

ANNUAL PLAN 2009-10



**GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
Planning & Development Division
June, 2009**

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PLANNING AND DEVELOPMENT DIVISION
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FOREWORD

The National Economic Council (NEC) in its meeting held on 4th June, 2009 under the chairmanship of the Prime Minister, reviewed the performance of economy during 2008-09 and approved the Annual Plan 2009-10.

The economic growth in Pakistan has slowed down. The GDP has declined to 2% in 2008-09 against the target of 5.5% and 4.01% achieved in 2007-08. Agriculture sector surpassed the target registering the growth rate of 4.7%, whereas, poor performance of large scale manufacturing and construction has pulled down the growth rate. Fiscal and current account balances which worsened sharply during 2007-08, have started showing sign of improvement as a result of stabilization policies. Foreign reserves which fell largely because of soaring oil prices in 2008-09 have now increased to a comfortable level of US\$ 12.2 billion. The headline inflation remained high during 2008-09 on the back of spiraling food and energy prices and persistence of inflationary expectations.

A major shift in government policy was to adopt people centric development policies to stabilize and grow with human face. Direct income support measures including Benazir Income Support Program were initiated for poor and vulnerable. To make the people employable greater emphasis has been placed on provision of education, health and skill development. Pro-agriculture stance to improve the terms of trade for agriculture was taken. Support price of wheat was increased from Rs 625 to Rs 950 per 40 kg to boost production and ensure food security. Priority is accorded to provide basic necessities to the Internally Displaced Persons (IDPs).

The strategic thrust of the Annual Plan 2009-10 is: (i) ensure economic recovery consistent with stabilization; (ii) maintain momentum of agriculture growth together with support policies for revival of industries; (iii) address critical infrastructure gaps in water, power and transport for enhancing competitiveness; (iv) achieve Millennium Development Goals and reduce poverty through a comprehensive social protection system with an exit strategy; (v) facilitate balanced development in the country by reducing regional disparities; and (vi) rehabilitation and reconstruction of conflict affected areas.

The Annual Plan 2009-10 aims at GDP growth rate of 3.3%. This is to be contributed by sectoral growth rates of agriculture (3.8%), manufacturing (1.8%) and that of services sector (3.9%). The level of saving and investment would be enhanced and inflation to be reduced to single digit by perusing tight monetary and prudent policies. In spite of financial constraints, the size of the PSDP 2009-10 at Rs 621 billion (4.2% of GDP) has been kept at a much higher level than last year. This will pull up economic growth and create job opportunities.

I would like to commend the efforts of the staff of the Planning Commission for their professional contribution to prepare this valuable document.

Sardar Aseff Ahmad Ali
Deputy Chairman/Federal Minister

Islamabad 13th June, 2009

EXECUTIVE SUMMARY

Overview of Economy

Review for 2008-09

Pakistan's economic performance in 2008-09 may be seen against the policy objectives of the government, international developments and domestic constraints. Faced with an untenable fiscal and balance of payment situation and rapidly declining foreign exchange reserves, mainly due to an unprecedented increase in oil prices in the first half of 2008, the government took decisive action to restore macroeconomic stability. This entailed curtailing domestic demand through contractionary fiscal and monetary policy and reducing planned public sector development expenditures.

The trade-off between growth and restoring macroeconomic stability turned out to be high. The economy during 2008-09 registered a **growth** of 2% against the target of 5.5% and 4.1% achieved last year. The decline in growth rate has largely come from the poor performance of the industrial sector. Depressed production in large scale manufacturing and construction sector was mainly responsible for the decline.

Agriculture: Agriculture has performed well. Agriculture grew by 4.7% surpassing the target of 3.5%. The major crops exhibited high growth rate are: Rice (25%), Cotton (3.5%), Wheat (11.7%), and Gram (60.1%). However, the production of Sugarcane showed a decline of 21.7%. This is mainly due to the shortage of irrigation water. In the livestock sector growth can be seen for Milk (3.2%), Meat (4.2%), Wool (1.2%), Hides (3.4%) and Skins (2.3%).

Industry: Industry has shown a negative growth rate of 3.6% against the target of 6%. The negative growth is mainly contributed by the poor performance of the large scale manufacturing (-7.7%) as well as of construction (-10.8%). Manufacturing production fell on the face of high inflation, low demand and high cost of borrowing amid tight monetary policy. Borrowing by the private sector reduced sharply.

Services: The growth of services sector has been recorded at 3.6% against the target of 6.1%. On account of a sharp slowing down of manufacturing and imports, the wholesale and retail trade suffered a setback and grew by a rate well below its target of 5.4%. Finance and insurance with a negative growth rate of 1.2% also pulled down the growth of this sector.

Saving and Investment: The total investment as a ratio of GDP would be 19.7% against the target of 21.5% and actual realization of 22% last year. Public as well as private sectors investment also declined. Similar trends have also been observed in case of FDI and portfolio investment. Steep decline happened to be in portfolio investment with massive outflow. Fall in FDI from US\$ 5.4 billion 2007-08 to around US\$ 3.5 billion has also contributed to low level of investment experienced in 2008-09. The national savings as ratio of GDP remained at 14.3% against 13.4% achieved in 2007-08.

Fiscal Developments: The consolidated Budget for the year 2008-09 had envisaged Government expenditure at Rs 2,394 billion against the revenue of Rs 1809 billion. The fiscal deficit accordingly was envisaged at Rs 582 billion, 4.7% of GDP which was later revised down to 4.3% of GDP. To achieve this target the Government has eliminated subsidy on petroleum products and is phasing out electricity subsidy,

together with rationalizing public sector expenditures. The trend of revenue collection by FBR shows that due to slowdown in economic activity and imports, there is a possibility of shortfall. Accordingly the overall fiscal deficit may exceed the target marginally.

Monetary Developments: Tight monetary policy has been pursued to stabilize economy. The money supply during July 1, 2008 to May 23, 2009, expanded by 5.5% against 9.1% during the corresponding period last year. The modest expansion is due to contraction in the Net Foreign Assets (NFA) and low growth in Net Domestic Assets (NDA) of the banking sector owing to decline in credit to private sector. The policy rate was raised twice in July and November, 2008 to 13% and 15% respectively to contain inflation and to ensure success of stabilization efforts. With the economy moving towards regaining macroeconomic stability, policy rate was lowered by 100 basic points to 14% from 15% in April, 2009.

Inflation: Headline inflation was targeted at 11% for 2008-09 against 12% experienced last year. The inflation increased to 22.4% during July-April, 2008-09 against an increase of 10.3% during the corresponding period last year. Spiraling food and energy prices and significant depreciation of rupee are the main causes of this hike in inflation. The higher prices of education, health, house rent and transportation have also contributed to this increase. On the other hand core inflation during the same period, also remained high at 17.8%. The headline inflation is likely to remain very high around 20% during 2008-09. It has not declined as anticipated because desired impact of tight monetary policies has been neutralized by huge government borrowing to finance fiscal deficit and persistence of inflationary expectations.

Balance of Payments: The current account deficit is expected to be US\$ 9 billion (5.4% of GDP), significantly lower to the Annual Plan target of US\$ 12.7 billion (7.2% of GDP) and US\$ 14.2 billion (8.6% of GDP) recorded in 2007-08. This improvement has been due to reduction in trade deficit (US\$ 12.1 billion against the target of US\$ 14.3 billion) and robust increase in worker remittances estimated at US\$ 7.5 billion. The reduction in current account deficit has been achieved due to decline in both exports and imports, respectively by 18.8 and 17.5% against targets. Major decline in exports has been observed in case of textile, petroleum and some of the traditional products. Imports of almost all the major commodities have witnessed a negative growth. Amongst them prominent are machinery, transport, petroleum, food, and chemical groups.

Foreign reserves hit a record high of US\$ 16.5 billion in October, 2007 but fell steadily to US\$ 6.6 billion by November, 2008 largely because of soaring import bills which siphoned out US\$ 12 billion on this account. As a result of stabilization program and increase in foreign assistance, reserves rose to US\$ 11.2 billion by May, 2009. The rupee has also recovered from part of its losses suffered during the first quarter of 2008-09 and stabilized at about Rs 80 per US dollar.

Public Sector Development Program (PSDP): The PSDP for 2008-09 was Rs 541 billion with a federal component of Rs 371 billion (including foreign aid amounting to Rs 41.3 billion) and provincial ADPs at Rs 170 billion. On account of severe financial constraints it is expected that PSDP would be Rs 389 billion where Rs 219 would be released by June, 2009 to finance federal component and allocated amount for the provincial ADP would be fully utilized. Accordingly, PSDP/GDP ratio would turn out to be 3% during the year 2008-09.

Sectoral Development Programs: On the face of resource constraints, rationalization and prioritization of portfolio of PSDP projects were made resulting visible achievements in some of the important sectors. In the **water sector** Mangla Dam raising, Sabakzai and Mirani Dams were substantively completed and significant progress has been observed in national program for improvement of water courses. In the **power sector**, work on two nuclear power plants in Chashma has been initiated while progress on existing projects remains satisfactory. Neelum-Jhelum hydro-power projects was initiated whereas, progress on three high headed hydro-power projects (Dubair Khawar, Allai Khawar and Khan Khawar) was maintained.

In the **transport and communications sector**, Islamabad-Peshawar Motorway project has been completed. Whereas, work has substantially been completed in respect to improvement/up-gradation of Nutal-Sibi, Dadar section of N-65, Islamabad-Lower Toppa-Muzaffarabad road section upto Lower Toppa and Larkana bridge over Indus. In **social sectors** funds for foreign scholarship programs for **higher education** were protected and important national **health** programs were sustained. Expo Centre Lahore is near completion.

Reducing Poverty and Vulnerability: Poverty after showing a declining trend during 2001-02 to 2005-06 is expected to increase due to inflation and declining economic activity. To cushion this impact the government launched a major direct income support program under the Benazir Income Support Program (BISP). The BISP provides cash grant of Rs 1,000 per month to each qualifying family. The number of benefiting families under the program will gradually increase from 3.4 million in 2008-09 to 5 million in 2009-10 and 7 million in 2010-11. In addition to BISP, there are some other nation-wide cash transfer programs, i.e. Bait-ul-Mal and Zakat. The public works program also provides employment opportunities in small-scale rural and urban projects.

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The strategic thrust of the Annual Plan 2009-10 has been derived from Nine Points Economic Agenda of the government. Major elements of the strategy are:

- Ensure economic recovery consistent with stabilization.
- Maintain momentum of agriculture growth together with support policies for revival of industries;
- Address critical infrastructure gaps in water, power and transport for enhancing competitiveness;
- Achieve Millennium Development Goals and reduce poverty through a comprehensive social protection system with an exit strategy;
- Facilitate balanced development in the country by reducing regional disparities; and
- Rehabilitation and reconstruction of conflict affected areas.

GDP Growth: It is projected that the GDP growth in 2009-10 will be 3.3%. This is to be contributed by sectoral growth rates of agriculture (3.8%), manufacturing (1.8%) and that of services sector (3.9%).

Agriculture: For 2009-10, agriculture sector is projected to grow by 3.8% to be contributed by growth rates of major crops (3.5%), livestock (4%), fishery (2.4%), and forestry by (1%). Extra efforts would be need to increase the agriculture output, on the higher production base of 2008-09 because of good harvest of wheat, rice and cotton.

Manufacturing: The prospects for economic growth in 2009-10 hinges crucially on the revival of the manufacturing sector. It is projected to achieve a growth rate of 1.8% during 2009-10. It is based on the assumption that energy shortages will be reduced to a certain extent and export competitiveness will improve through appropriate interest and exchange rate policies. Accordingly, large scale manufacturing is targeted to grow by 1%. This should be viewed against the backdrop of negative growth of as large as 7.7% recorded last year.

Services: Based on the growth in agriculture and manufacturing combined with the expected contraction in imports by 5%, the services sector is likely to grow by 3.9% with wholesale and retail trade growing by 3.3% and finance and insurance by 3%.

Saving and Investment: The total investment is projected in the vicinity of 20% of GDP in 2009-10. National saving as a ratio to GDP is projected at 14.7%., implying that almost 74% of investment will be financed through national saving. This will leave 26% of investment to be financed form foreign saving which will be 5.3% of GDP.

The overall size of the **PSDP** 2009-10 has been determined at Rs 621 billion, 4.2% of GDP. It has a federal component of Rs 421 billion and provincial ADPs of Rs 200 billion.

Fiscal Policy: The main thrust of fiscal policy during the year 2009-10 would be to keep the fiscal deficit within a sustainable limit by furthering reforms in tax system, broadening the tax base, improving the tax compliance and minimizing tax evasion. The main objective of policy would be to allocate adequate resources for development activities particularly for pro-poor expenditure in conformity with the Fiscal Responsibility and Debt Limitation Act, 2005 to achieve projected economic growth of 3.3% and reduce unemployment and poverty and improve social indicators.

Monetary Policy: The monetary expansion for the year 2009-10 will be in line with the projected GDP growth of 3.3% and CPI inflation at 9%. To keep the growth of money supply close to the targeted level and to encourage private sector credit, it is imperative that government borrowings be limited to a safe level. This will also bring down the inflation and strengthen the growth prospects of the economy.

Inflation: The target rate of inflation for 2009-10 is set at 9% as against expected 20% in 2008-09. CPI Inflation would remain sensitive to growth in money supply, increase in utility prices, fluctuation in international oil and commodity prices and above all to inflationary expectations.

Balance of Payments

Trade Account: On account of the global economic slowdown and due to domestic energy and law and order situation, exports (fob) for 2009-10 are projected to US\$ 18.3 billion against US\$ 18.6 billion estimated for 2008-09. Imports during 2009-10 are estimated to decrease by 5.6% to US\$ 28.9 billion from US\$ 30.7 billion in 2008-09. As a result, the trade account is projected to be in deficit by US\$ 10.7 billion in 2009-10.

Invisibles Account: Prospects for the invisible balance will continue to be governed mainly by the behavior of the worker's remittances. For 2009-10, remittances have been projected to be around at US\$ 6.7 billion. Decline from the last year level is expected on account of slower increase in the price of oil, which may reduce the demand for additional migrant workers from Pakistan to the Middle Eastern countries.

Current Account Balance: The current account deficit in absolute term is targeted at US\$ 9.4 billion (5.3% of GDP) in 2009-10 close to the estimated deficit of US\$ 9 billion (5.4% of GDP) for 2008-09.

Poverty Reduction: A major shift in government policy is to protect the poor and vulnerable against the downturn. Benazir Income Support Program and other pro-poor programs would continue with expanded coverage and better targeting. Higher priority is being accorded to providing basic necessities to the Internally Displaced Persons (IDPs) and programs developed for their rehabilitation, reconstruction of infrastructure and revival of economic activities.

Sectoral Development Programs

Agriculture Development: An allocation of Rs 9 billion has been made in 2009-10 against the likely utilization of Rs 6.9 billion last year. Investment has been increased to boost productivity to ensure vital food security. Major ongoing and new projects include Water Conservation and Productivity Enhancement, Productivity Enhancement of Small Farmers, Land and Water Resource Development, Agri-business Development and Diversification, Special Initiative for Livestock, Aqua Culture and Shrimp Farming, Research for Agriculture Development and Milk Collection/Processing.

Industry: Allocation for 2009-10 stands at Rs 8.9 billion against expected utilization of Rs 5 billion in 2008-09. Some of the projects accommodated in the PSDP are Export Processing Zone Balochistan, Development of Marble and Granite, Gem and Jewellery Development and Industrial Estate including ROZs.

Water Resource Development: For water resource development Rs 57.8 billion has been allocated in 2009-10 against likely utilization of Rs 36.2 billion in 2008-09. Some important projects of this sector are: Raising of Mangla Dam including Resettlement, Improvement of Water Courses, Thal, Kachhi and Raineer Canals, 8 Small and Medium Dams in Each Province, Mirani, Sabakzai, Satpara and Gomal Dams, Khanki Barrage, RBOD II and RBOD III.

Power: Overcoming energy shortage has been accorded the highest priority. Accordingly, an allocation of Rs 41.3 billion has been earmarked to this sector in 2009-10 against likely utilization of Rs 18 billion last year. Portfolio of the power projects includes Bhasha Dam, Guddu, Chicho Ki Malian and Nandi Pur Power Plants, Neelum-Jhelum, C2, C3 and C4, Golan Gol, Khan Khawar, Allai Khawar, Dubair Khawar, Jinnah Hydro Power and Thar Coal.

Transport and Communications: To fully exploit the increase intra-regional trade through an improved trade corridor, physical infrastructure and trade logistic and services to make business more competitive are being revamped. Inland water ways transportation through public-private partnership would also be improved.

PSDP for 2009-10 provides Rs 40 billion to **Highways** against the expected utilization of Rs 26 billion last year. The highways development program for 2009-10 includes major projects such as Rehabilitation and Improvement (KKH), Widening and

Improvement of N-65, Hoshab-Nag-Basima-Sorab, Faisalabad-Khanewal Expressway, Bridge over River Indus at Larkana, National Highway Development Project, Lowari Rail Tunnel Project, Peshawar Northern Bypass and NWFP Road Development Sector.

Railway has been allocated Rs 11.7 billion in 2009-10 against Rs 6.6 billion in 2008-09. Some of the important projects included in the PSDP are Damages to Railway Assets during Riots in December, 2007, Track Rehabilitation, Procurement/Manufacturer of 1000 High Capacity Wagons, Replacement of Signaling Equipment from Khanewal to Shahdara, Doubling of Track (Raiwind-Khanewal) and Establishment of Inland Container Terminal at Shershah Railway Station.

Physical Planning and Housing (PP&H): An allocation of Rs 12 billion has been made for PP&H, whereas, an amount of Rs 4 billion has been utilized in 2008-09. Major projects included in the sector are Housing for All, Government Buildings and Government Servant Housing, Rural Water Supply and Sanitation, Development of Slum Areas and Formulation of National Spatial Strategy.

Education: For basic education an amount of Rs 9.4 billion has been allocated in 2009-10 for such ongoing projects as Capacity Building of Teachers, Basic Education Community Schools and Education for All. For higher education Rs 22.5 billion has also been earmarked to fund national and international scholarships and university expansion/up-gradation projects. For **science and technology** Rs 3.9 billion has been set aside mainly for 129 Scientific and Technological Research Schemes.

Information and Telecommunication Technology: In the PSDP 2009-10 Rs 7.4 billion has been earmarked against Rs 6.3 billion in 2008-09. Higher allocation has been made to further enhance the Human Resource Development, IT Industry Development, E-Government and Infrastructure Development.

Health: The major thrust of this sector is to help in achieving MDGs. An amount of Rs 25.4 billion has been allocated to the health sector in 2009-10 against expected utilization of Rs 15 billion last year. Some of the major projects constituting portfolio of health sector includes Family Planning and Primary Health Care, Expanded Program of Immunization, National Maternal Neonatal and Child Health Program, Khyber Institute of Child Health and Children Hospital, Shaheed Benazir Bhutto Medical Complex, Karachi, 300 Beds Hospital, Kemari, Karachi, 300 Beds Hospital, Benazirabad, Medical Colleges at Khuzdar and Loralai and Up-gradation of Cancer Treatment Facility at NMC, Multan. For **population** welfare in total Rs 4.8 billion has been provided this year against Rs 3 billion last year for both federal and provincial programs.

Skills Development: For NAVTEC, NCHD and Establishment of Technical Institutes in 27 Districts, a sum of Rs 4 billion has been allocated in 2009-10 against Rs 2 billion, last year.

Environment: The federal PSDP has earmarked Rs 5 billion for environment projects such as Greener Karachi Program, PPP Based Environment Friendly Transport and Development of Forestry Sector Resources for Carbon Sequestration all over Pakistan.

Special Areas and Programs: For special areas including AJK, FATA and Northern Areas an amount of Rs 38 billion is provided in PSDP 2009-10 against expected utilization of Rs 23.3 billion last year. Whereas, for special programs covering PWP-I

and PWP-II an amount of Rs 35 billion have been earmarked this year against Rs 32.2 billion in 2008-09.

Good Governance: An amount of Rs 12.1 billion has been allocated in 2009-10 against expenditure of Rs 9.7 billion last year. Funds have been allocated mainly for governance reforms projects and programs such as Tax Administration Reforms, Improvement in Audit and Accounts, Public Sector Capacity Building, Access to Justice, Devolution and Police Reforms and Public Information and Statistical Management.

Part-I

Macroeconomic Framework

Chapter 1

Growth, Investment and Savings

Overview

Pakistan's economic performance in 2008-09 should be judged against the policy objectives of the government, international developments and domestic constraints. Faced with an untenable balance of payments situation and rapidly declining foreign exchange reserves, the government took decisive actions to restore macroeconomic stability. This entailed curtailing domestic demand through contractionary fiscal and monetary policies and rationalizing planned public sector development expenditures. The government also entered into a Stand-by-Arrangement with the IMF to restore stability and investors and donors' confidence. As a result of these measures the economy is moving towards regaining macro stability. To protect the poor and vulnerable against the downturn the government introduced the direct income support measures including Benazir Income Support Programme which is being expanded.

