility for addressing the issues of accountability, transparency, participation, openness, rule of law and predictability. Governance is thus connected with the management of development process, involving both the public and private sectors. The concept has emerged vital importance for furthering the development agenda in Pakistan. Citizens, domestic enterprises and foreign investors see governance as a key ingredient for sustainable development and a sound investment climate. Governance is 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 and the vulnerable segments of the society. The market forces are expected to create opportunities for people and provide niches for civil society to grow. As a result, civil society facilitates mobilization of public opinion and people's participation in economic, social and political activities for supporting participatory development.

Review 2005-06

Financial

6.315 An amount of Rs. 11800.00 million has been proposed in the Medium Term Development Framework 2005-10 for the sector during 2005-06. Against this amount, an allocation of Rs. 10236.278 million was made for undertaking governance related development activities. Overall utilization for the year indicates an expenditure of Rs. 9139.185 million, showing a utilization of 89.28 percent. Details of ministry-wise allocation and expenditure are given in Table-6.29.

Table-6.29

Name of Ministry/Division	Allocation	Utilization	Percentage
Interior Division	2411.547	1364.771	56.59
Statistic Division	52.126	52.126	100.0
Law, Justice & Human Rights Division	4077.056	4035.538	98.98
Establishment Division	25.060	25.060	100.0
Finance Division*	2011.379	2009.549	99.91
P & D Division**	1624.835	1617.866	99.5
Cabinet Division	34.275	34.275	100.0
Total:	10236.278***	9139.185	89.28

* Including Revenue Division.

** Including PM's Package for DERA Balochistan.

*** Revised allocations. Original allocation was Rs. 11798.802 million.

Physical

6.316 On governance side, two important projects for improvement of law and order situation in Balochistan have been launched by the Interior Division i.e. one on Raising of Balochistan Constabulary approved at a cost of Rs. 4138.00 million for restructuring and strengthening of the existing 4000-person Balochistan Reserve Police and adding 6000 new persons in the force. A number of 850 Constables have been recruited. The second project relates to Conversion of 'B' Area into 'A' Areas" approved at a cost of Rs. 5515.407 million. The main objective of the project is to convert all 'B' areas into 'A' areas in Balochistan in order to improve law & order in the province. Its achievements include conversion of 13 out of 28 districts.

6.317 The Government of Pakistan (M/O Law, Justice & Human Rights) 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. Under the Program, implementing agencies will plan and implement all kinds of technical and development projects aimed at achieving the objectives of the Program. The individual development schemes in the areas of 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, are in various stages of implementation.

6.318 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. A Steering Committee constituted on NSPP has held its deliberations on the future 'Road-map for NSPP'. A Board of Governors has been constituted on NSPP. Renovation/ up-gradation work at NIPAs Lahore, Karachi, Peshawar, Quetta, & PASC, Lahore and Academy for Rural

Development, Peshawar is in progress, mostly under the development work. The other initiative highlights the government's resolve to upgrade the capacity in civil services. Public Sectors Capacity Building Project (PSCBP), which is coordinated by the Finance Division, provides funding facility. Its other implementing agencies include Finance, Planning & Development, Economic Affairs, Commerce, Statistics, Industries Divisions, CBR, Regulatory bodies (i.e. OGRA, NEPRA, PTA, PPRA), and Ministries of Water & Power, and Petroleum & Natural Resources. Apart from major agency-wise individual activities for augmenting the capacities of officers, two programmes under the Establishment Division i.e. Professional Development Program (PDP) and Executive Development Program (EDP) are at the stages of active implementation. A number of 250 officers under its EDP and PDP programmes have been detailed for foreign/ local trainings. Seven consultants have been recruited and three studies on water escapades at Kotri Barrage are in final stages of preparation.

6.319 The office of the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at estimated cost of Rs. 5533.50 million including Rs. 4998.00 million as IDA loan. The project envisages improvement in public sector accounting and financial system, modernizing government audit procedures and adopt internationally accepted auditing standards, enhancing public sector accountability, institutional capacity for economic policy-making and management, tighten internal controls and minimizing the occurrence of errors and irregularities in the processing of payments and receipts, and establish effective accounting and reporting systems for reliable and timely decisions. So far 17 Financial Accounting & Budgeting System (FABS) out of 81 DAO sites, one FABS against four departmentalized Account Offices, and 33 System Application Programme (SAP) competency centers against a target of 60 such centers have been established.