A major shift in government policy was to adopt a pro-agriculture stance and improve the terms of trade for agriculture which has yielded positive results.

The trade-off between growth and restoring macroeconomic stability turned out to be high. The economy during 2008-09 registered a growth of 2% against the target of 5.5% and 4.1% achieved last year (Annex 1.1). Large Scale Manufacturing (LSM) sharply contracted with growth turning negative for the first time in ten years. So did the construction sector which contracted by almost 11%. Only agriculture sector surpassed the target registering a growth rate of 4.7% compared to its target of 3.5%.

Major factors responsible for lower growth were contraction in aggregate demand due to contractionary fiscal and monetary policies and supply-side constraints particularly in the areas of energy and water. Moreover, the worsening security situation may have negative effect on both short and medium term performance of the economy. The global financial crisis has not yet impacted the economy in proportions seen for industrialized countries but as it spread to the real economy it adversely affected exports.

Review of Annual Plan 2008-09

GDP Growth

The GDP growth for the year 2008-09 was targeted at 5.5%, to be contributed by sectoral growth rate of 3.5% in agriculture, 6% in industry and 6.1% in services. The manufacturing sector was targeted to grow by 6.1 % with Large Scale Manufacturing (LSM) by 5.5%. Investment and national saving rates were projected to be 21.5 and 14.3% of GDP respectively. In the changed domestic and global economic scenario growth overall and in some key sectors excluding agriculture, sharply slowed down. The GDP growth was recorded at 2%. The pattern of sectoral GDP growth from 2002 to 2009 is presented in Figure 1.1.

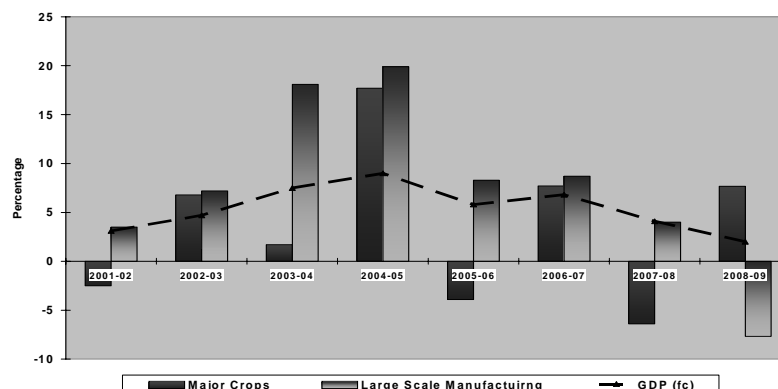
Figure 1.1 Economic Growth and its Pattern (2002 - 09)

Figure 1.1 indicates the pattern of GDP growth between the period 2002 to 2009. The overall economic growth is largely following the changes in major crops and large scale manufacturing sub-sectors. The major crop sector turned negative thrice during the period under review. It pulled down the GDP growth. Similarly LSM, which grew strongly in the middle of decade but crashed in 2008-09 and posted a negative growth as large as near 8%. This again adversely impacted the overall growth. The commodity producing sectors influenced the performance of overall services sector through wholesale and retail trade.

Figure 1.1 indicates the pattern of GDP growth during the period 2002 to 2009. The overall economic growth is largely following the changes in major crops and large scale manufacturing sub-sectors. The major crop sector turned negative thrice during the period under review. It pulled down the GDP growth. Similarly LSM, which grew strongly in the middle of decade but crashed in 2008-09 and posted a negative as large as near 8%. This again adversely impacted the overall growth. The commodity producing sectors influenced the performance of overall services sector through wholesale and retail trade.

Sectoral Growth Performance

Agriculture: The agriculture sector has shown a mixed performance in recent past. For the year 2008-09, this sector is expected to surpass the target. The major crops exhibiting high growth rate are Rice (25%), Cotton (3.5%), Wheat (11.7%), and Gram (60.1%). However, the production of Sugarcane showed a decline of 21.7 % over the period 2007-08 (Annex 1.2). This is mainly due to the shortage of irrigation water.

Another factor impacting agriculture sector has been a decrease in fertilizer off-take by 6.5 % during July-March 2008-09 owing to shortages and higher prices. During Rabi (Oct-Jan) season 2008-09, total fertilizer off-take was 1358 thousand tones, reflecting a decline of 11% over the same period last year. Out of total off-take, nitrogen, phosphate and potash have registered declines of 6.5%, 24.3% and 40%, respectively. In product terms, urea off-take decreased by 3.9% while DAP decreased by 22.4%.

The area under cultivation increased for both **rice and wheat**, complemented by an equally encouraging rise in yields. This performance was a direct result of higher prices which in turn increased profitably for the farmers. For wheat, 52% increase in support price was announced ahead of the sowing season. For rice, cultivated area

increased by 3.25 % which was in fact previously under cultivation of sugarcane and cotton (Source: SBP, Second Quarterly Report 2008-09). Furthermore, this year rise was cultivated twice in Sindh province, complemented by the higher yielding plantation of hybrid rice. From the farmers' point of view, the only disappointment was the sudden decrease in global rice prices which led to lower than expected returns from the bumper rice output.

In the case of **wheat**, apart from the earlier mentioned increase in support price, other factors also played a timely role. These included: a) ongoing dispute between sugar mills and growers resulted in price related disputes which in turn prompted the farmers to substitute the production of sugarcane with the wheat, b) early sowing of cotton resulted in earlier than expected picking, c) extended winter rains favorably impacted on yield, and d) relatively reduced prices of fertilizer.

The increase in **cotton** yield was also partially due to improved prices and increased plantation of genetically modified version known as BT cotton. This to some extent compensated for the decline in cultivated areas of cotton. This crop also faced water shortages during the sowing period.

The area under **sugarcane** dropped sharply resulting in decreased production which in turn led to shortage of sugar and price increases. Improved quantity, price and management methods needs to be put in place which should ensure the trust of growers, mill owners and consumers. The introduction of crop insurance scheme seems to be a step in the right direction.

Agricultural inputs posed some challenges at the start of this year. Water and urea shortages led to some uncertainty, in the absence of which greater gains were achievable. The decline in the level of irrigated water in Rabi season was to some extent offset by stable water supply in Kharif season and prolonged rains during the winter months. During the Rabi season, water shortage became acute also due to the reduced water inflow into the region under Chenab. The credit level also decreased due to lower fertilizer prices, shortage of urea, rise in non-performing loans and a delay in the purchase of inputs from the farmer side. However, livestock sector showed growth in credit disbursement. According to SBP's Second Quarterly Report for the year 2008-09, Credit disbursement increase by 68.5% YoY during July-Jan FY 09 in the livestock, dairy and meat sub-sectors.

In the livestock sector growth can be seen for Milk (3.2%), Meat (4.2%), Wool (1.2%), Hides (3.4%) and Skins (2.3%). Livestock is the most important sub-sector of agriculture with national GDP contribution of 10.8 % and 46.8 % to the agriculture value added. The demands are increasing for livestock products due to urbanisation and economic development. Pakistan is the 5th largest producer of milk in the world.

Manufacturing: Based on July-March, 2008-09 data, large scale manufacturing (LSM) is being estimated to show a negative growth of 7.7 % against the targeted growth rate of 5.5 %. The growth rates for selected items having substantial weight in LSM are shown in Table 1.1 below.

Factors responsible for raising the cost of production in domestic industry are shortage of energy, increase in prices of electricity, misaligned provision of subsidies, inefficiencies in labor market and lack of access to credit as banking sector became risk averse. Moreover, domestic prices of inputs remained relatively higher despite the decrease in international prices. The cost of imported inputs increased sharply due to depreciation of rupee.

Table 1.1: Growth Rate of Selected Manufacturing Items

Items	July - March 08-09/July –March 07-08 (% Change)
Positive Change	
Cigarettes	11.4
Cement	4.7
Phos. Fertilizers	33.3
Coke-Pakistan Steel (PS)	51.7
Paints and Varnishes (S)	19.2
Jute Goods	6.6
Negative Change	
Petroleum Products	-9.2
Cotton Yarn	-0.3
Cotton Cloth	-0.3
Sugar	-26.3
Billets/Ingots	-35.7
Buses	-51.3
Jeeps and Cars	-48.0
Motor Cycles	-20.8
Electric Transformers	-18.1
Refrigerators	-12.2

*Source: Federal Bureau of Statistics

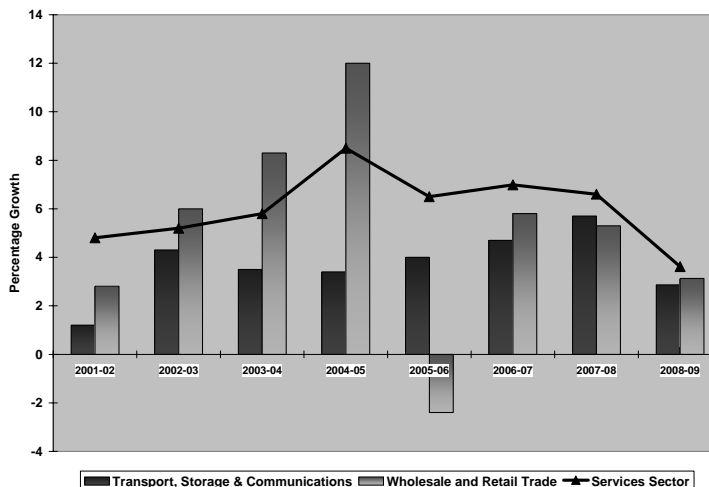
The export oriented industries most notably the textile sector suffered on several counts: a) reduced foreign demand due to global recession, b) apprehension of foreigners about Pakistan's ability to meet export orders given the security situation and c) relative increase in competitiveness of regional competitors due to higher subsidies.

The domestic demand of **consumer durables** declined due to the higher interest rates, rising non performing loans and persistently high inflation. The items mainly affected include automobiles, electrical and engineering goods. The major areas of **food industry** such as vegetable ghee, sugar, cooking oil and beverages did not adjust the prices in competition with the informal segment of the industry resulting in substantial fall in their demand. The **metal industries** suffered on account of lower construction activity, reduction in public sector development expenditure, and outflow of capital from real estate sector, increased stock piling and overall increase in prices of construction items. In **vegetable ghee** sector the loose packed ghee was available

in the market at much lower price in comparison to the tin packed ghee which made it difficult for the formal ghee industry to compete with the informal sector. The **oil and petroleum** products and related sectors suffered due to constraints faced at the refinery stage which to some extent was due to the issue of circular debt.

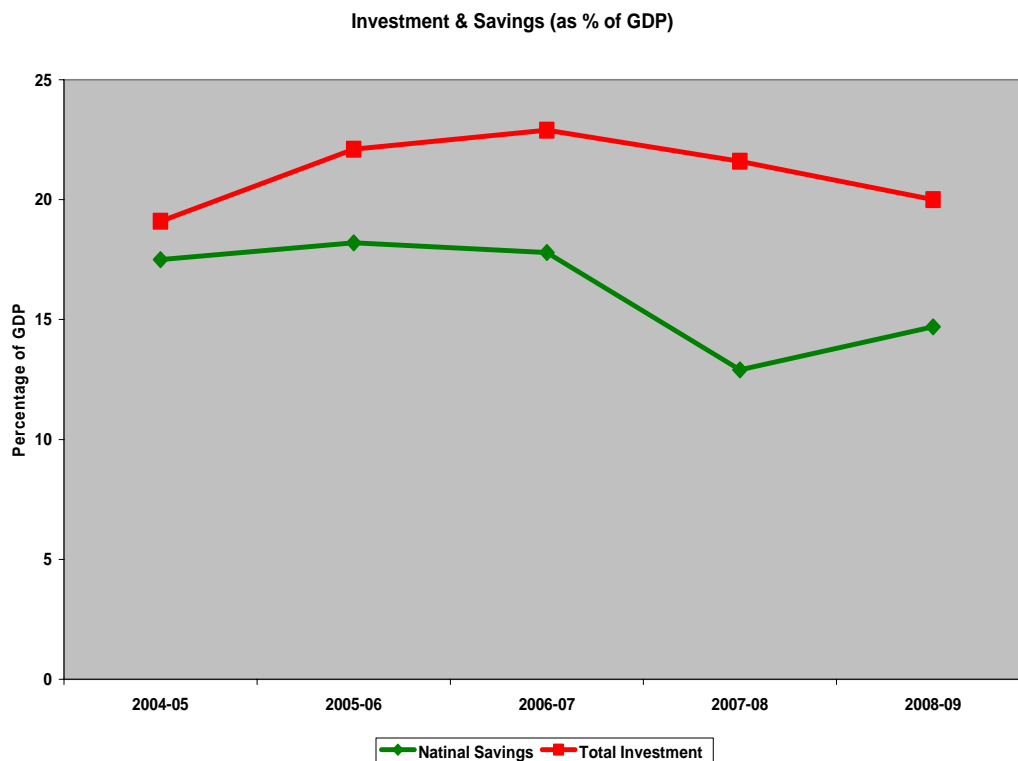
Services: The services sector as a whole is estimated to increase by 3.6 % against the target of 6.1 %. The decline seen in services sector may be explained through the plummeting large scale manufacturing, negative imports growth, reduced commercial banking profits, and decline in FDI. The main sub sectors affected by the above-mentioned factors were wholesale & retail trade and finance & insurance. The transport, storage & communication sub-sector benefited to some extent due to the higher than expected growth in major crops, decline in fuel prices and continued foreign direct investment in telecommunication sector, financial business and personal services. In administration and defense sub-sector the increase is due to continued security hazards. The community and social services also showed an increase due to micro level spending on social safety net e.g., (Benazir Income Support Program).

Figure 1.2 Trends in Services Sector (2002 - 09)



The services sector growth in general was hampered by decline in FDI, which in turn was due to liquidity crunch, reduced profits of business and non-availability of privatization proceeds. Figure 1.2 exhibits the robust growth in the services sector contributed mainly by transport, storage and communications and wholesale and retail trade.

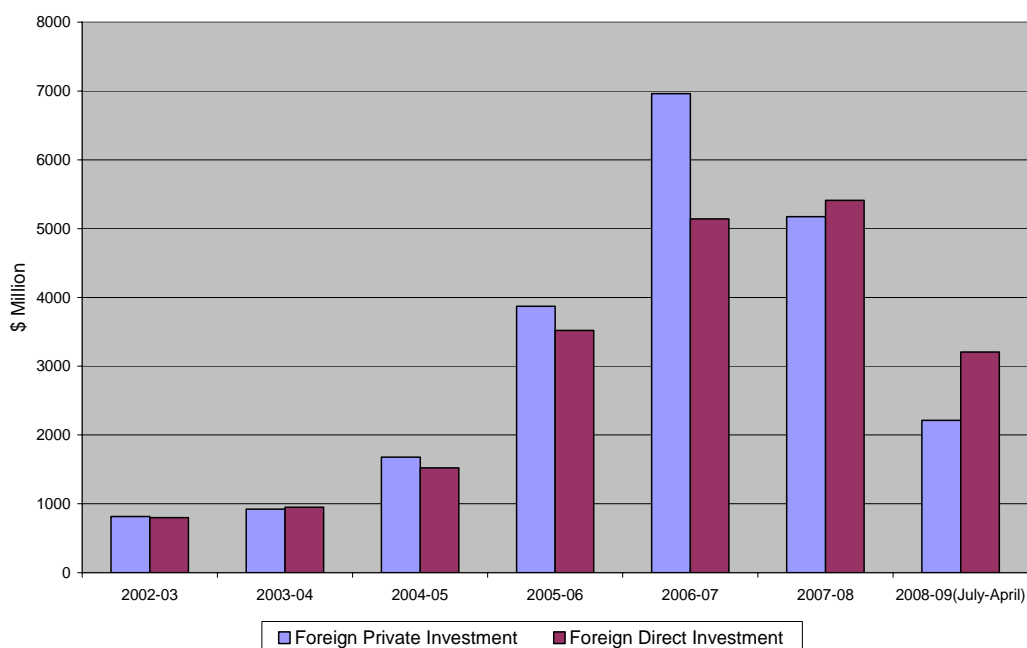
Saving and Investment: In line with the trends in GDP growth, the investment rate in 2008-09 is expected to fall (Annex 1.3) as a ratio to GDP, total investment would be 19.7% (as against 22% last year). Total public sector investment is expected at 4.9% of GDP. The national savings as ratio of GDP would be 14.3% (as against 13.4% last year). During the recent past (2005-09), national savings as percentage of GDP have been on a general decline. The total investment to GDP ratio remained on the rise until 2006-07 after which it started to post some decline (Figure 1.3).

Figure 1.3: Investment and Savings (% of GDP)

Foreign Direct Investment: According to SBP data, the net foreign private investment including privatization proceeds during July-April 2008-09 has declined by 27.9 % although without privatization proceeds this figure works out to be -25.3 %. Both FDI and Portfolio investments have declined during the period under review, the larger decline happened to be in portfolio investment with massive outflows. Regarding the financing of investment this would imply reduction in the required external resource inflow in the context of slow overall growth (Figure 1.4).

The countries making major contribution to FDI (in million US\$) are USA (745.2), Mauritius (320.7), Singapore (246.2), UK (220.2), Switzerland (210.4), Malaysia (221.3), UAE (170.2) and Hong Kong (124.4). In %age terms the highest share in FDI was seen for USA (23%), followed by Mauritius (10%) and Singapore (8%).

The major sectors fetching FDI (in million US\$) are telecommunications (767.1), financial business (680.9), oil and gas explorations (612.1), trade (147.7), food packaging (100.5), and petroleum refining (103.7). In %age terms the highest share in FDI was seen for telecommunications (24%) followed by financial business (21%) and oil and gas explorations (19%).

Figure 1.4**Foreign Private Investment**

Pakistan's performance in attracting foreign direct investment (FDI) flows has been promising due to aggressive privatisation program. As a result, FDI has emerged as a major source of private external inflows. During recent years, FDI flows have increased from US\$ 798 million in 2002-03 to as high as US\$ 5.4 billion in 2007-08, but it dropped sharply to US\$ 3.2 billion in 2008-09 (July-April).

Proposed Annual Plan 2009-10

The prospects for economic growth in 2009-10 hinge crucially on the revival of the manufacturing sector, which has reached a state of crisis. A substantial increase in public sector development programme is envisaged, which would need to be front loaded to resuscitate the economy especially construction which is directly dependent on it. Competitiveness of export industries would be improved by following an appropriate interest and exchange rate policy. This will require investment in skill formation. Beyond the above mentioned general policy measures for economic recovery, specific steps may need to be adopted for particular industries. However, measures for revival would be undertaken while ensuring macro-stability and reduction in inflation. Measures to reduce poverty would be given priority.

GDP Growth

It is projected that the GDP growth in 2009-10 will be 3.3%. This is to be contributed by sectoral growth rates of agriculture (3.8%), manufacturing (1.8%) and that of services sector (3.9%). As an outcome of the envisaged economic scenario, GDP at current market prices would increase by 14.5%.

Agriculture: For 2009-10, agriculture sector is projected to grow by 3.8% to be contributed by growth rates of major crops (3.5%), livestock (4%), fishery (2.4%), and forestry by (1%).

With in major crops, the envisaged growth rates are Rice (14.4%), Cotton (10.8%), Sugarcane (13%) and Maize (-5.8%). Under Rice crop, the production of Basmati Rice will decline by 9.6 % and other Rice will decline by 17.6 %. In the livestock sub-sector, the envisaged growth rates are Milk (3.3%), Meat (4.3%), Wool (1.2%), Hides (3.4%) and Skins (2.3%).

Manufacturing: Manufacturing sector is projected to achieve a growth rate of 1.8% during 2009-10. It is based on the assumption that energy shortages will reduce to a certain extent and export competitiveness will improve through appropriate incentives and policy measures. Accordingly, large scale manufacturing is targeted to grow by 1%. This should be viewed against the backdrop of negative growth of as large as 7.7% recorded last year.

Textile sector of Pakistan contributes 46% to the value added of manufacturing sector. It generates 8.8% of GDP. It is responsible for 60% of Pakistan's total exports and it provides employment to 39% of the manufacturing labour force. The reasons for negative growth of textile sector are high borrowing costs, electricity and gas shortages, subsidies provided to regional competitors by their governments, shortage of cotton, recession and global financial crisis in the US and European markets which reduces the demand. Contamination free cotton is required for textile industry of Pakistan otherwise it will be imported and leads to reduction in foreign exchange reserves. The steps required for improvement of textile sector are improving the law and order situation, solving the circular debt issue, removing the prolonged power crisis and reducing the high cost of borrowing. The negative growth of cotton yarn and cotton cloth for the period July-March 2008-09 raise the need for diversified industrial and export base rather than over dependency of exports mainly on the textile.