6.320 Tax Administration Reforms under the Central Board of Revenue (CBR) is another area of vital activity, which envisages restructuring of CBR along functional lines for establishing a well-trained and motivated workforce in order to develop and manage a modern, efficient revenue administration. The project has been approved at a cost of Rs. 9500.617 million including FEC of Rs. 7193.041 (World Bank/ IDA loan). Its physical achievements include award of contracts to suppliers for supply of equipment at various sites, appointment of Integrated Tax Management System (ITMS) staff for PMU, and draft contract agreement for selection of consultancy firm to design, procurement support and supervision work at sites of model custom collectorates (Tax Facilitation Centres) have been submitted to the World Bank.

6.321 On research side, one of the activities in the Planning & Development Division relates to development of a macro model that best suites 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. Work on preparation of macroeconomic framework for Vision 2030 has also been initiated. Other major area of activity pertains to supervision/ monitoring of implementation of the Drought Recovery Assistance Programme Project (DRAPP/ DERA-II), which has been approved at a cost of Rs.30000.0 million. On insistence of the provincial governments after successful completion of DERA (Phase-I), its second phase has been initiated. The project will provide continuity to government efforts as well as extending its scope to cover both the critical left over drought/prone areas and provide rehabilitation of essential infrastructure for the conservation and management of water. Its physical achievements include finalization of site selection criteria, financial management, and input output indicators. For improvement of overall monitoring & evaluation of the development projects, a project on strengthening of Projects Wing (Planning & Development Division) has been launched. Its implementation activities pertain to recruitment of consultants/staff, establishment of separate MIS (100%), and Evaluation sections (50%) in the Projects Wing.

6.322 The second round of 'Pakistan Social and Living Standard Measurement (PSLM)' project is in progress in the Statistics Division. Under the project, data from about 16000 households is being collected. In the first round of survey data on district & provincial level was collected from about 77000 households on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation to assess PRSP. Report on National/Provincial level survey 2004-05 has been issued, while district level report 2004-05 is in final stage of completion.

6.323 To improve public sector delivery services, the Police Order 2002 was promulgated. It is a major step towards ensuring law and order and dispensing speedy justice. The local government system has been established as three-level system i.e. District (Zila), Tehsil and Union councils. 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) has been given a practical shape. In addition, capacity building of Local Government representatives and state functionaries remained a prominent feature. The good governance and local government performance enhancement projects of National Reconstruction Bureau (NRB) aim at supporting NRB to conceive, design, facilitate implementation, and capacity building of institutional support for furthering strategic National Reconstruction Agenda for establishment of genuine democracy with sustained and durable good governance. Strategic focus of good governance 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 not only focuses on political reforms but also includes judicial, civil service, and police reforms for enhancing accountability and transparency. In all more than 58 rules/ regulations have been notified by the provinces and supportive byelaws are being developed.

Programme for 2006-07

Financial

6.324 An amount of Rs. 11945.184 million including foreign aid of Rs. 3432.845 million has been allocated for the sectoral programmes for 2006-07, indicating an increase of 16.7% over the last year's allocations. Details of ministry-wise allocation are given in Table -6.30.

Table-6.30

Name of Ministry/Division	Allocation	F.Aid	Local Rupee
Interior Division	2514.00	0.000	2514.00
Statistics division	67.665	0.438	67.227
Law, Justice & Human Rights Division	4120.763	503.00	3617.763
Establishment Division	212.048	0.000	212.048
Finance Division	2221.693	1981.407	240.286
Revenue Division	1329.00	933.00	396.00
P & D Division	1413.015	15.00	1398.015
Cabinet Division	67.000	0.000	67.000
Total:	11945.184	3432.845	8512.339

Physical

6.325 In addition to continuity of ongoing activities for improving governance in the country, the Interior Division at an estimated cost of Rs. 1951.695 million, has launched a project on "Nationwide Integrated Trunk Radio System for Police". Its implementation will achieve enhanced security in police operations through discharging its responsibilities more effectively. The project will enable the police leadership to effectively command and deploy its limited resources and assets to discharge its responsibility in an effective manner.

6.326 The Judicial reforms already launched by the government will continue to build capacity of key institutions providing judicial and non-judicial legal services. During the next financial year 2006-07, activities will be undertaken to complete the schemes initiated through the funds of 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.

6.327 Various consultancies initiated under establishing NSPP will be completed and work on future 'Road Map' for NSPP will continue. The capacity building actions will also continue during 2006-07 under its training programmes (Professional Development Programme (PDP), and Executive Development Programme (EDP). Improvements in infrastructure facilities of NIPAs will also continue during 2006-07.