Based on the growth in agriculture and manufacturing as mentioned earlier, combined with the expected contraction in real imports of 5%, the services sector is likely to grow by 3.9% with wholesale & retail trade growing by 3.3% and finance and insurance by 3%.

Saving and Investment: The total investment is projected to be around in the vicinity of 20 % of GDP in 2009-10. National saving as a ratio to GDP is projected at 14.7 % in 2009-10, implying that almost 74 % of investment will be financed through national saving. This will leave 26 % of investment to be financed form foreign saving which will be 5.3 % of GDP.

Foreign investment is expected to continue in the financial sector and pharmaceutical sector. The persistent fluctuations in exchange rate are the main obstacle for the smooth inflow of foreign capital. Besides this, law and order situation, political uncertainty, energy deficits and infrastructure issues are other major problems. Power outages are raising an increased dependency on back up power sources which is an additional cost to be considered by the companies operating in Pakistan. The existing legal system of contract enforcement needs substantial improvement to exert a positive influence on investors. The corporate tax rate in Pakistan is considerably higher than other developing countries. Policy implementation against policy formulation should be seriously ensured by government. The government machinery, regulatory bodies and city governments can make significant contribution to facilitate the investors. Among utilities, electric power, water and sanitation facilities need significant improvement.

**Gross Domestic Product
(1999-2000 Prices)**

Items	Rs. Million				% Change		
	2007-08	2008-09		2009-10	2008-09		2009-10
	(R)	(T)	(P)	(T)	(T)**	(P)	(T)
1. Commodity Sectors	2,540,080	2,693,673	2,544,339	2,612,938	4.8	0.2	2.7
A) Agriculture	1,149,270	1,188,663	1,203,308	1,248,716	3.5	4.7	3.8
Major Crops	373,275	406,405	401,890	415,956	4.5	7.7	3.5
Minor Crops	138,860	133,586	143,883	149,638	2.0	3.6	4.0
Livestock	601,530	618,092	623,759	648,709	3.2	3.7	4.0
Fishery	20,834	19,058	21,319	21,831	3.4	2.3	2.4
Forestry	14,771	11,522	12,457	12,582	1.5	15.7	1.0
B) Industry	1,390,810	1,505,010	1,341,031	1,364,222	6.0	-3.6	1.7
Mining & Quarrying	138,047	145,716	139,856	142,653	5.0	1.3	2.0
Manufacturing (I+II+III)	1,035,797	1,103,896	1,001,387	1,019,052	6.1	-3.3	1.8
I) Large-Scale Manufacturing	723,322	768,463	667,825	674,503	5.5	-7.7	1.0
II) Small & Household	240,139	259,336	258,174	265,919	8.0	7.5	3.0
III) Others*	72,336	76,097	75,388	78,630	5.2	4.2	4.3
Construction	129,243	158,719	115,297	117,603	8.0	10.8	2.0
Electricity, Gas & Water Supply	87,723	96,679	84,491	84,913	3.0	-3.7	0.5
II) Services	2,864,406	3,101,218	2,968,106	3,082,675	6.1	3.6	3.9
Transport, Storage & Communications	549,326	576,640	565,056	582,008	4.5	2.9	3.0
Wholesale & Retail Trade	934,441	990,499	963,722	995,525	5.4	3.1	3.3
Finance and Insurance	343,867	399,580	339,787	349,981	12.0	-1.2	3.0
Ownership of Dwellings	145,521	150,614	150,628	156,051	3.5	3.5	3.6
Public Administration & Defence	320,825	372,441	336,823	350,296	4.0	5.0	4.0
Social, Community & Personal Service	570,426	611,444	612,090	648,815	7.0	7.3	6.0
GDP(fc)	5,404,486	5,794,891	5,512,445	5,695,613	5.5	2.0	3.3

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

**Corresponds to provisional data of 2007-08 upon which targets were set.

***Source: FBS and Planning Commission

Major Crops and Livestock

Items	Units	2007-08	2008-09		2009-10	Percent Change	
			Targets	Provisional		Targets	(2008-09P/ 2007-08R)
			I. Kharif crops				
Rice	(000MT)	5563.4	5720.5	6952	5949	25.0	-14.4
Basmati	(000MT)	2642.7	2666.4	2766.9	2500.0	4.7	-9.6
Others	(000MT)	2920.7	3054.1	4185.1	3449.0	43.3	-17.6
Bajra	(000MT)	305	320	296.4		-2.8	
Maize	(000MT)	3604.7	3278.8	3624.4	3414	0.5	-5.8
Jawar	(000MT)	170.1	175	164.5		-3.3	
Sugarcane	(000MT)	63920	56516	50045.5	56527	-21.7	13.0
Cotton	(Mln Bales)	11.655	14.11	12.06	13.36	3.5	10.8
II. Rabi Crops							
Wheat	(000MT)	20958.8	24000	23420.5		11.7	
Barley	(000MT)	87.4	102.6	83		-5.0	
Gram	(000MT)	474.6	843.3	760		60.1	
Sesamum	(000MT)	32.8	33.5	41		25.0	
Rap. & Mustard	(000MT)	176.2	280	147.2		-16.5	
Tobacco	(000MT)	107.8	100	113.3		5.1	
III. Livestock							
Milk	(Mln. MT)	42.19	43.60	43.56	44.98	3.2	3.3
Meat	(Mln. MT)	2.73	2.80	2.84	2.97	4.2	4.3
Wool	(000 MT)	41.05	41.50	41.54	42.03	1.2	1.2
Hides	(Mln. Nos)	12.20	12.60	12.61	13.04	3.4	3.4
Skins	(Mln. Nos)	45.33	46.40	46.35	47.40	2.3	2.3

Source: Ministry of Livestock & Dairy Development
Federal Bureau of Statistics
Ministry of Food & Agriculture

**Macroeconomic Framework
(Current Market Prices)**

(Rs Billion)

Items	2007-08	2008-09		2009-10	Growth(%)	
	Revised	Targets	Provisional	Targets	2008-09	2009-10
GDP (fc)	9962	11601	12460	13995	25.1	12.3
Indirect Taxes (Net)	322	673	635	784	97.3	23.3
GDP (mp)	10284	12274	13095	14779	27.3	12.9
Net Factor Income from Abroad	210	276	408	420	94.4	3.0
GNP (mp)	10494	12550	13503	15199	28.7	12.6
External Resources Inflow (net)	886	888	709	776	-20.0	9.5
Total Resources/ Uses	11380	13438	14212	15975	24.9	12.4
Total Consumption	9120	10799	11633	13019	27.6	11.9
Total Investment	2260	2639	2578	2956	14.1	14.6
Fixed Investment	2095	2455	2369	2778	13.1	17.3
Public incl. General Govt.	557	736	646	754	15.9	16.7
Private	1538	1718	1723	2025	12.0	17.5
Changes in Stocks	165	184	210	177	27.3	-15.4
National Savings	1374	1751	1870	2180	36.1	16.6
As % of GDP (mp)						
Total Investment	22.0	21.5	19.7	20.0		
Fixed Investment	20.4	20.0	18.1	18.8		
Public incl. General Govt.	5.4	6.0	4.9	5.1		
Private	15.0	14.0	13.2	13.7		
National Savings	13.4	14.3	14.3	14.7		
External Resources Inflow (net)	8.6	7.2	5.4	5.3		
Memo Items						
Inflation	10.3	11	20	9		
GNPmp Per Capita (Rs)	66548	76607	82455	91233		

Chapter 2

Balance of Payments

Review of Annual Plan 2008-09

Reducing the unsustainable current account deficit of the balance of payments became a key challenge for the Government. During July-April 2008-09, the current account deficit stood at US\$ 8.7 billion (5.2% of GDP) as compared to US\$ 11.6 billion (7.1% of GDP) in the corresponding period of last year. For the full year, it is estimated that the current account deficit will be US\$ 9 billion (5.4% of GDP), significantly lower to the Annual Plan target of US\$ 12.7 billion (7.2% of GDP). This improvement has been due to reduction in trade deficit and robust increase in worker remittances. The foreign reserves stood at US\$ 11.2 billion as on 22nd May 2009. The rupee has also recovered from part of its losses suffered during the first quarter of 2008-09 and stabilized at about Rs 80 per dollar.

Balance of Trade

The Annual Plan 2008-09 targeted a trade deficit of US\$ 14.3 billion (8.1% of GDP). In the ten months trade account deficit has been contained to US\$ 10.7 billion (6.5% of GDP) from US\$ 12.2 billion (7.4% of GDP) in the corresponding period last year. This reduction has been achieved due to reduction in imports by 6.8% as compared negative growth of 2.6% in exports.

Exports: Exports during July-April, 2008-09 stood at US\$ 15.8 billion as compared to US\$ 16.2 billion in the corresponding period of last year showing a decline of 2.6 %. Component wise analysis of exports items indicates that positive growth has been witnessed in basmati rice (27.1%), raw cotton (40.3%), onyx manufactured (128.6%), foot wears (13.2%), fish and fish preparations (17.3%), cement (52.6%), jewellery (19.8%), fruits (6.3%), vegetables (23.7%), tobacco (90.4%), meat and meat preparations (47.6%). Almost all other items showed a negative growth including textile (-9.7%) and petroleum (-27.9%) groups during the period under review. About 82% of the total export items, for which data on both volume and price are available, showed a negative growth of 2.1%. The decomposition of exports growth into volume and price effect reveals a decrease of 5.1% in volume and an increase of 2.9% in price. The decline in the textile exports was broad based with only the exports of raw cotton, towels and cotton cloth registered positive growth. The poor performance of exports during July-April of the current fiscal year may be attributed to the following factors:

- Economic slowdown in world economies and energy and power shortages
- Deteriorating law and order situation
- Increased competition in the international market for textile products
- High cost of business in the country, inflation and increasing interest rates in the wake of tight monetary policy leading to decline in the textile exports.

An important element to increase exports is enhancing the competitiveness along with continuation in economic policies, product and market diversification, restoration of law

and order situation and to overcome the energy and power shortage in the country. Exports (fob) for the full year 2008-09 are estimated to be around US\$ 18.6 billion as against the Annual Plan target of US\$22.9 billion (Annex 2.1). Pakistan exports performance with respect to other region countries is presented in Box 2.1

Box 2.1 Pakistan – External Competitiveness

Pakistan's export growth has been broadly in line with its competitors in recent years.

After a strong performance in the late 1990s, export growth has moderated. The growth of textiles and other traditional exports has slowed, but non-traditional exports have risen significantly in recent years. Since 2000, Pakistan's average annual export value growth has been about 12 %, similar to that of Bangladesh and higher than Sri Lanka's, but below export growth in China and India.

Regional Growth in Merchandise Export Value (%)	
	Average 2000-08
Pakistan	11.68
Bangladesh	12.15
China, P.R.: Mainland	25.73
India	19.90
Sri Lanka	7.36
Source: World Economic Outlook, IMF Country Report No. 09/123 April 2009	

Imports: Imports during July-April 2008-09 have compressed by 6.8% to US\$ 26.5 billion over the corresponding period of last year (US\$ 28.4 billion). The items of imports which showed positive growth have been wheat un-milled (15.4%), tea (18.3%), sugar (109.2%), pulses (22.0%), power generating machinery (66.5%), construction and mining machinery (17.7%), electrical machinery and apparatus (8.5%), worn clothing (45.9%), gold (37%), iron and steel (6.1%), jute (2.1%). Imports of almost all other commodities witnessed a negative growth. Import items for which data on both volume and prices are available (55% of total import item) showed a negative growth of 9.6%. Decomposition of this growth into volume and price effect reveals a decrease of 9.7% in volume and increase of 0.1% in price. To see the impact of international commodities prices on imports, the behaviour of prices of various items in the international markets from 2006 to December 2008 are presented in Box 2.2. The decline in imports may be attributed to imposition of customs duties on import of luxury and non-essential items by the government last year, tight monetary policy and large fall in international commodity prices. Imports (fob) for 2008-09 are estimated at US\$ 30.7 billion compared to the Annual Plan target of US\$ 37.2 billion (Annex 2.2)

Box 2.2 International Commodity Prices								
	Annual Average			Quarterly Average				
	2006	2007	2008	Jan-Feb 2009	Jan-Mar 2008	Apr-Jun 2008	July-Sep 2008	Oct-Dec 2008
Crude Oil, avg, spot a/ US\$/bbl	64.3	71.1	97.0	42.9	95.3	121.0	115.7	56.0
Wheat, Canada, US\$/mt	216.8	300.4	454.6	329.3	621.7	484.4	390.2	322.1
Wheat US, US\$/mt	159	238.6	271.5	189.2	384.1	277.8	241.5	182.7
Fertilizer DAP US\$/mt	260.3	432.5	967.2	359.4	860.2	1191.6	1153.7	663.3
Fertilizer Urea US\$/mt	229.9	309.4	492.7	268.3	357.6	575.7	745.4	292.2
Palm oil US\$/mt	478	780	949	567	1156	1198	928	512
Soybean Oil US\$/mt	599	881	1258	769	1384	1466	1353	830
Source: World Bank Commodity Price Data.								

Invisibles Accounts: The workers' remittances continuously showing an increasing trend during the period July-April 2008-09 touching US\$ 6.4 billion as against US\$ 5.3 billion in the corresponding period of last year, registering an increase of 19.5%. The monthly average remittances during this period stood at US\$ 635.6 million as compared to US\$ 531.9 million during the same period last year. Remittances for the full year are estimated at US\$ 7.5 billion. The reason for high increase in remittances is due to return of Pakistanis working aboard with their savings, owing to economic slowdown in the developed countries. Characteristics of the workers remittances are presented in Box 2.3. After allowing for other invisibles receipts and payments, the overall invisibles balance is estimated to register a surplus of about US\$ 3.1 billion in 2008-09 as against a surplus of Annual Plan target of US\$ 1.6 billion.

Box 2.3: Workers' Remittances as a Stable Source of Foreign Inflows

After exports, worker's remittances are the second largest source of foreign exchange earnings in Pakistan. In recent years, its impressive growth has moderated the widening of current account deficit as it more than offset the deficit in services and income account. However, there are downside risks to remittances growth in the wake of ongoing recession in the source countries. In this backdrop, a comparison is made between the stability of remittances and other capital inflows over the longer period of time to business cycles in home and host countries.

To conduct this exercise, quarterly data on workers' remittances, foreign direct investment, foreign portfolio investment and other investments from 1980 to 2007 is taken from IMF balance of payment statistics. The countries chosen are Pakistan, Philippine, India, Sri Lanka, and Bangladesh. The coefficient of variation is used as measure of dispersions as it is more appropriate when comparing between data sets with widely different means.

The comparison of different capital flows show that remittances are one of the least volatile sources of foreign exchange earnings in almost all of these countries. Moreover, remittances have shown remarkable stability over time. Thus, it may be argued that remittances react less violently to economic cycles (both in source and recipient countries) than the other form of capital flows.

The relative stability of workers' remittances to economic down turn in source countries may be attributed to the following factors: a) remittances are small part of the workers income and migrants continue to send remittances even hit by adverse income shock, b) if migrants return, they are likely to take back accumulated savings and c) developed countries may offer some income protection to migrant workers during economic downturns.

In this scenario, Pakistan's remittances flows are likely to increase in the short run. Apart from the above mentioned factors, the recent action against the informal transfer of funds may also divert a part of the informal flows to formal channel. Moreover, migrants are likely to remit more to meet the increasing cost of living of their families at home in the wake of strong inflationary pressures.

Likewise, predominant proportion of remittances is intended for consumption purposes which are less volatile than those intended for investment.

Source; SBP Second Quarter Report 2008-09

Current Accounts Balance: The current account deficit was targeted at US\$ 12.7 billion (7.2% of GDP) as against US\$ 14.2 billion (8.6% of GDP) recorded in 2007-08. This was largely based on higher level of worker's remittance. With the trade deficit at US\$ 12.1 billion and invisibles surplus of US\$ 3.1 billion, the current account deficit for 2008-09 is estimated to reduce to US\$ 9 billion from last year deficit of US\$ 14.2 billion.

Capital Accounts: Gross aid disbursements during 2008-09 are likely to be US\$ 4.2 billion as against US\$ 2.5 billion recorded last year. Allowing for other capital inflows, the overall balance is likely to be in deficit around US\$ 2.3 billion in 2008-09 compared to a deficit of US\$ 5.4 billion in 2007-08.

Proposed Annual Plan 2009-10

Trade Accounts: On account of the global economic slowdown and due to domestic energy and law and order situation, exports (fob) for 2009-10 are projected to US\$ 18.3 billion against US\$ 18.6 billion estimated for 2008-09. Imports during 2009-10 are estimated to decrease by 5.6% to US\$ 29 billion from US\$ 30.7 billion in 2008-09. As a result, the trade account is projected to be in deficit by US\$ 10.7 billion in 2009-10 (Annex 2.3).

Invisibles Accounts: Prospects for the invisible balance will continue to be governed mainly by the behaviour of the worker's remittances. For 2009-10, remittances have been projected to be around at US\$ 6.7 billion against US\$ 7.5 billion estimated for 2008-09.

Current Account Balance: The current account deficit is targeted at US\$ 9.4 billion in 2009-10 close to the estimated deficit of US\$ 9 billion for 2008-09. Details are given in Annex 2.3.

Capital Account: Gross aid disbursements during 2009-10 are expected to be US\$ 5.1 billion as against US\$ 4.2 billion estimated for 2008-09. Allowing for other capital inflows, the overall balance is likely to be in deficit around US\$ 1.1 billion in 2009-10 compared to an estimated deficit of US\$ 2.3 billion in 2008-09. The gross reserves are likely to reach the level of US\$ 14.8 billion in 2009-10, compared to a level of US\$ 11.8 billion in 2008-09. Details are given in Annex 2.3.

Exports

(\$ Million)

Items	2007-08	July-April		2008-09		2009-10
	Actual	2008	2009	Target	Estimate*	Target**
A. Food Group	2815.721	2050.0	2560.3	3015.9	2872.6	2976.2
Rice	1836.1	1237.0	1680.3	1735.0	1910.5	2033.0
a)Basmati	1068.9	691.2	878.5	935.0	1010.5	1150.0
b)Others	767.2	545.8	801.9	800.0	900.0	883.1
Fish & Fish Preparations	211.6	167.2	196.1	260.0	250.0	265.0
Fruits	145.8	128.5	136.7	182.9	139.2	140.5
Vegetables	56.4	48.5	60.0	68.9	62.0	62.6
Leguminous Vegetables	2.0	1.6	3.4	2.7	3.8	3.9
Tobacco	7.4	6.7	12.8	10.3	13.3	13.4
Wheat	6.7	1.7	37.9	0.0	40.0	0.0
Spices	27.1	21.8	25.7	30.9	27.6	27.9
Oil Seeds, Nuts & Kernels	39.4	35.1	34.9	54.4	36.0	36.4
Sugar	82.3	63.1	8.9	58.3	9.0	9.1
Meat & Meat Preparations	49.9	40.5	59.8	61.4	59.9	60.4
All other food items	351.0	298.3	303.8	551.1	321.2	324.1
B. Textile Group	10574.3	8706.4	7898.9	12991.6	9358.6	9361.0
Raw Cotton	70.1	58.1	81.5	100.0	95.0	105.0
Cotton Yarn	1301.0	1082.9	909.9	1575.0	1025.0	1030.0
Cotton cloth	2010.6	1626.3	1638.5	2635.0	1940.0	1905.0
Cotton Carded or Combed	12.3	11.9	11.8	15.0	12.0	11.8
Yarn other than cotton yarn	46.8	43.7	19.8	64.2	32.8	32.2
Knitwear	1872.0	1529.7	1427.1	2100.0	1625.0	1669.0
Bedwear	1903.5	1583.9	1390.8	2299.6	1741.7	1712.1
Towels	613.1	500.7	517.0	713.2	561.0	551.4
Tent, canvas & Tarpulin	71.1	59.9	51.1	90.0	60.0	65.0
Ready-made Garments	1452.5	1183.6	1010.2	1750.0	1200.0	1210.0
Art, Silk & Synthetic Textile	410.3	363.5	241.2	650.0	324.0	340.0
Madeup Articles (exclud. Other Tex)	537.1	436.0	408.8	579.5	491.4	483.1
Other textile materials	274.0	226.2	191.3	420.1	250.7	246.4
C Petroleum Group & Coal	1259.4	974.0	702.4	1200.0	1152.6	1133.0
Petroleum Products(Excl. Top Naphta)	484.5	378.5	383.1	570.3	443.3	435.8
Petroleum Top Naphta	774.8	595.4	319.1	629.6	709.0	696.9
Solid Fuel (Coal)	0.1	0.1	0.2	0.1	0.3	0.3
D. Other Manufactures Group	3652.7	2926.2	2938.8	3923.1	3384.1	3388.4
Carpets,Rugs & mats	216.6	182.1	126.0	285.0	145.0	160.0

Balance of Payments

Items	2007-08	July-April		2008-09		2009-10
	Actual	2008	2009	Target	Estimate*	Target**
Sports Goods	302.7	245.2	229.4	350.0	285.8	283.0
a)Footballs	166.6	131.3	110.6	195.5	152.4	149.8
b)Gloves	76.3	65.4	77.4	106.2	78.6	79.3
c)Others	59.9	48.6	41.5	48.3	54.8	53.9
Leather Tanned	415.3	338.6	248.0	490.0	270.0	285.0
Leather Manufactures	699.5	582.1	458.4	780.0	641.3	631.5
a)Leather Garments	528.2	448.1	326.2	623.0	483.3	475.0
b)Leather gloves	161.2	126.5	123.0	148.0	147.5	145.0
c)Others Leather manufactures	10.2	7.5	9.3	9.0	10.6	11.5
Footwears	124.2	97.0	109.8	150.0	116.7	115.2
a)Leather footwear	105.4	80.4	90.4	105.5	96.4	94.8
b)Canvas footwear	1.6	0.8	1.1	2.4	1.6	1.7
c)Other footwear	17.2	15.7	18.2	42.1	18.6	18.8
Surgical Goods & Medical Instruments	261.1	214.5	207.4	280.0	238.9	234.8
Cutlery	54.9	45.1	38.8	72.1	50.2	49.3
Onyx Manufactured	8.7	7.3	16.8	12.9	16.5	16.6
Chemicals And Pharm.Products	619.2	499.9	509.7	475.0	566.5	556.9
a) Plastic materials	211.6	164.3	181.5	147.0	193.6	190.3
b) Pharmaceutical Products	110.5	91.0	90.6	98.8	101.1	99.4
c) Other Chemicals	297.1	244.6	237.5	229.2	271.8	267.2
Engineering Goods	211.3	161.3	211.9	225.0	246.2	247.9
a) Electric Fans	27.0	18.5	21.1	32.2	28.1	28.3
b) Transport equipments	28.1	21.4	16.4	30.0	25.7	25.9
c) Other Electrical Machinery	38.2	30.5	38.6	59.1	39.8	40.1
d) Machinery Speciali. for paticular Indus.	29.2	19.7	51.0	26.1	55.4	55.9
e) Auto Parts	21.0	17.7	11.0	24.5	19.2	18.9
f) Other Machinery	67.9	53.5	73.8	53.2	78.0	78.7
Gems	7.5	6.5	2.7	9.2	4.0	4.0
Jewellery	213.4	158.0	189.3	257.2	195.2	191.9
Furniture	11.0	8.9	7.1	12.4	10.1	9.9
Molases	54.7	37.5	85.6	51.6	87.5	88.3
Handi Crafts	5.0	4.3	3.2	3.8	4.0	4.0
Cement	411.1	308.1	470.1	454.1	472.7	477.0
Guar & guar products	36.7	29.6	24.8	14.8	33.5	33.0
E. All Others	750.2	566.3	661.7	1379.5	671.7	738.4
Total Exports (A-E)	19052.3	15222.9	14762.2	22510.0	17439.5	17597.0
Exports (fob)	20207.0	16227.0	15804.0	22900.0	18589.5	18278.0

* Revised Estimates

** Annual Plan

Source: FBS, Finance Division

Imports

(\$ Million)

Item	2007-08	July-April		2008-09		2009-10
	Actual	2008	2009	Target	Estimate*	Target**
A. Food Group	3237.2	2660.3	2744.0	3130.1	3192.1	2563.0
Milk & Cream Including milk for infants	74.2	63.7	63.1	86.3	65.3	61.6
Wheat Unmilled	860.0	819.8	946.2	750.0	950.0	264.0
Dry Fruits	79.5	67.6	69.4	86.6	69.9	66.0
Tea	202.0	167.4	198.0	206.9	212.1	218.5
Spices	85.1	63.7	57.9	81.1	74.9	70.7
Soyabean Oil	103.5	92.1	68.5	99.0	94.3	93.0
Palm Oil	1616.6	1218.9	1125.6	1639.0	1404.0	1567.0
Sugar	14.8	13.3	27.9	0.0	110.0	0.0
Pulses	201.6	153.7	187.5	181.1	211.6	222.2
B. Machinery Group	5317.9	4293.1	3662.2	7269.8	5218.7	5165.3
Power Generating Machinery	1177.7	857.3	1427.3	1089.3	1531.0	1684.1
Office Mach. Incl. Data Proc. Equip.	297.8	248.4	215.4	305.5	262.1	247.4
Textile Machinery	438.3	360.0	183.7	449.8	385.7	364.1
Construction & Mining Machinery	260.7	206.1	242.7	314.9	273.8	258.4
Electrical Machinery & Apparatus	766.6	606.0	657.7	793.5	674.6	636.8
Telecom	2241.4	1897.4	857.1	2322.1	1972.4	1862.0
A. Mobile Phone	744.5	639.2	146.3	774.3	655.2	618.5
B. Other Apparatus	1496.9	1258.2	710.8	1547.8	1317.3	1243.5
Agricultural Machinery & Implements	135.3	118.0	78.3	1994.7	119.1	112.4
C. Transport Group	2251.1	1958.4	1044.8	2411.8	1981.0	1870.0
Road Motor Vehicles Build Units CKD/SKD	1344.8	1083.1	754.6	1433.3	1183.4	1117.1
A. Buses, Trucks & Oth. Heavy Vehicles	209.7	159.7	68.2	191.4	184.5	174.2
B. Motor cars	238.5	197.8	74.1	373.4	209.9	198.2
C. Motor cycles	5.2	3.7	0.7	16.0	4.6	4.3
A. Buses, Trucks & Oth. Heavy Vehicles	135.2	88.3	65.2	192.6	119.0	112.3
B. Motor cars	346.0	263.4	213.6	305.1	304.5	287.5
C. Motor cycles	62.5	51.7	26.0	78.8	55.0	52.0
Parts	299.1	268.1	221.7	280.4	263.2	248.5
Others	48.5	50.4	85.3	50.3	92.2	96.8
Aircrafts, Ships and Boats	880.9	851.0	283.0	936.1	775.2	731.8
Other Transport Equipments	25.4	24.2	7.1	42.5	22.4	21.1
D. Petroleum Group	11771.0	8670.4	8012.7	13669.0	8747.4	8780.0
Petroleum Products	6236.00	4650.70	4608.1	6109.0	4720.8	5088.0
Petroleum Crude	5535.00	4019.65	3404.7	7560.0	4026.6	3692.0
E. Textile Group	1937.6	1701.0	1036.4	868.0	1314.2	1240.6
Raw Cotton	1291.81	1166.64	477.2	158.0	710.5	670.7
Synthetic Fibre	282.38	240.29	238.9	310.7	248.5	234.6

Balance of Payments

Item	2007-08	July-April		2008-09		2009-10
	Actual	2008	2009	Target	Estimate*	Target**
Suynthetic & Artificial SilkYarn	295.40	239.89	241.2	328.2	259.9	245.4
Worn clothing	68.03	54.20	79.1	71.0	95.2	89.9
F. Agri. & other Chemi. Gr.	2832.1	2400.1	1962.5	2659.5	2207.9	2169.2
Fertilizer Manufactured	890.2	823.9	491.2	621.0	499.0	556.0
Insecticides	100.9	80.3	81.0	103.8	88.8	83.9
Plastic Materials	1301.7	1068.2	942.3	1378.6	1145.5	1081.3
Medicinal Products	539.3	427.8	448.0	556.1	474.6	448.0
G. Metal Group	2139.9	1704.5	1750.3	2224.9	1893.5	1787.5
Gold	24.7	22.0	30.1	29.0	32.1	30.3
Iron and Steel Scrap	639.1	524.0	515.4	707.9	562.4	530.9
Iron and Steel	1330.5	1039.6	1103.3	1332.1	1170.8	1105.2
Aluminium Wrought & Worked	145.7	118.9	101.6	155.9	128.2	121.0
H. Miscellaneous Group	736.8	607.5	541.9	759.9	654.1	617.5
Rubber Crude Incl. Synth/Reclaimed	140.7	114.8	117.7	150.8	123.8	116.9
Rubber Tyres & Tubes	152.4	130.1	87.4	162.6	134.1	126.6
Wood & Cork	50.2	42.6	43.0	53.4	45.2	42.7
Jute	47.3	41.6	42.5	51.1	46.4	43.8
Paper & Paper Board & Manuf. Thereof	346.2	278.4	251.4	342.0	304.7	287.6
I. All Others	7802.4	8064.2	8167.7	7512.1	8257.8	7372.3
Total Imports(A-I)	38026.0	32059.4	28922.4	40505.0	33466.7	31565.4
Imports (fob)	35102.0	28410.0	26477.0	37196.0	30705.7	28972.4

* Revised Estimates

** Annual Plan

Source: FBS, Finance Division

Annex 2.3

Balance of Payments

(US\$ Million)

Items	2007-08	2008-09		2009-10
	Actual	Target	Estimate*	Target**
Trade Balance	-14895	-14295	-12115	-10694
Exports (fob)	20207	22900	18590	18278
Imports (fob)	35102	37195	30705	28972
Invisibles Balance	732	1608	3142	1342
Services (net)	-10316	-11122	-7348	-7893
Invisibles Receipts	5410	5932	5395	4752
Invisibles Payments	15726	17054	12743	12645
Freight & Insurance	2924	3224	2761	2593
Public & Guaranteed Debt	771	832	790	868
Others	12031	12998	9192	9184
Private Transfers	11048	12730	10490	9235
Remittances	6451	7740	7458	6700
F.C.A.(Resident Pakistanis)	444	523	-209	103
Others	4153	4467	3241	2432
(Of which purchases)				
Current Account Balance	-14163	-12687	-8973	-9352
Long term capital (net)	7427	9565	7045	9004
Gross Disbursements	2472	3902	4225	5137
Project Aid	950	1570	1515	3292
Programme /Commodity Aid	1520	2330	2584	1845
Food Aid	0	0	123	0
Afghan Refugees Assistance	2	2	3	0
Grant pledges	409	150	133	102
Other official capital	1	33	-24	2
Amortization	1108	1185	1488	1212
Other(Incl. Private long term /Sh. Term capital (net)	5653	6665	4199	4975
Errors & Omissions (net)	-75	0	95	0
BAL. REQ. OFFICIAL FINANCING	-6811	-3122	-1833	-348
Official assistance & debt relief	1405	3254	-418	-731
Debt relief including principal and interest	0	0	0	0
Medium/short term capital (net)	659	380	7	-194
Other short term assets/liabilities	502	143	134	110
FEBC, DBC. & Bonds	111	1987	-559	-647
privatization proceeds	133	744	0	0
Overall Balance/				
Net Foreign Assets	-5406	132	-2251	-1079
IMF (net)	-173	-197	4852	4336
Purchases/Drawing	0	0	5048	4566

Balance of Payments

Items	2007-08 Actual	2008-09		2009-10
		Target	Estimate*	Target**
Repurchases /Repayments	-173	-197	-196	-230
Repayment of deposits	0	0	0	0
Banks foreign currency deposits	-30	10	-46	23
Outstanding export bills	-578	-361	-120	80
Changes in Reserves (Net)	-6187	-416	2435	3360
Reserves position inc. FE-25 deposits	9385	11287	11770	14810
Reserves position excl. FE-25 deposits & swap	8577	10797	11000	14010
Export Growth	18.0	16.0	-8.0	-1.7
Import Growth	31.9	6.5	-12.5	-5.6
Current Account Deficit as % of GDP	8.6	7.2	5.4	5.3

* Revised Estimates

** Annual Plan

Source: Finance Division

**Chapter
3****Fiscal and Monetary Developments**

The fiscal and monetary policies aim at accelerating economic growth, providing a stable economic base through control of inflation, generation of a domestic resources for development, and ensuring soundness of financial sectors. The Budget 2008-09 aimed at economic stability through control of fiscal deficit, rationalization of public expenditure and restoring investors' confidence by ensuring government's commitment to economic growth and private sector's lead role in the socio-economic development of the country.

The global and domestic developments have however, affected fiscal outcomes in 2008-09. The slow growth in the tax revenue and increase in current expenditure forced the Government to rationalize public sector development expenditure in order to contain overall fiscal deficit. The reduction in PSDP has depressed private investment, overall employment and has increased pressure on poverty.

The consolidated Budget for the year 2008-09 has estimated Government expenditure at Rs 2,391.4 billion (19.5% of GDP) – current expenditure at Rs 1,875.8 billion (15.3% of GDP) and development expenditure including net lending at Rs 515.6 billion (4.2% of GDP). The total Government revenue for the year was estimated to increase from Rs 1499.4 billion in 2007-08 to Rs 1,809.3 billion (14.7% of the GDP) in 2008-09. The tax revenue was estimated to rise from Rs 1050.7 billion to Rs 1,308.5 billion during the same period and non-tax revenue to increase from Rs 448.7 billion in 2007-08 to Rs 500.8 billion in 2008-09. On this basis, the overall fiscal deficit was estimated at Rs 582.1 billion (4.7% of the GDP) against Rs 777.1 billion (7.4% of the GDP) last year.

During the year, the overall fiscal deficit target has been revised down to 4.3% of GDP. To achieve it, the Government has eliminated subsidy on petroleum products and is phasing out subsidy on electricity together with rationalizing public sector expenditure.

Tax Collection by FBR

During July-March 2008-09, taxes collected by FBR have witnessed an increase of 19.9% (Rs 815.1 billion) as against Rs 679.9 billion during the corresponding period last year. It constitutes 65.2% of the full year target of Rs 1250 billion and 62.2% of the revised target of Rs 1,300 billion. Collection of direct taxes at Rs 307.6 billion during July-March 2008-09 against Rs 257.6 billion during the same period last year shows an increase of 19.4%. The indirect taxes have witnessed a growth of 20.2% (Rs 507.5 billion) as against Rs 422.3 billion collected in the same period last year. The trend of revenue collection by FBR shows that due to slowdown in economic activity there is a possibility of shortfall. Details of revenue collection by FBR during July-March 2008-09 are given in Table 3.1.

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

(Rs Billion)

Heads	2008-09 (Target)	Collection (July-March)			Collection as % of full year target
		2008-09	2007-08	% Change	
Direct Taxes	496	307.6	257.6	19.4	62.0
Indirect Taxes	754	507.5	422.3	20.2	67.3
Sales Tax	472	321.1	258.6	24.2	68.0
Federal Tax	112	81.0	61.8	31.1	72.3
Customs	170	105.4	101.9	3.4	62.0
Total	1250	815.1	679.9	19.9	65.2

Source: Federal Board of Revenue (FBR)

Monetary Developments

Keeping in view the difficult economic situation faced by the country during 2008 characterized by high international commodity prices, global financial crisis, high inflation, heavy reliance of government on borrowings from the State Bank and unsustainable position of balance of payments, it was decided to adopt a tight monetary policy.

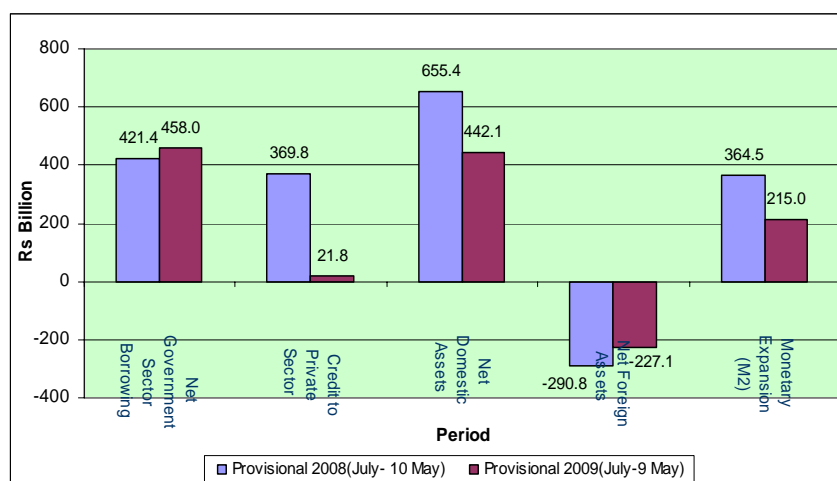
The growth of broad Money (M2) in the economy is targeted on the basis of an estimated money demand function that takes into consideration the growth rate of real GDP and the inflation rate. During July 1, 2008 to May 23, 2009, M2 expanded by Rs 256.2 billion (5.5%) against an expansion of Rs 368.5 billion (9.1%) during the corresponding period last year. Profile of Monetary Assets is given in Table 3.2 and in Figure 3.1. The modest expansion of M2 is due to contraction in the Net Foreign Assets (NFA) and slow growth in Net Domestic Assets (NDA) of the Banking sector owing to decline in credit to private sector.

Table 3.2 Profile of Monetary Assets

(Rs. Billion)

Sr. No.	Factors Affecting Broad Money Growth	Stocks at End-June 2008	Monetary Impact Since 1st July to	
			23 May, 09	24 May, 08
A	Net Foreign Assets of the Banking System	667.5	-228.2	-352.4
B	Net Domestic Assets of the Banking System(1+2+3)	4,021.6	484.4	720.9
1	Net Government Sector Borrowings (a+b+c)	1,510.3	521.5	410.9
a	Borrowings for Budgetary Support	1,364.6	345.3	341.7
b	Commodity Operations	127.2	178.0	69.1
c	Others	18.5	-1.8	0.1
2	Credit to Non-Government Sector	3,018.1	168.5	437.4
	Credit to Private Sector	2,888.0	22.8	373.4
3	Other Items (net)	-506.8	-205.6	-127.4
(A+B)	Broad Money (M2)	4,689.1	256.2	368.5
	Growth (%)		5.5	9.1

Figure 3.1 Profile of Monetary Assets



The Net Foreign Assets (NFA) of the banking system contracted by Rs 228.2 billion (34.2%) during July 1, 2008 to May 23, 2009 against Rs 352.4 billion (35.7%) during the corresponding period last year. The Net Domestic Assets (NDA) of the Banking System expanded by Rs 484.4 billion (12.1%) during July 1, 2008 to May 23, 2009 against Rs 720.9 billion (23.4%) during the corresponding period last year. The trend in the major components of NDA during the period under report has been as follows:

- The government borrowing for budgetary support stood at Rs 345.3 billion against Rs 341.7 billion over the corresponding period last year.
- Government's recourse to SBP borrowing that witnessed a significant surge and reached to Rs 376.3 billion during July 01, 2008 to November 15, 2008, has eased and has come down to Rs 198.5 billion during July 1, 2008 to May 23, 2009 against Rs 538.9 billion over the corresponding period last year.
- Demand for the private sector credit has witnessed a slow growth of 0.8% against a growth of 12.9% last year. It amounted to Rs 22.8 billion against Rs 373.4 billion during the corresponding period last year.

The policy rate was raised twice in July and November, 2008 to 15%. This was necessary in order to contain inflation and to ensure success of stabilization efforts aimed at securing long-term growth prospects. The State Bank has taken various measures during 2008-09 to ease the liquidity conditions in the economy in order to meet the credit requirements of trade and industry, especially the export sector. With the improvement in macroeconomic indicators, SBP has lowered the policy rate by 100 basic points to 14% from 15% effective from 21st April, 2009.

State Bank has taken following measures to prevent any liquidity crunch in the country.

- The cash reserve requirement (CRR) for the commercial banks has been reduced by 400 bps from 9% to 5% in three phases (200 bps effective from 11th October, 2008; 100 bps effective from 18th October, 2008; and 100 bps effective from 1st November, 2008). These reductions injected Rs 120 billion in the banking system.
- Time deposits of one year and above have been exempted from Statutory Liquidity Requirement (SLR)
- Advance to Deposit Ratio (ADR) of any bank shall not exceed 70% at any time to ensure prudent liquidity management.

The global financial crisis and the accompanying recession have mixed effect on Pakistan. It slowed down economic activity in the real sectors in Pakistan, adversely impacting output, exports, revenue base and current transfers. The downward trend in output is evident from the trend of falling private sector credit during the current fiscal year, which has been recorded at Rs 21.8 billion during 1st July 2008 to 9th May 2009 period as compared to Rs 369.8 billion during same period last year. Major reasons for this low growth in private sector credit have been attributed to weak external demand, frequent power and gas outages, and rise in wages, utilities and raw material prices. The declining international fuel and food prices have moderating impact on inflation and have helped in strengthening the external current account. Higher risk aversion has also reduced foreign investment and Pakistan's market access remains constrained (Box 3.1).