6.328 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) of the office of the Auditor General of Pakistan. 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. Under PIFRA (Phase-II), remaining pilot sites and roll out sites would form the scope of development activities.

6.329 The activities on the PSCBP will continue during the year 2006-07 so that the skills, knowledge, attitude, and quality of civil servants could be improved. The work on implementation of Tax Administration Reform Programme will also continue during 2006-07 in order to establish tax administration regime, which is efficient and effective and contributes in raising the tax revenues for the government.

6.330 While the focus on existing activities will continue during 2006-07 in Planning & Development Division, some new schemes will be initiated for implementation. One such scheme aims at construction of an independent building for Pakistan Planning & Management Institute (PPMI). This will provide a training premises to Planning & Development Division which would cater to the training needs of officers in federal and provincial governments, and Area Administrations, particularly in the areas of project monitoring & evaluation, preparation of project documents, project management, procurement management etc. Also DRAPP/ DERA-II will continue its activities during the year.

6.331 During the year 2006-07, the Statistics Division will continue its development activities through implementation of PSLM and re-basing of National Accounts from 1999-2000 to 2005-06 in order to provide more authentic data on social indicators i.e. health, education, household assets/ amenities, immunization, water supply and sanitation in order to assess PRSP.

6.332 The project titled, "Support to Good Governance (Phase-III)" of NRB will be implemented in 2006-07 for restructuring of civil services and consolidation of devolution efforts in order to sustain the reform process.

6.333 In order to accomplish the reform agenda, an allocation of Rs. 66.20 billion has been made in the MTFD 2005-10 for activities related to governance/research, statistics and planning. A substantial increase in the allocations during 2006-07 for the projects, as mentioned in the preceding paragraphs, is clearly indicative of the government's resolve to address the 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.

MONITORING & EVALUATION

Introduction

6.334 Monitoring is the provision of information and the use of that information, to enable management to assess progress of implementation and take timely decisions to ensure that progress is maintained according to schedule. Monitoring assesses whether project inputs are being delivered, are being used as intended, are producing the expected outputs and are having initial effects as planned. Monitoring is a continuous or periodic activity providing feedback to project management at all levels enabling to improve operational plans and to take timely corrective action.

6.335 Project evaluation assesses the over all project effects both intentional and unintentional. A comprehensive evaluation is a process by which systematically and objectively the relevance, efficiency, effectiveness and impact of a project is determined. The basic objective of an evaluation study is to ascertain the real worth of a project as far as possible. In fact, without ex-post analysis of a project performance, questions on how various activities are actually functioning, what effects they have had and how benefits are being achieved, cannot be satisfactorily answered. The examination of different aspects of the project can provide important lessons of experience for new projects.

6.336 The projects after approval by the competent forum are implemented by executing agencies. It has been observed that implementation of the projects is the weakest area in projects cycle. The main problems confronted in projects implementation are as follows.

- The preparation of the projects especially in social sectors is quiet weak.
- The physical activities to be undertaken in the project are not adequately defined.
- Independent project directors are not appointed in all the projects. Those appointed are not always good professional managers.
- The executing Divisions in a number of cases have not established Planning & Monitoring Cells, where established lacks qualified staff.
- Releases are delayed and the project directors do not have the capacity to even utilize the releases.
- The preparation and implementation of cash/work plan is weak leading to delay in decisions.
- The flow of information from project director to executing division and Planning Commission is weak.
- The social sector lacks capacity to implement large portfolio of projects.

Review of 2005-06

6.337 Planning Commission had introduced the desk monitoring of development projects in 2002-03. Subsequently field monitoring was introduced in 2003-04 and the effect of field monitoring on the implementation of development projects is as follows:

Public Sector Development Programme

Rs. In million

Year (July- Dec.)	No. of Monitored Projects	Allocation	Releases	Expenditure	Releases as % of Allocation	Expenditure as %age of Allocations
2002-03	268	68544	18731	18227	27.3	26.6
2003-04	263	74255	25336	22000	34.1	29.6
2004-05	290	105517	38176	29193	36.2	27.7
2005-06	156	113161	46803	36855	41.4	32.6

6.338 It indicates that the field monitoring has an impact on projects implementation and the utilization has improved from 26.6% in 2002-03 to 32.6 in 2005-06.