Box 3.1 Pakistan and International Financial Markets

Secondary markets are relatively illiquid and primary debt markets remain virtually closed for countries rated below investment grade, making it difficult for Pakistan to reestablish its market access. There has been some recovery in the sovereign credit risk indicators as perceptions of liquidity risk have improved, but concerns about political uncertainty, the public finances, and external sustainability have not subsided. The adoption of the program and the broadly positive developments thus far have significantly reduced implementation risk, but the underlying risks to the economic and financial outlook remain high, and Pakistan's economic policies are expected to remain resource-constrained. Moreover, tail risks, including those related to the global economic environment, have increased significantly.

- The Pakistan's EMBIG spread moderated from the peak of 2222 bps in December to 1914 bps at end-February, but remain volatile (an average for February was 1964 bps).
- Five-year credit-default swaps (CDS) premium moderated from 3886 bps in mid-October to 2850 bps in early February but still indicates high default risk. However, the CDS market is relatively illiquid and does not reflect subtle changes in risk perception.
- Pakistan's sovereign debt rating by Moody's/S&P is B3/CCC+ (as of end-2008). Moody's rating, which puts Pakistan in the same category as Lebanon, was cut from B2 to B3 in October, and has been reconfirmed in December, but the outlook was changed to negative. S&P raised Pakistan's rating to CCC+ in December; this upgrade incorporated the first purchase under the SBA as a factor alleviating the prospects of near-term debt service stress.
- The amortization of the Eurobond in February (\$500 million) was widely anticipated and any residual positive impact that could have occurred in its aftermath has been offset by recent political uncertainties, which sent the KSE into a temporary decline after several weeks of recovery.

Source: IMF

Inflation

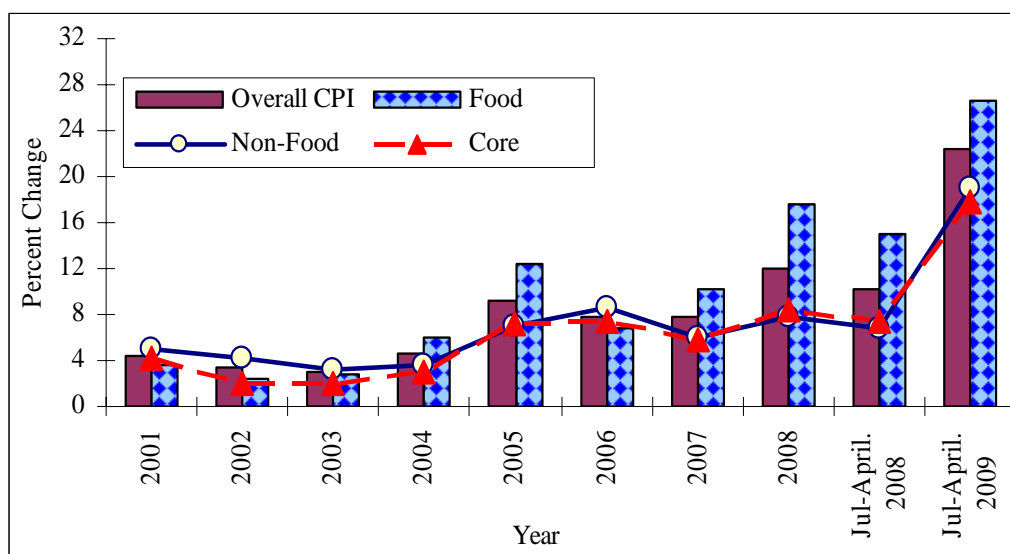
CPI inflation has been targeted at 11% for 2008-09. It has registered an increase of 22.4% during July-April 2008-09 against an increase of 10.3% in July-April 2007-08, with food inflation at 26.6% against 15% and non-food inflation at 19% against 6.8% over the same period last year respectively. The core inflation during July-April 2008-09 surged by 17.8% against 7.5% in July-April 2007-08. The Wholesale Price Index (WPI) during July-April 2008-09 registered an increase of 21.4% against 13.7% in July-April 2007-08. Similarly, Sensitive Price Indicator (SPI) has registered an increase of 26.3% against 14.1% in the respective period last year. The price changes measured by various indices are summarized in Table 3.3 and in Figure 3.2.

Table 3.3 Changes in Price Indices (2006-07 to July-April 2008-09)

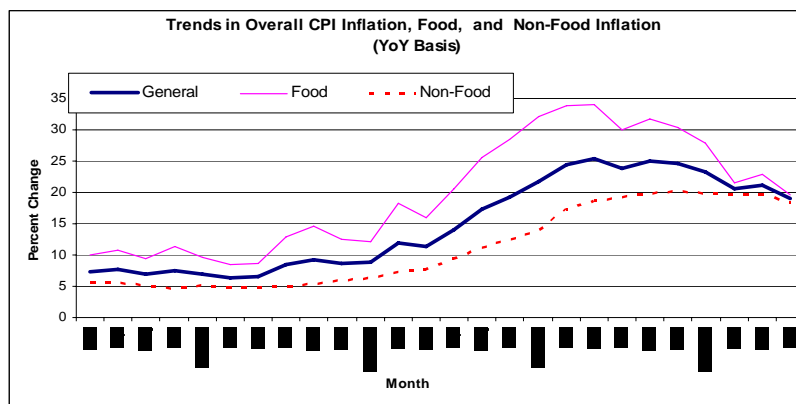
(%)

Indices	2006-07	2007-08	July-April	
			2007-08	2008-09
Consumer Price Index (CPI-374 items)	7.8	12.0	10.27	22.35
Food Inflation	10.3	17.6	15.0	26.61
Non-food Inflation	6.0	7.9	6.8	19.01
Core Inflation	5.9	8.4	7.5	17.83
Wholesale Price Index (WPI-425 items)	6.9	16.4	13.70	21.44
Sensitive Price Indicator (SPI-53 items)	10.8	16.8	14.09	26.33

Source: Federal Bureau of Statistics

Figure 3.2: Trends in CPI, Food & Non food and Core Inflation

The reasons of persisting higher inflation in Pakistan are: i) significant depreciation of rupee ii) partial pass-on of lower international commodity and oil prices to domestic consumers, iii) increase in wheat procurement prices and iv) formation of inflationary expectations (Box 3.2). In this context it may be mentioned that the tight monetary stance cut in development expenditure as well as credit squeeze have dampened the aggregate demand. It is expected that current stabilization programme and administrative measures to control hoarding and profiteering will help further reduction in inflationary pressure in the coming months. Following trend of inflation is shown in Figure 3.3. The average CPI inflation for current financial year is likely to remain around 20%.

Figure 3.3 Falling Trend of Inflation**Box 3.2 Importance of Inflationary Expectations**

- **Inflationary expectations** by firms and employees also play important role in determining inflation along with labor market disequilibrium.
- Impact of expected inflation on Inflation (**Range 0.56 – 0.93**)
- Inflationary expectations are generated by
 - High inflation
 - Perceived inflation
- **Persistence of high inflation** generates inflationary expectations that reinforce inflation through the following channels:
- **Wage earners:** Demand high wages – push up costs for companies – firms pass this cost to consumers – rising inflation
- **Firms:** Increase prices of products expecting inflation to be higher in future
- **Consumption:** If inflation is higher than interest rate then saving declines and consumption increases.
- All These Factors Contributed to Inflationary Expectation Spiral

Source: PIDE

Capital Market

The year 2008 had been a very volatile period for Pakistan's capital market. After touching a peak of 15,676 points on 18th April, 2008 the KSE-100 index started showing a continuous declining trend and closed at 12,289 points at the end of June 2008. Its decline continued unabated and fell to 9144 points in late August 2008 (a decline of 41% since 18th April, 2008). In order to prevent further losses to investors, authorities placed a floor of 9144 points on 28th August, 2008. Main reasons for this decline were lack of investors' confidence, global financial crisis, domestic macroeconomic imbalances, liquidity crunch, and an unsatisfactory law and order situation in the country. The floor was removed on 15th December, 2008 after creating a market support fund of Rs 20 billion. The market dipped to a 5 year low at 4,815.3 points on 26th January, 2009. Since then the market has been mostly working under a bullish trend and the index is following an upward trajectory. Helped by positive economic news about stability of the economy and aid commitments as well as other encouraging events such as restoration of judiciary, the market breached psychological barrier of 7,000 points in March, 2009. On 14th May, 2009 KSE 100 index closed at 7,142 points showing a decrease of 41.9 % in the current fiscal year.

The market capitalization which was Rs 3,777.7 billion at the end of June 2008 declined to Rs 2,122 billion on 14th May, 2009 showing a decrease of 43.7%.

Annual Plan 2009-10

Fiscal Policy

The main thrust of fiscal policy during the year 2009-10 would be to keep the fiscal deficit within a sustainable limit by furthering reforms in tax system, broadening the tax base, improving the tax compliance and minimizing tax evasion. The main objective of policy would be to allocate adequate resources for development activities particularly for pro-poor expenditure in conformity with the Fiscal Responsibility and Debt Limitation Act, 2005 in order to achieve projected economic growth of 3.3% and reduce unemployment and poverty and improve social indicators.

Monetary Policy

The monetary expansion for the year 2009-10 will be in line with the projected GDP growth of 3.3% and CPI inflation at 9%. To keep M2 growth rate in the vicinity of the targeted level and to encourage private sector credit, it is imperative that government borrowings be limited to a safe level. This will also help in bringing down the CPI inflation and strengthening the growth prospects of the economy.

Inflation

The target rate of inflation (CPI) for 2009-10 is set at 9% as against expected CPI inflation of 20% in 2008-09. This projection has been made keeping view the expected improvements in macroeconomic indicators and weakening in international oil and commodity prices.

Capital market

Under the 9-Point Economic Agenda of the Government, broad-based reforms are envisaged for developing a fair, efficient well – regulated and transparent capital market which is fully integrated with major regional and global financial markets. These measures coupled with improvement in macroeconomic indicators are expected to contribute in creating a flourishing capital market in the country.

Chapter 4

Public Sector Development Program

Public investment is a broader concept which includes the Public Sector Development Program (PSDP), the investment made by the public corporation and other authorities and entities of the Federal, Provincial and Local Governments. PSDP is financed out of budgetary resources and public sector enterprises & corporations over and above the budgetary contribution also mobilize own resources for investment.

The PSDP responds to emerging needs of economy with higher investment in priority sectors such as infrastructure and social sectors which continue to increase protectively, improve delivery of social services, enhance quality of human resources and create necessary environment for crowding in private sector and knowledge led sustainable development with reduction of poverty.

Review of PSDP 2008-09

The PSDP 2008-09 was approved at Rs 541 billion (4.1% of GDP) with a federal component of Rs 371 billion (including foreign aid amounting to Rs 41.3 billion) with an operational short fall of Rs 25 billion and provincial ADPs at Rs 170 billion. In addition Rs 26.7 billion were also allocated to ERRA for rehabilitation and reconstruction of earthquake affected areas. A review of the federal PSDP for the year 2008-09 is attempted in the following paragraphs.

Of Rs 371 billion federal PSDP, Rs 176.8 billion (48%) were allocated to the **infrastructure** development sectors. Sub-sectoral allocations were: Transport and Communication (highways, railways and ports and shipping) Rs 61.5 billion; Energy (power generation, distribution and fuel) Rs 29.1 billion; Water Resources Rs 73.2 billion; and Physical Planning and Housing and Media Development Rs 13 billion.

Social sector were allocated Rs 161.8 billion (44%) which included Rs 23.3 billion for people's works program, Rs 34 billion for Benazir Income Support Program and Rs 23.1 billion for special areas development programs. The other sub sectors included education and training (Rs 6.3 billion), higher education (Rs 18 billion), health and nutrition (Rs 21.5 billion), population welfare (Rs 4.3 billion), governance (Rs 14 billion), media development (Rs 1 billion), rural development (Rs 2 billion), manpower and employment (Rs 2.4 billion) and other small sectors and programs (10.6 billion)

Productive sectors (agriculture and industry) were allocated Rs 20 billion (5.4%), Rs 10 billion each for agriculture and industries, Rs 7.2 billion (2%) and Rs 5.2 billion (1.4%) were allocated to **Science and Technology** and **Environment**, respectively.

It was assessed that the provinces were likely to spend Rs 170 billion through their respective Annual Development Programs (ADPs). With additional availability of resources, their budgeted ADPs were enhanced to Rs 282 billion. The size of provincial ADPs were later rationalized at Rs 268 billion

The National Economic Council directed the Planning Commission in 2005 to undertake the quarterly reviews of PSDP and if needed make adjustment from slow moving to fast moving projects with in the overall size of approved PSDP. During 1st

quarter of FY 2008-09, the Planning Commission could not undertake quarter review of PSDP due to minimum financial releases.

On account of financial constraints and to reduce burden on PSDP, a number of exercises were carried out to rationalization portfolio of projects during the year 2008-09.

- Initially Planning Commission advised Ministries/ Divisions in August 2008 to review their ongoing and future projects/programs by assigning the following priorities:
 - High priority projects
 - Medium priority projects
 - Projects which could be delayed for 2-3 years
 - Projects to be dropped/discontinued
 - Projects which can be shifted on Public Private Partnership (PPP) mode
- While this exercise was in process, Finance Division in January 2009, advised Planning Commission to reduce throw-forward of on-going projects by 20% to qualify for World Bank's Poverty Reduction Support Credit – I (PRSC-I). Ministries/Divisions in turn were requested to review their on-going portfolio and identify savings where possible while placing such projects into the following categories:
 - Projects of high priority to be fully protected.
 - Projects of which implementation could be delayed for 1-2 years.
 - Projects which could be dropped from the PSDP.
 - Projects which could be shifted to the Public-Private Partnership Mode.
 - Projects located in Balochistan and NWFP are to be exempted from any rationalization as far as possible.
- As a result of the above exercise, 140 projects were either discontinued or placed for execution as private public partnership. This reduced future throw-forward liability by Rs 385 billion.
- In March 2009, the Finance Division transferred the Benazir Income Support Program from the development to the current budget and thus the size of the federal PSDP 2008-09 was reduced to Rs 337 billion against the NEC approved size of Rs 371 billion.
- To work out revised allocations of Ministries/Divisions based on reduced size of the PSDP 2008-09, another exercise was carried out with the Ministries/Divisions. The Planning Commission reallocated funds by adopting the following criteria in consultation with all stakeholders:

- Infrastructure allocation be reduced by 50 to 70%.
- Social sector should be reduced maximum by 30% of original allocation.
- Balochistan and NWFP projects be protected as far as possible.

The revised sectoral allocation during 2008-09 worked out as under:

(Rs Billion)

	Original	Revised	Reduction
Infrastructure	178	96	82
Social Sectors	161	99	62
Production Sectors	20	17	3
Science & Technology	7	5	2
Environment	5	2	3
Total	371	219	152

The above revised sectoral allocations clearly indicates that as per government's policy social sector spending (to improve quality of life and reduce poverty) have been protected to the extent fiscal space permitted. However, allocations for infrastructure and agriculture sectors were affected. Against the revised size of Rs 219 billion, estimated releases upto May 2009 amount to Rs 189 billion including foreign aid (Rs 35 billion) which is 86% of the revised allocation and 51% of the original allocation. Despite apparent lag in releases, it is very likely that the entire amount of Rs 219 billion will be released and spent upto June, 2009.

The Provinces allocated Rs 268 billion in ADPs 2008-09 for their development needs against the federal assistance of Rs 170 billion by generating resources through self-financing. The releases made up to April 2009 were Rs 207 billion against which Rs 141 billion (53%) were spent. The position will further be improved by releasing the remaining amount during May-June 2009.

On the face of resource constraints, rationalization and prioritization of portfolio of projects were made with the results that visible **achievements** have been observed in some of the important sectors. In the **water** sector Mangla Dam raising, Sabakzai and Mirani Dams were substantively completed and significant progress has been observed in national program for improvement of water courses. In the **power** sector, work on two nuclear power plants in Chashma has been initiated while progress on existing projects remains satisfactory. Neelam-Jhelum hydro-power projects was initiated whereas, progress on three high headed hydro-power projects (Dubair Khawar, Allai Khawar and Khan Khawar) was maintained.

In the **transport and communications** sectors, Islamabad-Peshawar Motorway project has been completed. Whereas, work has substantially been completed in respect to improvement/up-gradation of Nutal-Sibi, Dadar section of N-65, Islamabad-

Lower Toppa-Muzaffarabad road section upto Lower Toppa and Larkana bridge over Indus. In **social sectors** funds for foreign scholarship programs for higher education were protected and important national health programs were sustained. Expo Centre Lahore is near completion.

Proposed PSDP 2009-10

The strategic thrust of the Annual Plan and PSDP 2009-10 has been derived from Nine Points Economic Agenda of the government. Major elements of the strategy are:

- Ensure economic recovery consistent with stabilization.
- Maintain momentum of agriculture growth together with support policies for revival of industries;
- Address critical infrastructure gaps in water, power and transport for enhancing competitiveness;
- Increase reliance on indigenous energy resources,
- Achieve Millennium Development Goals and reduce poverty through a comprehensive social protection system with an exit strategy;
- Facilitate balanced development in the country by reducing regional disparities; and
- Rehabilitation and reconstruction of conflict affected areas.

In allocation of funds across sectors and projects for PSDP 2009-10, following guiding principles in order of priority were adopted by the APCC.

- Maximum allocation to projects which can be completed during 2009-10 followed by projects that are likely to be completed in the next two years.
- Initiation of important new approved projects.
- Social sector allocation should be protected as far as possible.
- Only unavoidable bricks and mortar projects be started.
- Un-approved important projects should only be financed with token allocation.
- Directives/announcements would be honoured.

Keeping in view of the above principles the APCC finalized its recommendations and proposed the total size of PSDP at Rs 595 billion. Out of this the federal government programs amount to Rs 395 billion with an operational short fall Rs 20 billion. The development requirements of provinces were estimated at Rs 200 billion. In addition to this Rs 25 billion would be spent by ERRA for rehabilitation and reconstruction of Earthquake affected areas.

The NEC on the recommendation of the APCC subsequently approved the total size of PSDP 2009-10 at Rs 621 billion (including foreign loan of Rs 72.0 billion) with an operational short-fall of Rs 21 billion; which is higher by 14.8% than PSDP 2008-09. The main features of the program are presented in Table 4.1.

Table 4.1 PSDP Allocation 2009-10

(Rs Billion)

A	Federal PSDP	421.0*
	• Federal Ministries	281.6
	• Special Areas (AJK,FATA, Northern Areas)	38.4
	• Special Programs (PWP-I and PWP-II)	35.0
	• Corporations	66.0
B	Provinces	200.0
	Proposed PSDP size (A+B)	621.0
C	Earthquake Reconstruction (not counted in total size)	25.0

* Includes operational shortfall of Rs 21 billion

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

Table 4.2 PSDP Broad Sectoral Distribution

	Allocation	% Share
Infrastructure	219	52
Social Sectors	163	39
Others (Agriculture, Industry, Minerals)	19	4
Science and Technology	13	3
Environment	7	2
Total	421	100

Salient Features of PSDP 2009-10

Salient features of the Public Sector Development Program (PSDP) 2009-10 are presented as under.

Infrastructure

- **Water sector's** allocation has been proposed Rs 60 billion which comes to 14% of the total federal program. 32 small and medium dams, 8 in each province, are being financed. Similarly adequate allocation has been made to projects such as national program of water courses, irrigation system rehabilitation, lining of canals and distributions etc.

- To complete **Mangla Dam** Raising Project (including resettlement) Rs 12 billion have been allocated. The WAPDA will be able to store 2.88 MAF additional water during next monsoon season.
- To overcome **energy shortage**, investment by the Government and WAPDA from its own resources during 2009-10 would be around Rs 139 billion for power generation and conservation. This will not only make available additional power but also help in reducing cost of doing business.
- Major initiative in power sector is initiation of **Basha Diامر Dam** during 2009-10. Both government & WAPDA would arrange finances to the tune of Rs 23 billion.
- In addition to hydel, **nuclear sources** would also be used for power generation; projects like C3, C4 with an investment of Rs 190 billion are being initiated. An amount of Rs 4.6 billion has been allocated to the project in PSDP 2009-10. The project would generate 600 MW electricity by 2016.
- **Thar Coal** infrastructure will be developed. The World Bank has pledged grant assistance for preparation of project. The Government of Sindh is being allowed to negotiate loan with the World Bank. The federal government has allocated Rs 1.0 billion to be matched by Government of Sindh.
- **Transport and Communication** sector has been allocated Rs 82 billion. Of this amount, about Rs 45.7 billion are allocated for **NHA**, and Rs 12.7 billion for **Railways**. This would ensure economic integration and balanced regional development.
- **Housing** program for the poor and government servants started during 2008-09 would continue with an allocation of Rs 1.1 billion. This amount would be used as a revolving fund.