- The development proformas i.e. PC-I, II, III, IV and V have been revised to facilitate project preparation, implementation, monitoring & evaluation.
- The cash/work plan proformas have been revised to incorporate the experience gained during the last two years.
- Pakistan Planning and Management Institute (PPMI) has imparted training to project directors in various fields of projects preparation, appraisal, implementation, procurement monitoring & evaluation.
- Selective field monitoring of development projects.
- In-depth monitoring of 34 strategic projects to ensure their completion on schedule.
- Quarterly review meetings with executing Divisions to facilitate projects implementation.

Programme for 2006-07

6.339 Implementation of development projects as per scope and time approved by the competent forum has been accorded the highest priority. Timely implementation of projects will facilitate provision of basic infrastructure i.e better roads, improved railways, availability of water for irrigation and power generation to accelerate the economic growth. The social indicators will be improved through provision of better education & health facilities. The following are the milestones for 2006-07.

- i) The provision for the appointment of project directors for projects costing Rs.100 million and above will be mandatory for the new projects to be approved by CDWP/ECNEC.
- ii) The executing Division will appoint the project directors through advertisement in the press on a salary package approved by the component forum at the time of approval of project.

- iii) The principal accounting officer will delegate administrative & financial powers to the project director to ensure effective implementation of project.
- iv) Planning Division will impart training to project directors in preparation of Cash/Work Plan under crash programme.
- v) The revised cash/work plan proforma along with instructions be placed on the website of Planning Commission to facilitate the executing agencies.
- vi) Each Division to establish Planning & Monitoring Cells with adequate experienced staff. The executing Divisions will undertake internal monitoring of development projects and furnish a quarterly report to Planning Commission.
- vii) Planning Commission will undertake external monitoring of development projects on selective basis. The monitoring reports will be shared with executing divisions and project directors for appropriate action.
- viii) Deputy Chairman, Planning Commission will hold quarterly review meetings with executing Divisions to review the projects implementation in the light of monitoring reports.
- ix) Finance Division will ensure release of PSDP allocations at the beginning of each quarter to facilitate project implementation.
- x) Management Information System being developed with the technical assistance of Asian Development Bank is at the final stage of completion. The system will be initially used to monitor the implementation of strategic projects followed by the projects being executed with the financial assistance of Asian Development Bank.
- xi) Higher Education Commission to establish Directorate of Projects with adequate staff in each university to implement development projects. The Vice Chancellors and heads of the departments will be relieved from the project directors assignment to concentrate in academic responsibilities.
- xii) The Medical Superintendents will also be relieved from project director position and qualified project directors be appointed to ensure effective implementation of projects.
- xiii) A list of projects proposed to be completed in June 2007 will be prepared and the projects will be chased to ensure its completion by the stipulated date.
- xiv) Ex-post evaluation of projects will be undertaken more seriously. The projects completion report of all the development projects completed during 2005-06 will be obtained and selective ex-post evaluation of the projects will be undertaken to evaluate the effectiveness for formulation, implementation and achievement of benefits envisaged at the time of projects approval.

- xv) The size of the Public Sector Development Programme has increased manifold over the last four years. The details are as follows:

Investment Portfolio

(Billion Rs.)

Year	No. of Projects	PSDP Allocation
2003-04	950	86
2004-05	1279	148
2005-06	1503	204
2006-07	1885	270

6.340 It indicates that while the number of project have doubled during the last four years the investment port folio has increased by 3 times. The additional manpower will, therefore, be inducted in the Projects Wing to ensure effective monitoring and evaluation of development programme.

Investment Programme for FY 2006-07

Rs. Million

S.No	Name of Agency	Investment for Financial Year 2006-07	
		Total	Foreign Aid
1	Water & Power Development Authority	52,245.10	8,875.00
2	Pakistan Atomic Energy Commission	7,668.00	4,200.00
3	Pakistan Nuclear Regulatory Authority	400.00	-
4	Alternative Energy Development Board		-
	TOTAL	60,313.10	13,075.00

Physical Targets : Power Sector

S.No.	Items	Units	2004-05	2005-06	2006-07
			(Actual)	(Estimates)	(Targets)
1	Additional installed Capacity	MW	0	0	328
2	Installed Capacity (Total)	MW	19,505	19,505	19,833
	<i>Growth Rate</i>	(%)	0.00%	0.00%	1.67%
3	Maximum Demand	MW	14,501	15,410	16,454
	<i>Growth Rate</i>	(%)	8.20%	6.30%	6.80%
4	Energy Generation	GWH	86,452	92,026	98,239
	<i>Growth Rate</i>	(%)	5.60%	6.40%	6.70%
5	Energy Sale	GWH			
	Annual Energy Sale	GWH	63,758	68,807	74,952
	<i>Growth Rate</i>	(%)	7.50%	7.90%	8.90%
6	System Lossess	(%)	26.25%	25.23%	23.70%
7	Consumers Cumulative	Million	16.76	17.75	18.56
	<i>(Consumers added)</i>	Million	0.88	0.985	0.81
8	Electrification of Villages/Abadies	Nos.	90,514	103,523	118,527
	<i>Additional</i>	Nos.	9,483	13,009	15,004