Social Sectors/Poverty Reduction

- Under the new initiative of the Government, to reduce poverty, provide employment, better quality of life, promote good governance and develop skills, special programs have been launched. These includes:
- Establishment of **technical institutes** of international repute in 27 Districts all over the country with a total cost of Rs 7 billion.
- Continuation of **Income support** fund involving social protection initiative with a total outlay of Rs 70 billion from outside PSDP arrangements.
- To assist small farmers, **Benazir Income Scheme** costing over Rs 4 billion is being launched.
- Allocation for the **health** sector has been increased by 86% from Rs 14 billion to Rs 26 billion, reflecting overall continuous emphasis on improving the productivity of human capital and general quality of life. Major programs include EPI (Rs 6 billion), MCH (Rs 3 billion) and Primary Health Care (Rs 6.8 billion). The number of **Lady Health Workers** (LHW) will be

increased during the next financial year to achieve the target of 200,000 and provide health facilities at the door step in rural areas.

- Allocation for **education and training** have been increased from Rs 17 billion to Rs 32.5 billion (91%) so as to ensure availability of qualified human resources to match the highly competitive world market.
- To sharpen the skills of the labor force, an **Hunarmand Pakistan Program** of NAVTEC is allocated Rs 1.5 billion. This amount would be used as a revolving fund.

Productive Sectors

- **Integrated Agriculture** Marketing and Storage Infrastructure project is being initiated to ensure food security which in return help to reduce poverty and better quality of life in the shape of higher incomes to farmers.
- To save agricultural produce, modern **grain storage** facilities would be created with an investment of Rs 27 billion.
- A new concept of Public Private Partnership in the field of **dairy products** is being introduced with an equity of Rs 3.5 billion. The Government would play advisory role while private sector would implement the project.
- **Reconstruction Opportunity Zones (ROZs)** in NWFP and Balochistan are being established with an allocation of over Rs 3 billion.
- To promote **SMEs Advisory Services** in the areas of khadi and leather crafts are being initiated.

Special Areas

- Allocation for Special Areas (AJK, NA & FATA) have been enhanced from Rs 16 billion to Rs 38 billion (123%) with a view to accelerate development in less developed areas.

The details of PSDP 2008-09 in relation to allocation to the Ministries/divisions are presented at Annex 4.1.

**National Development Programme 2008-09 & 2009-10
(Ministry/Division-wise Summary)**

(Million Rupees)

Sl. No.	Ministry/Division	Revised Allocation for 2008-09			Allocation for 2009-10		
		Foreign Loan Loans	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
A	Federal						
1	Water & Power Division (Water Sector)	200.0	31010.0	31210.0	437.0	46818.6	47255.6
2	Water & Power Division (Power Sector)	8500.0	500.0	9000.0	14885.0	5450.0	20335.0
3	Pakistan Atomic Energy Commission	2989.0	12011.0	15000.0	4430.0	15104.0	19534.0
4	Pakistan Nuclear Regulatory Authority	0.0	257.5	257.5	0.0	447.4	447.4
5	Petroleum & Natural Resources Division	3.0	198.2	201.2	0.0	1874.3	1874.3
6	Communications Division (Including NHA)	5065.6	13966.4	19032.0	10000.0	35972.0	45972.0
7	Ports & Shipping Division	0.0	140.0	140.0	0.0	828.8	828.8
8	Railways Division	1875.0	4685.0	6560.0	3030.0	9651.2	12681.2
9	Special Programmes	0.0	24420.0	24420.0	0.0	35000.0	35000.0
10	Finance Division	1878.1	4821.9	6700.0	2596.5	43002.8	45599.3
11	Planning and Development Division	1186.1	8970.4	10156.5	1961.4	16006.9	17968.2
12	Local Government & Rural Development Division	0.0	52.1	52.1	0.0	444.0	444.0
13	Tourism Division	0.0	10.0	10.0	0.0	195.5	195.5
14	Housing & Works Division	0.0	2837.2	2837.2	0.0	5582.0	5582.0
15	Ministry of Foreign Affairs	0.0	261.0	261.0	0.0	250.0	250.0
16	Narcotics Control Division	215.0	169.0	384.0	315.5	363.6	679.1

Public Sector Development Programme

17	Establishment Division	0.0	150.0	150.0	0.0	129.8	129.8
18	Information Technology & Telecommunications Division	0.0	800.0	800.0	0.0	1128.5	1128.5
19	Science & Technological Research Division	27.0	1483.0	1510.0	20.0	3245.4	3265.4
20	Defence Division (Including SUPARCO)	927.9	1367.5	2295.4	670.0	6913.7	7583.7
21	Education Division	43.9	4118.1	4162.0	44.0	8507.3	8551.3
22	Higher Education Commission	72.3	12527.7	12600.0	40.0	22460.0	22500.0
23	Health Division	1117.2	12872.8	13990.0	2074.7	21079.4	23154.1
24	Population Welfare Division	0.0	3000.0	3000.0	0.0	5250.9	5250.9
25	Women Development Division	0.0	113.0	113.0	0.0	343.7	343.7
26	Social Welfare & Special Education Division	0.0	354.0	354.0	0.0	487.7	487.7
27	Labour & Manpower Division	0.0	63.7	63.7	0.0	135.4	135.4
28	Overseas Pakistanis Division	0.0	3.0	3.0	0.0	0.0	0.0
29	KA & NA Division	800.0	15193.2	15993.2	1102.0	24419.4	25521.4
30	States & Frontier Regions Division	0.0	8662.0	8662.0	1360.0	11505.0	12865.0
31	Environment Division	59.0	1082.5	1141.5	50.7	2203.2	2253.9
32	Culture Division	0.0	186.5	186.5	33.0	417.0	450.0
33	Sports Division	0.0	140.0	140.0	0.0	583.2	583.2
34	Youth Affairs Division	0.0	22.2	22.2	0.0	47.8	47.8
35	Cabinet Division	0.0	572.0	572.0	0.0	4918.9	4918.9
36	Information & Broadcasting Division	0.0	406.0	406.0	0.0	916.1	916.1
37	Defence Production Division	0.0	515.0	515.0	0.0	1677.0	1677.0
38	Food & Agriculture Division	465.0	13942.0	14407.0	605.0	17357.0	17962.0
39	Livestock & Dairy Development Division				100.0	2486.4	2586.4

Public Sector Development Programme

40	Industries & Production Division	0.0	2529.0	2529.0	0.0	7822.3	7822.3
41	Special Initiatives Division				0.0	2793.9	2793.9
42	Textile Industry Division	0.0	308.0	308.0	0.0	509.7	509.7
43	Statistics Division	0.0	97.0	97.0	0.0	180.0	180.0
44	Interior Division	0.0	5359.0	5359.0	0.0	7031.3	7031.3
45	Commerce Division	60.0	244.0	304.0	60.0	779.2	839.2
46	Law, Justice & Human Rights Division	250.0	1250.2	1500.2	0.0	2051.0	2051.0
47	Revenue Division	1075.0	471.8	1546.8	1222.0	1226.3	2448.3
48	Ministry of Postal Services	0.0	0.0	0.0	0.0	300.0	300.0
49	National Reconstruction Bureau	0.0	40.0	40.0	0.0	50.0	50.0
50	Economic Affairs Division	0.0	8.0	8.0	0.0	15.8	15.8
Total (Federal):		26809.1	192190.9	219000.0	45036.7	375963.3	421000.0*
B	Provinces	25503.4	144496.6	170000.0	26923.0	173077.0	200000.0
C	ERRA	10000.0	16719.0	26719.0	12403.0	12597.0	25000.0
Total (National):		62312.5	353406.5	415719.0	84362.7	561637.3	646000.0

* Includes operational shortfall of Rs 21.0 billion.

Part-II

Achieving Millennium Development Goals

Chapter 5

Poverty Reduction and Human Development

Since 2008, global oil and commodity prices and financial meltdown resulted in plummeting global economic growth and shrinking global trade to a level not seen since the Second World War and the Great Depression of the 1930s. These global developments have affected Pakistan economy, resulting in slowing down economic activities, sharp deterioration in current account and fiscal balances, accelerated inflation, evaporation of investor confidence, and a sharp fall in foreign exchange reserves as well as the value of the Rupee. These developments have adversely impacted on poor and vulnerable and worsened income distribution. The war on terror has increased miseries of poor household in some parts of NWFP. The government is also faced with the challenge to provide basic necessities to millions of Internally Displaced Persons (IDPs). Their rehabilitation and reconstruction of infrastructure of war affected areas will be another challenge.

Poverty after showing a declining trend during 2001-02 to 2005-06 is expected to increase due to high inflation and declining economic activity. The micro-data of the Pakistan Social and Living-standard Measurement (PSLM) Survey 2007-08 is being processed. The updated estimates of the level of poverty will be available after processing of PSLM data is complete.

Majority of human development indicators have shown visible improvement. UNDP Human Development Report 2007-08 shows that Pakistan's HDI has improved from 0.516 in 2000 to 0.551 in 2005. The PSLM 2007-08 data also shows that literacy rate increased from 53 percent in 2004-05 to 56 percent in 2007-08. The net primary enrolment has also increased from 56 percent in 2004-05 to 59 percent in 2007-08 (Annex 5.1). Immunization in percent of children (ages 12-23 months) moderately reduced from 77 percent in 2004-05 to 73 percent in 2007-08. Infant mortality, and under 5 mortality rate also reduced significantly. The maternal mortality ratio has witnessed sharp reduction from 500 per 100,000 live births in 2000 to 250 in 2007-08. The MDGs indicators relating to gender equality and

Box 5.1

Challenges Facing the Pakistan

The real challenge of Pakistan's economy is to check the rising poverty and vulnerability of the poor house-holds, restore the confidence of the investors and reduce high cost of doing business. The challenge becomes daunting due to low growth rate (2%) in 2008-09 and substantive underemployment. Poverty in recent years has risen once again following the slow down in growth, reduction of subsidies, and the sharp increase in inflation since 2007-08. The lack of access to productive and decent employment for large segments of the population remains the main cause of poverty.

empowerment of women also witnessed improvement. Proportion of seats held by women in national parliament increased from 2 percent in 2000 to 21.3 percent in 2005 and ratio of girls to boys in primary and secondary education increased from 0.69 in 2000 to 0.84 in 2007-08. Targets of Human Development Indicators for 2009-10 are at Annex 5.2.

Poverty Reduction Strategy

In response to the challenges presented in Box 5.1, the Government has prepared a comprehensive and integrated poverty reduction strategy. It subscribes strongly to the belief that economic development should be meaningful and sustained. It should take into account the economic, social, and governance dimensions. It emphasizes that benefit of development must accrue proportionately to all citizens, including the poor, unemployed, marginalized and disadvantaged. It

ensures equitable distribution of wealth from expanding the existing sources of wealth and exploiting new sources, while promoting human resource development. It proposes fundamental changes in the very model of development so that human capabilities are built up and human opportunities are enlarged. The poverty reduction strategy of the Government adopted for the Medium Term (MTDF 2005-10) has been expanded. Main pillars of the strategy are presented in Box 5.2.

The focus of the strategy is on:

- Directing public policy debate on the needs of the poor.
- Bringing about an effective transformation of society, by forging partnerships and alliances with civil society and the private sector.
- Understanding the nature of poverty, and using that as a guide for all public actions.
- Empowering the people, especially the most deprived, by increasing access to factors of production, particularly land and credit.
- Emphasizing on increasing public spending on sectors which have greater potential for employment generation e.g. agriculture, small and medium enterprises, housing and construction, information technology;
- Associating private sector and civil society in meeting social sector goals.

Initiatives for Reducing Poverty and Vulnerability

To cushion the impact of recent internal and external shocks on poor and vulnerable households, government has launched a major direct income support program under the Benazir Income Support Program (BISP). Main features of the BISP are presented in Box 5.3. In addition to BISP, there are some other nation-wide cash transfer programs, i.e. Bait-ul-Mal and Zakat. The public works program also provides employment opportunities in small-scale rural and urban projects. Highest priority is being accorded to providing basic necessities to the Internally Displaced Persons (IDPs) and programs to be developed for their rehabilitation, reconstruction of infrastructure and revival of economic activities.

Box 5.2

Anti-Poverty Strategy of the Government:

The Strategy of the Government to fight poverty consists of the following nine pillars: (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development Program; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21st Century; (vii) Removing Infrastructure Bottlenecks through Public-Private Partnerships; (viii) Capital and Finance for Development; and (ix) Governance for a Just and Fair System.

Box 5.3
Benazir Income Support Program

Government of Pakistan has initiated **BISP** with initial allocation of Rs 34 billion for the year 2008-09 for vulnerable and poor section of the society. The program aims at covering almost 15% of the entire population and supporting their income by Rs 1000 per family in all four provinces and Federal Areas.

The initiative targets only female headed families having monthly income of less than Rs 6000. Pakistan Post, with its presence in all the Union Councils in the country, will deliver amount at the door step of the recipient. Pakistan Post will send monthly reports BISP on payments made with the list of addresses of houses and name of the postman making the delivery. Random checks will be carried out BISP to ascertain the delivery of exact amount to beneficiaries.

To improve the targeting, Benazir Smart Card will be used based on household scorecard of the status of each eligible household.

Poverty Reduction Programs

The anti-poverty programs are based on generating income and employment opportunities for the poor, sustainable development by adopting labour intensive approach, and protecting poor, the disadvantaged and marginalized population through strengthening social protection system. The social protection programs are the integral part of the overall package of poverty reduction strategy. Some of the programs are discussed below:

Pakistan Bait-ul-Mal (PBM)

Pakistan Bait-ul-Mal (PBM) is making contribution towards poverty reduction through its various programs for providing assistance to destitute, widow, orphan and other needy persons. The ongoing core projects / schemes are:-

- Individual Financial Assistance (IFA)
- Child Support Program (CSP)
- Food Support Program (FSP)
- Civil Society Wing (CSW)
- National Centre(s) for Rehabilitation of Child Labor (NCsRCL)
- Vocational Training Centers (VTCs)
- Jinnah Burn and Reconstructive Centre Lahore

Box 5.4**Social Protection in Pakistan**

To address the problem of vulnerability to some extent, the government has launched Benazir Income Support Program (BISP) in September 2008 to provide cash grants to the poorest families. Under this program, each eligible family gets Rs. 1,000 per month. For 2008-09, an amount of Rs. 34 billion (0.3 percent of GDP) was allocated for BISP.

Government has introduced a scorecard system for identification of poor households, initially in 16 districts on a pilot basis. Upon successful completion of the pilot, all 113 poor districts will get the scorecard based BISP benefits by June 2010. BISP will benefit around 5 million families in 2009-10.

Pakistan Bait-ul-Mal and Zakat are two other cash transfer programs. PBM provides cash transfers to around 1.4 million beneficiaries in 2007, while Zakat, financed by private contributions, also provide assistance to address the problems of social welfare services to the disabled, child laborers, and others.

Public Works Program provides employment opportunities in small rural projects while Food subsidy and Government of Punjab's *sasta ata*. Programs also designed to provide some relief from food inflation.

Coverage and targeting of the Social Protection programs needs improvement in the immediate future in order to avoid the waste and for efficient use of scarce resources. According to an estimate, all programs address the needs of around 5 percent of the poor.

New Initiatives of the PBM include Complementary Lunch Bar for provision of mid day meal to the children of Special Schools and patients of various Hospitals (Rs 15 million), Parks for Special Friends to be established at Muzaffarabad and Gilgit by 2012 (Rs 2 million per annum), Medical Centres for Hepatitis-C would be established, one each at Provincial/Regional Headquarters by the year 2010. Ten Senior Citizens Homes (5 each for men & women) would be established at Provincial/Regional headquarters for destitute and senior citizens during the year 2009-10. Ten Orphanages has also been planned. One such centre would be established in Islamabad during 2009-10 on pilot basis.

During 2009-10, PBM will provide IFA to around 50 thousand individuals during 2009-10 (Rs 700 million), continue distribution of wheel chairs, white canes and hearing aids, Child Support Program (CSP) involving conditional cash transfer of Rs 200 per month to a family having one child and Rs 350 per month to the family having two or more children for sending the children to schools, and institutional support for the NGOs (Rs 100 million) to benefit around 150 million individuals. PBM will continue to support 151 National Centres for Rehabilitation of Child Labour for providing incentive to the parents and luring children to the centres for primary education, 141 Vocational Training Centres for providing free training to widows, orphan & poor girls in different skills (Rs 216 million) and Food Support Program (FSP).

Access to Financial Resources

Microfinance has emerged as a noticeable means of providing the poor with very small loans to help them engage in productive activities or grow their tiny businesses. Over time, microfinance has come to include a broader range of services (credit, savings, insurance, etc.) as we have come to realize that the poor and the very poor that lack access to traditional formal financial institutions require a variety of financial products.

Experience shows that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It is a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change. Table 5.1 below gives an account of microfinance activities in terms of disbursements and number of beneficiaries 2007-08, 2008-09 and targets for 2009-10.

It is evident from the table that there has been a commendable growth in terms of financial resources as well as the access provided to the poor in microfinance sector. In financial terms, the overall resources disbursed by major financial institutions increased by 40% in 2007-08 over 2006-07 disbursements. These institutions have reported to enhance their activities by 60% during 2008-09 over the financial disbursements during 2007-08. In terms of access, the number of beneficiaries, the microfinance institutions has reported to have planned to increase the number of beneficiaries by 58 percent. Another important aspect of microfinance program is that more than 80% of the beneficiaries of these programs are females.

Table 5.1 Micro-Finance Achievements 2007-09 and Targets 2009-10

Organization	Disbursement (Mill. Rs)	Beneficiaries (000's)	
		Male	Female
Pakistan Poverty Alleviation Fund			
2007-08	8,455	425	360
2008-09	6,855	689	834
2009-10 (Targets)	9,000	331	405
Khushhali Bank			
2007-08	3,673	285	59
2008-09	4,321	396	77
2009-10 (Targets)	5,571	318	79
National Rural Support Program			
2007-08	12,004	510.5	251.9
2008-09	7764	296.5	214.5
2009-10 (Targets)	5435	259.4	187.7
First Women Bank			
2007-08	24.4	-	2276
2008-09	58.5	-	7589
2009-10 (Targets)	53.5	-	7575
First MicroFinance Bank Ltd.			
2007-08	1,601	60	41
2008-09	3,658	88	162
2009-10 (Targets)			
Rozgar Micro Finance Bank			
2007-08	76.393	290	6,992
2008-09	120.00	500	10,000
2009-10 (Targets)			

Source: KB, NRSP, FWB, FMFB, RMFB

Employment Generation

The creation of productive, remunerative and decent employment is vital for sustained poverty reduction. The labour force grew by 1.7 percent per annum while employment went up by 2.26 percent per annum during 2005-08: first three years of the MTRF. The higher growth in employment compared to the growth in labour force led to marginal reduction in the unemployment rate, from 6.2 percent in 2005-06 to 5.2 percent in 2007-08. This fall in unemployment has led to somewhat improved incomes and living conditions. Of the 2.15 million additional employment generated during 2005-08, around 0.55 million (22 percent) are in the category of unpaid family workers. More than 70% of the employed are in the informal sectors, which in the face of non-existent social protection for this segment of society, is a high number for a developing country like Pakistan. The number of unemployed during 2007-08 is 2.7 million. This situation led the policy makers to think of expanding the coverage of social safety nets and income generation programs for the unemployed.

Safety Net Programs

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

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

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

Income Generation Programs

Income generation programs obligate the recipient to exchange labor time for an income transfer. Two programs have been used widely: labor-intensive public works and credit-based self-employment (livelihood) programs. While public works can be used as temporary measure for consumption smoothing during economic or natural shocks (such as drought), or as yearlong poverty reduction programs, credit-based livelihood programs aim to raise the average real income of the poor in the long term. Public works provide immediate income; credit programs aim to generate medium-term income streams.

Progress on MDGs

MDGs represent Pakistan's commitment to social development and poverty reduction at the international level. To monitor the progress of MDGs, the international community has identified 18 targets and 48 indicators. Poverty reduction strategy of the Government is aligned with MDGs. Pakistan has adopted 34 indicators for monitoring progress of MDGs.