Addition in Installed Capacity for FY 2006-07 ***WAPDA**

Wind Mill Project : 100MW

Power from Sugar Mill: 50MW

Malakand III HydroPower Project: 81MW

KEESC

Anode Power(Diesal set): 17

MW

DHA Cogen(Combined Cycle): 80 MW

PHYSICAL TARGET/ACHIEVEMENTS

Sr. No.	Items	Unit	Estimated achievements 2005-06	Targets 2006-07
	<u>Fuel Sector</u>			
1	Crude Production Oil	BPD	64595	74753
2	Gas Production	MMCFD	3785	4279
3	Wells drilled	Nos	60	100
-	- Exploratory	Nos	26	40
-	- Appraisal/ Development	Nos	34	60
4	LPG Production	Tonnes/day	1550	1600
5	Coal Production	Million Tonnes	4.95	5.20

INDUSTRIAL PRODUCTION

ITEMS	UNITS	2004-05 Final	2005-06		2006-07 Targets	% Change	
			Targets	Provisional		2005-06/ 2004-05	2006-07/ 2005-06
				Estimates			
1 Cotton Yarn	Mln Kg	2,281	2,192	2,535	2,789	11	10
2 Cotton Cloth	Mln SQ Mtr	881	987	881	943	0	7
3 Vegetable Ghee	000 MT	917	955	1,037	1,110	13	7
4 Sugar	000 MT	3,092	4,264	3,018	3,108	-2	3
5 Paper & Paper Board	000 MT	420	450	470	517	12	10
6 Nitrogeous Fertilizer	000 NT	2,315	2,381	2,419	2,588	4	7
7 Phophatic Fertilizer	000 NT	393	401	441	480	12	9
8 Soda Ash	000 MT	297	322	317	339	7	7
9 Caustic Soda	000 MT	207	231	219	232	6	6
10 Paints & Varnish (L)	000 Ltr	41,092	66,663	46,344	51,441	13	11
11 Paints & Varnish (S)	MT	15,496	9,169	17,196	18,916	11	10
12 Petroleum Products	Mln Litr	12,511	14,714	12,801	13,441	2	5
13 Cement	000 MT	15,038	16,652	16,504	18,980	10	15
14 Billets	000 MT	315	457	164	169	-48	3
15 HR/CR/Sheets	000 MT	736	744	568	585	-23	3
16 Trucks	Nos	3,204	2,822	5,072	6,086	58	20
17 Buses	Nos	1,762	2,130	674	734	-62	9
18 LCVs/Jeeps	Nos	25,177	29,773	33,561	40,273	33	20
19 Cars	Nos	126,817	153,608	163,759	196,511	29	20
20 Tractors	Nos	43,746	49,614	50,894	58,528	16	15
21 Air Conditioners	Nos	198,099	90,696	236,986	284,383	20	20
22 Refrigerators	000 Nos	785	892	873	1,004	11	15
23 TV Sets	000 Nos	909	1,127	1,020	1,173	12	15
24 Bicycles	000 Nos	588	742	632	695	7	10
25 Electric Transformers	000 Nos	37	58	38	41	2	8
26 Electric Meters	000 Nos	1,825	1,887	3,236	3,884	77	20
27 Coke	000 MT	773	850	175	180	-77	3
28 Cigarettes	Mln Nos	61,089	62,082	63,985	65,904	5	3
29 Jute Goods	000 MT	105	108	102	104	-2	2
30 Motor Tyres	000 Nos	1,488	1,779	1,637	1,833	10	12
31 Motor Tubes	000 Nos	572	665	663	763	16	15
32 Pig Iron/Hot Metals	000 MT	1,137	1,272	637	656	-44	3
33 Shuttles	000 MT	86	116	110	126	27	15
34 Electric Motors	Nos	12,734	22,622	12,337	12,954	-3	5
35 Power Looms	Nos	656	759	494	504	-25	2
36 Tea Blended	Tonnes	60,328	65,003	62,482	85,606	4	37
37 Liquid Syrups	000 Ltr	38,188	39,840	41,381	45,519	8	10
38 Ointments	000 Kg	929	1,060	1,058	1,216	14	15
39 Cooking Oil	000 MT	218,577	250	257,047	280,181	18	9
B. MINERAL PRODUCTION							
1 Crude Oil	000 BBLS	24,118	74,881	23,824	26,206	-1.2	10.0
2 Natural Gas	MMCFT	1,344,953	4,144	1,405,166	1,615,941	4.5	15.0
3 Coal	000 MT	3,367	4,180	3,637	4,183	8.0	15.0
4 Limestone	000 MT	14,857	--	16,005	17,606	7.7	10.0
5 Rock Salt	000 MT	1,648	--	1,818	2,091	10.3	15.0