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

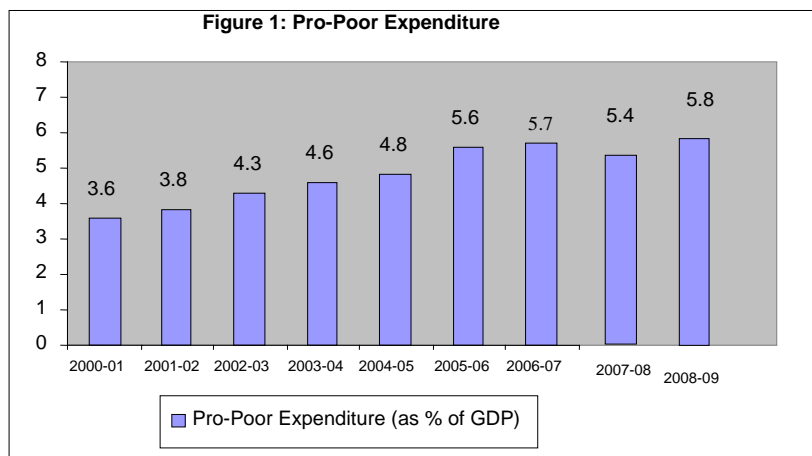
Pro-poor Public Expenditures

To ensure focus on poor and vulnerable segments of the population, government identified 17 sectors such as education, health, population welfare for pro-poor public expenditures.

The pro-poor expenditure during 2008-09 are projected to have increased to Rs 760.0 billion (5.86 percent of GDP) from Rs 572.6 billion (5.46 percent of GDP) in 2007-08, showing 32.7 percent increase in nominal terms. The sector-wise analysis of the pro-poor expenditure indicates that expenditures on social sectors (education, health & nutrition, population welfare) are projected to increase by more than two folds (230 percent), while expenditure on rural development and community services show marginal increase. (Annex- 5.3).

The Government is committed to continue to enhance pro-poor allocations in the coming years despite the financial crunch. Around 15 percent increase is envisaged in the allocations in pro-poor sectors in nominal terms for the year

2009-10. Moreover, to ensure continuity of developing social sectors, the Government is committed to the Fiscal Responsibility and Debt Limitation Act 2005 which obligates that above 4.5 percent of GDP is allocated for social sectors. Apart from allocating larger resources, institutional reforms and effective monitoring mechanisms have been introduced for attaining efficiency in expenditure. The year-wise details of pro-poor public expenditure are given in Figure 1.



Developing Public-Private Partnership for Social Development

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

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

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

Achievements in Education, Health and Population Sectors

Indicator	PSLM 2004- 05	PSLM 2007-08	Targets 2009- 10
Education			
Gross Enrolment Ratio (Age 5–9)			
Boys	94	97	105
Girls	77	83	99
Total	86	91	102
Net Enrolment Ratio (Age 5–9)			
Boys			70
Girls	56	59	60
Total	48	52	65
	52	55	
Literacy rate (Age 10+)			
Male	65	69	85
Female	40	44	66
Total	53	56	77
Literacy rate (Age 15+) Total	50	--	80
Health			
Immunization (Children 12-23 months) Based on Recall and Record	77	73	90
IMR	73	69	65
CMR	100	80	77
MMR	350- 400	250	250
Water Supply & Sanitation			
Housing units having flush toilet			
Rural	30	51	60
Urban	86	94	96
Overall	54	66	70
Housing units having tap water			
Rural	21	22	30
Urban	60	61	75
Overall	34	36	45

Source: PSLM 2004-05, 2007-08, Federal Bureau of Statistics and MTDF 2005-10, Planning Commission

Human Development Indicators

Indicator	Review 2008-09	Targets 2009-10
Population		
Growth Rate (%)	1.8	1.8
CPR (%)	30	30
TFR (%)	4.0	4.0
Life expectancy (Yrs)	64.9	66.0
Nutrition		
Prevalence of malnutrition among preschool children (%)	30	28
Anaemia in women in child bearing age (%)	32	30
Low birth weight babies (%)	25	20

Source: Technical Section of the Planning and Development Division

Status of Internationally Monitored
Human Development Indicators

Index (Value)	2005	2007
Human Development Index (HDI)	0.551	0.562
Human Poverty Index (HPI-1)	33.6%	36.2%
Gender Development Index (GDI)	0.525	0.537
Gender Empowerment Measure (GEM)	0.377	0.392

Source: Human Development Reports 2005 & 2008, UNDP

Table: Social sector and Poverty Rated Expenditures

(Rs Billion)

Sectors	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Provisional	2009-10 Projected
Community Services	63.6	76.6	104.6	55.8	70.2
Roads highways & Bridges	53.2	60.0	84.8	46.7	59.2
Water Supply & Sanitation	10.3	16.6	19.8	9.1	11.0
Human Development	191.1	222.2	257.1	243.6	327.2
Education	141.7	162.1	182.6	195.6	260.6
Health	39.2	53.2	61.1	43.9	62.1
Population Planning	10.2	7.0	13.3	4.1	4.5
Rural Development	78.5	101.8	112.7	117.6	140.5
Agriculture*	59.8	74.8	83.5	91.2	109.6
Land Reclamation	2.7	2.3	3.1	2.6	3.2
Rural Development	15.0	22.2	23.3	9.6	11.3
Peoples Works Programme-II**	1.0	2.5	2.7	14.2	16.4
Safety Nets	36.1	18.8	87.9	290.5	271.5
Subsidies***	6.0	5.5	54.9	231.1	178.3
Social Security & Welfare	7.6	4.5	18.9	37.0	73.5
Food Support Programme	3.1	3.5	4.4	15.3	11.8
Peoples Works Programme-I****	0	0.02	1.4	2.6	2.9
Natural Calamities & Disasters	19.1	5.0	7.7	3.2	3.5
Low Cost Housing	0.3	0.3	0.6	1.3	1.5
Governance	6.8	7.2	10.2	52.5	50.5
Law and Order	1.1	2.1	2.4	46.6	43.7
Justice Administration	5.6	5.1	7.8	5.9	6.8
Total	376.1	426.7	572.6	760.0	860.0
As % of GDP	4.93	4.89	5.46	5.86	6.01

* Agriculture sector has been included for tracking PRSP expenditure instead of irrigation with effect from FY 2008-09 which includes irrigation, fisheries, forestry & livestock.

** Village electrification has been replaced with People Works Programme-II in FY 2008-09.

*** Food subsidy has been renamed as subsidy with effect from FY 2008-09. This includes subsidies on financial & fiscal affairs, commercial affairs and food.

**** Khushhal Pakistan Fund has been renamed as People Works Programme-I from FY 2008-09.

Source: PRSP Secretariat, Finance Division

Part-III

Main Features of Sectoral Programmes

**Chapter
6****Agriculture and Livestock Development****6.1 Agriculture Crops**

Agriculture is a vital sector of the economy. It contributes to development as an economic activity, source of livelihood and as environmental service. World Bank studies show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating in other sectors (Box 6.1).

Despite the fundamental role of agriculture in economic development and its share in GDP (21%), it has historically received least importance in development planning. In most development strategies, the coordination between agriculture and other sectors have been weak and little emphasis placed on enhancing science and technology based agriculture development. Policies have frequently under-invested rural infrastructure, rural non-farm sector, social services and agricultural research. A strong agricultural sector would help promote agro – based industry and export of value added products. It would increase production of food and fiber at competitive prices, generate employment, provide a sustained flow of labor and capital for the development of other sectors and contribute to foreign exchange earning.

Box 6.1 In the 21st century, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction

Source: World Development Report 2008

Given the pivotal role of agriculture in development, the Government has consistently been increasing PSDP allocation for the sector over the last few years but it still calls for generous increase for urgent developmental needs of the sector. However, despite financial crunch, the government is trying hard to keep the PSDP share on the level of previous year 2008-09. In this chapter previous year's performance will be reviewed and new strategies and programme during 2009-10 will be depicted in line with the broader framework of current five year development plan (MTDF -2005-10).

Review of 2008-09**PSDP Allocation**

An amount of Rs 20.1 billion was allocated in Public Sector Development Programme (PSDP) 2008-09 for different development projects sponsored by Ministry of Food, Agriculture and Livestock. Due to poor financial situation of the country optimum releases could not take place. Utilization below 40 % of the total allocation was possible during 2008-09. This will badly affect developmental activities, restricting to achieve the set targets of the plan.

Physical Achievements

Overall performance of sector was more than expectations. Against the target of 3.5 %, a growth around 4.7 % has been realized during 2008-09. Production of major cereals like wheat and rice had surpassed their past performance (Table 1). Previous

food crisis and escalating prices of cereal items triggered the efforts both at public and private level resulted in increased productivity. However, the production targets of sugarcane were not achieved mainly because of contraction of cultivated area. Cotton production had been stagnating for the last three consecutive years. Its production around 12.0 million bales is even not sufficient to meet the domestic demand of textile industry. World grain prices have increased many folds due to widening supply-demand gap. Performance of minor crops was not so discouraging. However the growth targets of some crops were not achieved due to less area available for them. The availability of inputs was fairly good to meet the requirements. Some marketing problems regarding purchase of inputs and disposal of produce were experienced. In this case examples of fertilizer and rice can be quoted. Overall satisfactory performance of agriculture sector is a hope for our crippling economy which could not perform well during 2008-09. Brief analysis of crops production is narrated below.

Wheat: After experiencing severe food crisis Pakistan is expected to be able to pull itself out of insecure situation by harvesting bumper crop of 24.0 million tones although short of targets but surpassing by 14.5% against 2007-08 production level (Table 6.1.1). This could be proclaimed as a satisfactory achievement attributable to governmental policy decisions, farmers' efforts and more than blessing of nature. Government timely intervened and announced Guaranteed Minimum Price (GMP) of Rs 950/40kg along with heavy subsidy on fertilizers to improve the optimum and balance use. This push enabled farmers to grow wheat on ever highest area increasing 6.0% than previous year. More over better management was also exercised by initiating timely agricultural operations. The better climatic conditions like evenly distributed rainfalls at proper time coupled with low temperatures at grain filling stage of the crop played decisive role in high productivity. Timely sowing, balanced fertilizers, irrigations at critical plant stages and above all better climatic conditions are the favorable factors leading towards more wheat yields. These factors could never be put effectively together without governmental support in the form of GMP, supply of certified seeds, irrigation water and fertilizers at affordable prices.

Cotton: After achieving 14.5 million bales of cotton only once in 2004-05, the production around 12 million bales has become a typical feature of Pakistan's agriculture. Again for the year 2008-09, cotton production achievements are around 12.06 million bales from an area of 2.8 million hectares against the target of 14.1 million bales, 14.5% down to the targets (Table 6.1.1). Contrary to this Pakistan desperately required a quantum jump to meet the demand of the textile industry which is around 17 million bales. Decrease in sowing area from target (12.3%) due to switching over from cotton to rice crop was one of the important causes of low production. Cotton Leaf Curl Virus (CLCV), cotton mealy bug, poor quality seed, weed infestations, bollworms and poor water and crop management practices are our chronic productivity limiting factors. Efforts are being made to solve these problems by bringing in Bt. technology through Monsanto and other reputed companies from China and other countries. Some developmental activities are also going on at federal level to solve the issues.

Rice: Foreign exchange earning from rice export has narrowed the trade deficit. Rice export over US\$ 2 billion has made it most important cash crop after cotton. The future prospects are still very bright, as our quality product enjoys monopoly over some of the competitive countries. For the year 2008-09, rice production achievement reported was 6.95 million tons from an area of 2.92 million hectares surpassing the production targets by 21.6%. Better per unit area earning compared to competing crops allured farmers to grow more rice thus resulting in highest rice production in the history. Chinese companies are working in Pakistan to popularize hybrid rice. It is a good

preposition to produce more grains per unit area, but there is a need to restrict it out of basmati zones. Attention on the issues of increasing its area and resultantly yield is necessary as it is competing crop with cotton. By this, we can keep balance between rice and cotton which will not only support our cotton based economy but also marketable surpluses as experienced in this season. Moreover ever depleting irrigation resources will be judiciously utilized on sustainable basis.

Sugarcane: Sugarcane, an important cash crop, is grown on over a million hectares and provides the raw material to the country's second largest agro industry. Sugarcane production is cyclic as farmers and industry continues to work at odds. Industry procurement practices such as delaying the crushing season, buying cane at less than the support price, short weight, false deductions and delayed payments reduce returns to farmers, whereas farmers grow unapproved varieties with low sucrose content, thus resulting in lower sugar production. During 2008-09 sugarcane production was at 50.04 million tonnes, a decline of 11.4% over the targets due to unexpected decline in area and yield. Improved profitability from other crops and poor milling policies have encouraged farmers to convert area from sugarcane. Government supports sugarcane production by setting an indicative price. Attention is being paid to improve the sugar productivity along with sugar recovery so that crushing capacity of mills be fully utilized which is currently operating at 50-60%. Headways have also been made to utilize the power generation capacity of sugar mills for consumer use.

Maize: Maize is important cereal crop from industrial point of view. It has advantage over all other cereals being highest per unit area productivity providing opportunity to produce more grains on limited area. Like other grain crops, maize with production of 3.6 million tones in 2008-09, has been able to surpass the target by 9.2%. This could mainly be attributed to more area coverage by hybrid maize (Table 6.1.1).

Pulses: Pulses are important kitchen items including grams, mung, mash and lentil etc. Generally competing with major crops, these also compete with each other for area availability. Therefore their area and production are highly fluctuating and unpredictable. A mixed trend was observed for the production of pulses crops in 2008-09. Most important among pulses crops is gram which is mostly grown in barani/rainfed area. Optimum weather during Rabi season enabled it to surpass its targets of 2008-09 by a clear margin of 16.5% (Table 6.1.1). Production of mung and lentil showed 5.09 and 44.9% increase over the target of 2008-09. However mash production was dwindled by 6.8% against the targets.

Oil seed crops: The edible oil situation in the country has remained a major challenge as the demand has been increasing with change in eating habits and ever increasing population. The edible requirements have increased to 3066 thousand tons during 2007-08 with local production of 833 thousand tonnes i.e. 28%. The import bill has surpassed over 100 billion rupees. Olive and Palm have been special focus of the government for long. It is however recently been able to extract some oil from these plants. Establishment of extraction mills are another hurdles for their development which is being addressed. An extensive work is being done by PODB to popularize sunflower and canola (quality edible oil sources) in the country that involves campaign to motivate the growers to plant sunflower and technical guidance during production. Sunflower did not perform well in 2008-09 owing to decrease in area (Table 6.1.1).

Horticultural crops: Pakistan is blessed with diversified agro ecological conditions suitable to grow almost all kinds of fruits and vegetables. Major fruits grown in the country include citrus, mango, dates and guava while potato, onion, chilies and tomato are among the important vegetables. It is observed that the area and production of

most of the horticulture crops has increased significantly due to higher economic returns to the growers as compared to many other agronomic crops. Main problems faced by the growers included unpredicted weather conditions, water shortages and market disparities. Potato has become an important crop because of its continuous increase in industrial usage. Value addition and export potential has stabilized its market prices which is a good sign to sustain the productivity level. Fortunately its production has been stable around 2.5 million tonnes for three years. A fair increase of 3.4% has also been observed in this year over the targets. Onion production was short of targets by 11.33% in 2008-09 due to unfavorable weather conditions (Table 6.1.1).

Table 6.1.1 Agriculture Crops: Physical Achievements and Targets
2007-08, 2008-09 and 2009-10

(000 Tonnes)

Item/ Crop	Actual 2007-08	Target 2008-09	Achievements 2008-09	% change over		Target 2009-10
				2007-08	2008-09	
				Actual	Target	
1	2	3	4	5	6	7
Wheat	20,958.8	25,000.0	24,000.0	14.51	-4.0	NA
Rice	5,563.4	5,720.5	6,954.0	25.00	21.6	5,949.0
Maize	3,604.7	3,278.9	3,624.4	-0.7	9.2	3,414.0
Sugarcane	63,920.0	56,516.0	50,045.5	-21.7	-11.4	56,527
Cotton*	11.65	14.11	12.06	3.5	-14.5	13.4
Gram	474.6	652.3	760.0	60.1	16.5	NA
Potato	2,539.0	2,458.3	2,542.7	0.15	3.4	NA
Onion	2,015.2	2,058.9	1,825.7	-9.4	-11.3	NA
Sunflower	755.0	754.9	560.9	-25.7	-25.7	NA

*Million bales NA = Not Available Source: Ministry of Food and Agriculture.

Program for 2009-10

PSDP Allocation

Due to financial crunch, government has squeezed the development portfolio of all sectors of economy. However special treatment has been made to the largest and important sector of agriculture by allocating Rs 18.0 billion, for agriculture development through federal PSDP during 2009-10 (Table 6.1.2). This amount is around 3% of the total PSDP but how ever more than previous year outlay. This includes both ongoing and new projects sponsored by Ministry of Food and Agriculture. Like previous years the prime importance was given to irrigation sector and a huge share (Rs 12.8 billion) has been earmarked to improve irrigation/water use efficiency. The remaining amount will be utilized for other developmental activities like seed, quarantine measures, small

farmer's betterment, plant protection and other agriculture support infrastructure etc. This is over and above the developmental work of other ministries related to agriculture. Handsome amount is also being invested by Ministry of Science and Technology and Interior Division for their respective agriculture related programmes.

Table 6.1.2: Sub-Sector Wise Summary of Food and Agriculture Division's PSDP 2009-10

(Rs. million)

Sub-sector	No. of Project	Total Cost	Expenditure up to June, 2009	Throw-forward as on July, 2009	Allocation for 2009-10			Percent of Total Allocation
					Foreign Loan	Rupee	Total	
1	2	3	4	5	6	7	8	9
Irrigation	7	73,215.1	39,452.2	33,762.9	150.0	12,640.0	12,790.0	71.01
Agriculture (i-vii)	44	65,899.6	8,481.8	57,417.8	455.0	4,767.0	5,222.0	28.99
i) Agri. Extension	12	20,466.7	3,968.9	16,497.8	0.0	2,374.6	2,374.6	13.18
ii) Agri. Res. (a-b)	13	8,061.1	1,733.5	3,727.6	0.0	1,057.0	1,057.0	5.87
a. PARC	10	5,596.6	1,528.1	4,068.5	0.0	957.0	957.0	5.31
b. PCCC	3	2,464.5	205.4	2,259.1	0.0	175.0	175.0	0.97
iii) Agri. Marketing	4	30,734.1	1,764.8	28,969.3	455.0	590.8	1,045.8	5.81
iv) Plant Prot. /Quarantine	6	1,455.3	356.0	1,099.3	0.0	323.0	323.0	1.79
v) Oilseed	5	959.5	336.6	622.9	0.0	181.0	181.0	1.00
vi) Seed	2	3,997.5	150.7	3,846.8	0.0	125.0	125.0	0.69
vii) Land/Soil	2	225.4	171.3	54.1	0.0	40.6	40.6	0.00
Total	51	139,114.7	47,934.0	91,180.7	605.0	17,407.0	18,012.0	100.00

Source: PSDP 2009-10

Planned Interventions

National development scenario has been drastically changed since the inception of Medium Term Development Framework-2005-10. The financial condition of the country went through ups and downs in the five year plan period. The physical targets anticipated in MTFD (2005-10) were however not completely achieved. Taking into account the sector performance of previous year 2008-09, the production targets for important agricultural development components for the year 2009-10 have been fixed (Table 6.1.1) by a highest level forum on agriculture i.e. Federal Committee on Agriculture (FCA). Strenuous efforts will be made to put together all production factors to materialize the proposed targets, which will ensure food security and economic growth.

Fertilizer is a key input in cost and productivity of crops. It remained hot issue during 2008-09 due to its short supply and high prices in local and international market

respectively. This phenomenon also affected our domestic market. Government paid attention to make available urea through imports and granting heavy subsidy on phosphatic fertilizers (around Rs 34 billion) despite financial crunch in the country. Due to this fertilizer nutrient's offtake during 2008-09 remained although low but close to 2007-08. The main reasons for low offtake of phosphatic fertilizers are higher international prices as well as domestic prices. Around four million tonnes of fertilizer nutrients would be required for balanced application during 2009-10, a prerequisite for good yield. Keeping in view the prevailing market situation about 3.8 million tonnes offtake is expected for the year. Current fertilizer prices are in the reach of farmers due to good commodity prices. However, granting subsidy in 2009-10 will promote the balance fertilizer use and hence production. This decision may depend on the financial space available and international fertilizer prices.

Seed is an input that carries the genetic potential of the variety and determines the ultimate productivity factor of other inputs (water, fertilizer, pesticides). Despite efforts, the seed business is unable to meet the targets of certified seed in the country. Proper legislation does not exist, which is precondition to shine in seed sector. Historically, in Pakistan the full demand of good quality/certified seed had never been met. Major effort is needed towards enactment of Seed Laws to encourage private seed sector to involve in plant breeding and seed production and strengthening of public sector. To promote Bt cotton in country, approval by government has been accorded to cooperate with Monsanto. Chinese help has also been sought in biotechnology for Bt and hybrid crops. Other important multinational companies are interested in seed sector, which will be negotiated to attract the investment. Efforts will be made to enact the seed related laws, plant breeder rights and other intellectual property rights in 2009-10.