Source: i) Federal Bureau of Statistics/National Accounts Committee (NAC).
ii) M/o Industries, Production and Special Initiatives

MINERAL PRODUCTION

ITEMS	UNITS	2004-05 Actual	2005-06 Provisional Estimates	2006-07 Targets	% Change	
					2005-06/ 2004-05	2006-07/ 2005-06
1 Crude Oil	000 BBLS	24,118	23,824	26,206	-1.2	10.0
2 Natural Gas	MMCFT	1,344,953	1,405,166	1,615,941	4.5	15.0
3 Coal	000 Tonnes	3,367	3,637	4,183	8.0	15.0
4 Limestone	000 Tonnes	14,857	16,005	18,500	7.7	15.6
5 Rock Salt	000 Tonnes	1,648	1,818	2,090	10.3	15.0
6 Gypsum	000 Tonnes	453	569	660	25.6	16.0
7 Dolomite	000 Tonnes	200	155	200	-22.5	29.0
8 Argonite/ Marble	000 Tonnes	1,280	2,176	2,594	70.0	19.2
9 Iron Ore	000 Tonnes	104	94	108	-9.6	14.9
10 Fire Clay	000 Tonnes	254	314	346	23.6	10.2
11 Silica Sand	000 Tonnes	299	386	444	29.1	15.0
12 Blister Copper *	Tonnes	18,000	18,000	18,500	0.0	2.8
*	Calender year					

Sources:

- i) Federal Bureau of Statistics (FBS)/ National Accounts Committee.
- ii) Mineral Wing, Ministry of Petroleum & Natural Resources

Physical Planning and Housing Sector

No	Major Programmes	PP&H Physical Targets (2006-07)
1.	Development of Residential Plots	<ul style="list-style-type: none"> To facilitate development of 50,000 small-size residential plots in "Site & Services schemes" in urban areas. Provision of 50,000 small plots in rural areas, for construction of houses by the shelterless.
2.	Pakistan Housing Authority's Programmes	Completion of ongoing projects of flats construction at Lahore, Karachi, Islamabad Peshawar and Quetta.
3.	Water Supply and Sanitation / Sewerage	
	Drinking Water Supply	Increase overall coverage from 67% to 69% of total population.
	Planned Sanitation / Sewerage	Extend the facility from 43% to 44% of total population.
	Urban Water Supply	Coverage of additional 2.55 million beneficiaries to increase urban population coverage from the present 86 per cent to 88 per cent.
	Urban Sewerage and Sanitary Drains	Coverage of additional one million beneficiaries to increase urban population coverage from the present 66 per cent to 67 per cent.
	Rural Water Supply	Coverage of additional 3 million beneficiaries to increase rural population coverage from the present 56 per cent to 58 per cent.
	Rural Sanitation	Coverage of additional 1.50 million beneficiaries to increase rural population coverage from the present 31 per cent to 32 per cent.
4.	Katchi Abadis/Slums Up gradation	Improvement of environmental conditions of additional 0.250 million population in Katchi Abadis/Slums.
5.	Government Employees Housing	Provision of additional 500 flats fro Government Employees in Islamabad and Provincial Capitals.
6.	Government Offices and Buildings	Construction of 1.00 million square-foot covered area for Government Agencies/Civil Armed Forces.
7.	Housing for Industrial Workers	Construction of 500 flats for Workers by the WWF.
8.	Houses for Overseas Pakistan	Implementation of the announced housing schemes in major cities by the OPF.
9.	Preparation of Strategic Development Plans for Mega Cities	Finalization of 4 Strategic Development Plans for Karachi, Lahore, Peshawar and Quetta.
10.	Pakistan Urban Forum	Establishment of the Forum in P&D Division and holding of an Urban Conference/Seminar.