There has been a fair increase in **agriculture credit** disbursement during previous years but still it makes petty share of the credit needs. Small farmers (86%) have minimum access to the formal source of agriculture credit therefore liable to heavy interest rates and even denial of the credit. Agriculture credit disbursement is also inequitable among provinces. There is a need to improve the outreach and access to the institutional agriculture credit by extending disbursement network and easing out the method of payment. Agriculture credit disbursement target of Rs 250 billion has been fixed for year 2008-09. This is 20% higher than previous year's target and is expected to be achieved. To improve small farmers' access to credit, Planning Commission's proposal for launching of Benazir Zarei Credit Card scheme has been approved by the Cabinet. Preliminary work on the scheme has been completed and will be started (initially in four districts of each province on pilot basis) in 2009-10 by the State Bank of Pakistan

Irrigation water is a life line of agriculture. Keeping in view its importance, a huge amount is being invested to improve irrigation efficiency by decreasing conveyance losses in one way and improving use efficiency on the other side. About 60% developmental funds of the agriculture sector under federal PSDP have been allocated to improve the irrigation infrastructure and use efficiency, by improvement of water courses and installation of high efficiency irrigation systems such as drip and sprinkler.

Poor **plant protection** is responsible to deny the benefits of the investment of precious resources and efforts of farmers. Cotton crop especially while other crops generally are under the threats of insect pests and diseases. CLCV, mealy bugs and ball worms of cotton crop are responsible for bad cotton. Judicious use of agrochemicals along with other pest controlling techniques in integrated manner may be a solution of it. Friendly investment policy encourages private sector to install agrochemical plants in Pakistan. Biological control of insects has also been made part of integrated pest

management approach. Although this system is slow to establish but have sustainable effects. Pest resistant varieties in the shape of Bt. crops and conventional breeding programme would be the focus to coup with the crops pests in coming days.

Accelerated **farm mechanization** is an important ingredient of the strategy to accelerate growth rate in agriculture sector. Available per hectare farm power in Pakistan is around 0.90 hp against the requirement of 1.4 hp as per FAO of United Nations. To improve per unit area horse power a proposal has been approved by the Cabinet by the name of Benazir Tractor Scheme envisaging supply of 20,000 tractors countrywide. Availability of farm implements is another problematic area of our agriculture. Governmental interventions therefore will be made to improve the capacity of farmers enabling them for mechanized farming.

Agriculture sector is prone to natural calamities. Keeping in view its role in country's economy, its protection obviously becomes a strategic interest of Pakistan. This is a least interest area for banks for credit disbursement. Banks are reluctant to extend credit to farmers because of poor recovery. Realizing this issue, a **Crop Loan Insurance Scheme** has recently been started. The premium for the subsistence farmers will be picked up by the Government (up to 2%) while big farmers will pay their own. This scheme will be strengthened and popularized among farmers and banks in coming days.

Being highly perishable, horticultural crops suffer high post harvest losses which affect the quality as well as availability. There is a great potential of increasing the production of these crops through adoption of modern techniques of production, minimizing post harvest losses, improving marketing system and infrastructure so as to provide higher returns. The geo political position of Pakistan provides an opportunity for exporting large quantities of horticultural crops. Quality and compliance of WTO standards are the main problems. To handle these issues and to eliminate the weaknesses of production and post harvest handling, several proposals are under consideration.

Some important on going and new schemes are given below.

On-going Programs/Initiatives

- **National Program for Improvement of Water courses (Rs 66.4 billion)**
Project aims at increasing the agriculture production by efficient and effective utilization of irrigation water through improvement / lining of water courses on participatory basis with water users. About 56,967 watercourses and 5,288 water storage tanks have been improved. An assessment of actual water savings with improved watercourses and impact of water saving on cropping intensity and farmer's income is recommended at this stage. The proposed work in the next financial year is: improvement of 23,329 watercourses, training and capacity building of farmer and agriculture staff, project impact evaluation study and third party validation.
- **Water Conservation and Productivity Enhancement Through High Efficiency Irrigation (Rs 18 billion)**
This project aims at increasing irrigation efficiency through installation of sprinkler and drip irrigation system. So far, 676.3 acres of demonstration sites have been completed under HEIS while 1216.2 acres are in process. Installation of high efficiency irrigation system at 80,194 acres, construction of office building, training / capacity building / farmer mobilization and publicity, hiring project implementation Assistants, Consultants and project impact evaluation study are the major activities to be undertaken in the next year

- **Agriculture Sector Development Loan Project (Rs 10 billion)** This project is ADB assisted and being implemented from US\$ 348.0 million loan proceeds with cost of Rs10.3 billion for Phase-I of the project. Loan proceeds are to be used to support the agriculture sector in general and reforms to be implemented under the programming in particular. The project has utilized Rs 6.9 billion on 119 federal and provincial sub-projects. For 2009-10, the project would spend the allocations for its on-going sub-projects at federal level.
- **Special Program for Food Security and Productivity Enhancement of Small Farmers in 1012 Villages: CMP-II (Rs 8 billion)** This is a Village organization based project owned / managed by the farmers themselves for procurement / management of critical inputs / services, marketing of outputs and diversification of income generation activities by the small land holders. The project has formed 388 VOs and 3123 Farmers' Associations (FAs), completed benchmark survey, trained 310 project staff, 4 standing operating procedures (SOPs) have been prepared, etc. However, due to non availability of revolving fund, the project is facing problems in providing input loans, income diversification intervention and implements pools. The project is set for planting of crops on 184,000 acres in Rabi and 168,000 acres in Kharif seasons, establishment of implement pools, distribution of poultry units to women and establishment of 31 inputs sale and marketing centers, conducting mid term evaluation of the project in 2009-10.
- **Agribusiness Development and Diversification Project (Rs 4.1 billion)** Creation of an enabling environment for promotion of agribusiness/horti-business activities in the country is the main objective of the project. Livestock and Dairy Development Board and Horticulture Project Unit within Pakistan Horticulture Development and Export Board (PHDEB) have been established. Major activities set for the next fiscal year are: Strengthening of LDDB, ratification of national agribusiness policy and provincial horticultural policy, monitoring of projects in provinces and special areas, capacity building for export certification, technical assistance, training and capacity building of the participating financial institution concerned, technical, managerial and business capabilities of the agro enterprises would also be enhanced.
- **Land and Water Resources Development Project for Poverty Reduction (Rs 3.4 billion)** This is for procurement of 300 bulldozers, 200 for Balochistan and 100 for NWFP. Machinery will be deployed for development of 219,375 hectares of cultivable waste land. About 80,000 hectares of salt affected land will be rehabilitated. Agricultural Engineering workshops are to be upgraded and strengthened to meet the need of repair and maintenance of agricultural machineries used for land development. Major activity of the project for next fiscal year would be procurement of 250 bulldozers.
- **Research for National Agricultural Development Program (Rs 2.9 billion)** It is a mega programme to strengthen the research systems and technology development of Pakistan Agricultural Research Council through implementation of 22 priority research themes and 119 research activities covering crops, horticulture, natural resources, animal and social sciences. In the next year, proposed work would be: research activities on 30 on-going sub-projects and 15 new projects, purchase of 30 research items and office equipment, civil works (social sciences institute, laboratory and glass house) and training of 100 scientists.

- **Restructuring and Strengthening of Agricultural Research System, Balochistan (Rs 724 million)** Mega project on revitalizing agricultural research system of Balochistan is continuing since July, 2005 however recently been revised for improving/expanding basic infrastructure for research. It is to strengthen 4 existing research stations/institutes and establish 5 new ones at various ecological sites. The project has completed construction work at 60 out of 85 units of laboratories, offices and residences at 6 stations, 68 scientists sent for higher education at local universities and recruited 36 scientists and 190 staff for the institutes. Next year activities of the project includes: construction work at four research stations, payment of liabilities to construction committed liabilities for higher studies / trainings and procurement of laboratory / field equipment.
- **Establishment of Facilitation Unit for Participatory Vegetable Seed and Nursery Programme (Rs 497 million)** The project envisages creation of enabling environment for growth of vegetable seed industry and transfer of advance technologies with participation of all stakeholders. The main focus of the project is on seed production of vegetable crops like tomato, onion, chilies, okra, peas, carrot and cauliflower. Under the project, 20 participatory seed and nursery production units are to be established. The physical progress of the project is slow as compared to PC-I targets. 'For the next fiscal year, the project proposes: acquiring germplasm from foreign resources, production of vegetable nurseries, short trainings, studies, consultancy, training programs, study tours (local and abroad).
- **Biological Control of Major Cotton Pests in Pakistan with Emphasis on Mealy Bug (Rs 364 million)** The project envisages biological control of cotton pests with emphasis on mealy bug using insect parasites and predators; establish model farms to demonstrate the biological control of IPM of cotton pests using all techniques and approaches including entomopathogenic nematodes, bio-pesticides development, their introduction and promotion at farm level. Proposed work for 2009-10 includes: recruitment of staff, procurement of physical assets, civil works and institutional charges.

New Programs/Initiatives

- **Establishment of Agricultural Products Marketing and Processing Infrastructure (Rs 38 billion)** A mega project under preparation conceived on the basis of the experiences of world best infrastructure holding Agricultural marketing countries. The project aims at provision of food security, ensuring farmer's profitability, reduction of post-harvest losses and access to premium national and international markets by integration of value chain system of farms inputs, outputs and finance and implementation of quality standards. The proposed investment would be bifurcated in three major areas of farm supplies and services, grain infrastructure and perishables infrastructure.
- **National Biosaline Agriculture Program (Rs 859 million)** Salinization of soils and ground water is a major soil degradation problem that is growing steadily. Nearly 6 million hectares of potential arable land is saline; 1.25 million falling in the canal commanded area while the rest is outside it. A "National Biosaline" project covering 11 salinity affected districts of the country has been recently started. Demonstration blocks of biosaline

technologies to be established on 5000-10000 acres and demonstration sites of 100-200 acres at one selected village in each district through Farmers' Community Organizations. The proposed work of the project for 2009-10 includes: recruitment, procurement of physical assets, awareness campaign, consultancy, monitoring and capacity building, surveys and services, inputs (seed, fertilizer)

- **National Pesticide Residues Monitoring System in Pakistan (Rs 500 million)** Pakistan is importer as well as exporter of a variety of agricultural commodities. It has to compete with the world in the open market under WTO scenario for pesticide residues standards which will act as reference points for Sanitary / Phyto-Sanitary (SPS) measures. Due to insufficient research back-up and lack of regular pesticide residues monitoring system, the developing countries like Pakistan would be in a difficult position to keep up with the changing world trade requirement. To comply with WTO / SPS agreement (to which Pakistan is a signatory), there is a need to have accredited network of laboratories with trained/skilled manpower, which will be established/strengthen under this project.
- **Pak-China Cooperation for Agricultural Research and Development (Rs 256 million)** PARC during the visit of the President of Pakistan to China has entered into a number of Memorandum of Understandings (MoUs) with various research and development organization/companies of China in the field of productivity enhancement of crops, which are important for food security, export competitiveness or import substitution, resource conservation technologies. Under this project, the PARC is proposing a new portfolio for cooperation of National Agriculture Research Systems of Pakistan and China, build on priority areas of agriculture research within the mandated research agenda. Research activities implemented by the PARC with active involvement of the private sector will be: development of Bt transgenic and colored cotton, joint venture for promotion of oilseeds, hybrid rice, enhancing sugarcane productivity, mass propagation of high yielding banana germplasm and its evaluation in field and improving crop water productivity.
- **Monitoring of Crops Through Satellite Technology (Phase-II) (Rs 166 million)** First phase of the project utilizing remote sensing techniques for crop estimates has been completed. The phase-II is designed to develop satellite labs under the control of crop reporting system of each province and a nucleolus laboratory under SUPARCO for crop appraisal. The project intends to undertake: laboratory construction, provide hardware and software, recruitment of personal for SUPARCO / Provinces both national and international, develop statistics for wheat, cotton, rice, sugarcane and maize and carryout training programs (short and long terms) for Provinces/AJK.

6.2 Livestock and Fisheries Development

Livestock has the potential to become the most important sector in terms of value added and land use. The increasingly growing urban and more affluent population will most likely demand a richer more diverse diet with more meat and milk products. As a result national meat and milk demand will grow requiring a livestock revolution. This sector is changing fast at national level. Institutional and macroeconomic policy shifts are obvious in the form of new administrative arrangements. The most prominent is

establishment of Livestock and Dairy Development Board and separation of livestock sector from Ministry of Food and Agriculture in the form of Livestock and Dairy Development Division. The newly created Livestock Division can play its due role in poverty reduction, national food security and exportable surpluses. It will only happen, if an appropriate policy framework is put in place that enables the introduction of equitable, clean and safe technologies through food chain. Promotion of these enabling environments particularly in areas where there are considerable market failures can bring down the poverty of poor farmers and make profitable business related to the sector.

Despite having a significant contribution to the national GDP, it had never been able to attract the governmental support. It remained a subsistence sector largely dominated by small holders to meet their needs of milk and some cash income. Inadequate and poor quality of feed, poor health coverage, indiscriminate breeding, and poor marketing are the main hurdles of the sector.

Special attention has recently been paid to develop it by launching some mega development projects at the federal level under Medium Term Development Framework 2005-10. The goal is to improve marketing facilities, breed improvement and to extend proper health coverage throughout the country. Some new interventions will be made during coming years which will support developmental activities of the sector resultantly reduce poverty in the rural areas.

Review of 2008-09

The sector includes livestock, poultry, fisheries and dairy sub sectors. The importance of the sector could be however presumed by its 50% contribution in agriculture value added and 11% in GDP. During 2008-09 an amount of Rs 2.48 billion were earmarked for the developmental projects of the sector out of Rs 20.1 billion of PSDP allocation of Ministry of Food, Agriculture and Livestock. Physical performance of the sub sectors is briefly reviewed in the following paragraphs.

Livestock: It plays prominent role in the lives of poor rural peoples of the country by providing them a major proportion of their cash income, capital assets, draught power, fuel and fertilizer. Rapid growth in demand for meat and dairy products presents both opportunities and challenges for livestock development and poverty alleviation. Unfortunately optimum potential of this has never been exploited due to low priority and capacity of farmers. Our well known breeds such as sahiwal of cattle and Neeli Ravi of buffaloes have not been preserved or improved. Severe deficiency of feed resources and available nutrients is another important issue. Due to under feeding, production potential of animals remain unexploited. Meat and Milk capacity deteriorates resulting in an uneconomical business. Quite sizeable proportion of livestock including millions of goats and sheep are dependent upon degraded rangelands and forest areas, requiring urgent attention.

During 2008-09 production of milk and meat was estimated around 35,160 and 2,191 (Beef; 1601 and mutton; 590) thousand tons, showing 3.2 and 3.1% growth over the previous year respectively (Table 6.2.1). The production of other products of livestock such as hides, skins and wool was also satisfactory. Contributing factors might be increase in number of animals, better veterinary health coverage through on-going development projects and higher milk and meat prices. To improve productivity, a vertical improvement is required than horizontal by better animal husbandry practices and provision of veterinary services. Attention towards small holders may be the option for paradigm shift in the sector.

Dairy Development: Pakistan is the fourth largest milk producing country in the world producing around 42 billion liters annually. This potential however is un-tapped as the sector operates mainly in informal way. There is a need of consistent efforts to harvest the full benefits. Most of our milk is consumed in loose/raw shape purchased from small holders leaving minimum profit margin for farmers and health hazard for consumers. There is a need to develop an entire chain right from production to end consumer so that profit may be shifted to proper farmers for improving their overall conditions and to reduce poverty. Two companies with governmental support (Livestock and Dairy Development Board and Pakistan Dairy Development Company) have been established to promote the sector. Several other developmental projects are under implementation to improve the post harvest processing and marketing of dairy products. Many private companies are engaged in milk processing and marketing business, which has increased the sale price of raw milk and income of farmers.

Poultry: Poultry products mainly contain meat and eggs which had already become popular among consumers due to high prices of domestically produced mutton. This sub sector has enormously been growing for couple of decades. Poultry meat is preferred as a substitute of mutton. A good growth of 8.3% and 5.1% was experienced during 2008-09 for poultry meat and eggs production respectively. No serious outbreak of diseases was reported.

Fisheries: In Pakistan government has taken keen interest to explore the potential of fisheries and its improvement. Resultantly, fisheries growth indicators are depicting good picture (Table 6.2.1). Estimated achievement in overall fish production during 2008-09 was 8.5%. Both segments i.e. marine and inland fisheries performed better (+5.9% and +13.6%, respectively). Although a long standing issue of vessel for survey purpose has not been settled. Poor information/data of the potential area, sea dredging, bad fishing vessels, unavailability of quality fish seed, poor marketing and infrastructure are the major constraints in fish production. These are being taken care of through various development projects.

**Table 6.2.1 Live Stock and Fisheries Development:
Physical Achievements and Targets 2007-08, 2008-09 and 2009-10**

Item/ Product	Actual 2007-08	Target 2008-09	Achievements 2008-09	%change over	Target
				2007-08	2009-10
1	2	3	4	5	6
Milk*	34,058	35,160	35,160	3.2	36,299
Meat	2,727	2,842	2,842	4.2	2,965
<i>Mutton</i>	<i>578</i>	<i>590</i>	<i>590</i>	<i>2.1</i>	<i>603</i>
<i>Beef</i>	<i>1,548</i>	<i>1,601</i>	<i>1,601</i>	<i>3.4</i>	<i>1,655</i>
<i>Sub-total</i>	<i>2,126</i>	<i>2,191</i>	<i>2,191</i>	<i>3.1</i>	<i>2,206</i>
Poultry	601	651	651	8.3	707
Eggs (mln #)	10,711	11,258	11,258	5.1	11,839
Hides(000 #)	12,199	12,199	12,612	3.4	13,039
Skins (000 #)	45,325	45,325	46,351	2.3	47,402
Wool	41.1	41.1	41.5	1.2	42.0
Fisheries	645	700	700	8.5	745
<i>Marine</i>	<i>425</i>	<i>450</i>	<i>450</i>	<i>5.8</i>	<i>475</i>
<i>Inland</i>	<i>220</i>	<i>250</i>	<i>250</i>	<i>13.6</i>	<i>270</i>

* Human Consumption

Source: Ministry of Livestock and Dairy Development

Program for 2009-10

Likewise agriculture sector the special treatment has been given to the developmental portfolio of Livestock and Dairy Development Division. An allocation of Rs 2.6 billion has been made for the year 2009-10 (Table 6.2.2). Regardless the poor financial condition of the country PSDP allocation for this sector was increased. Projects number is even though limited but of big in outlay, focusing on livestock, poultry and fishery sub sectors. Overall Investment on this sector is meager comparing with its share in GDP. However more attention is expected to be paid on this sector due to establishment of the Livestock and Dairy Development Division. A mega project "doodh darya" is also under implementation by Special Initiative Division.

Table 6.2.2. Sub-Sector Wise Summary of Livestock and Dairy Development Division's PSDP 2009-10

(Rs. Million)

Sub-sector	No. of Projects	Total Cost	Expenditure up to June, 2009	Throw-forward as on July, 2009	Allocation for 2009-10			Percent of Total Allocation
					Foreign Loan	Rupee	Total	
1	2	3	4	5	6	7	8	9
Livestock	9	10,147.8	3,609.6	6,538.2	100.0	1,169.0	1,269.0	49.06
Poultry	1	1,180.1	583.7	596.4	0.0	375.0	375.0	14.50
Fisheries (i-ii)	8	3,871.6	1,047.0	2,424.6	0.0	898.7	858.7	36.44
<i>i) Inland</i>	2	2,497.3	677.7	1,419.6	0.0	500.0	460.0	19.33
<i>ii) Marine</i>	6	1,374.3	369.3	1,004.9	0.0	398.6	398.6	17.11
Total	18	15,199.5	5,240.3	9,959.2	100.0	2,486.4	2,586.4	100.00

Planned Interventions

Rearing of livestock has been done in very informal way in Pakistan. Most of our farmers are small holders owning very few animals without knowing the proper management techniques coupled with limited access to feed and veterinary services. Government has planned to uplift the animal sector by heavily investing for small holders and improvement of breed with the help of reputed institutions having capacity and experience (Box 6.2.1). Beside continuation of ongoing programmes, some important new projects of Livestock Ministry will also be launched in 2009-10. Detail of some important projects is given in the following paragraphs.

Box 6.2.1 Make Smallholder Farming More Productive And Sustainable

Improving the productivity, profitability, and sustainability of smallholder farming is the main pathway out of poverty by using agriculture for development. What will this take? A broad array of policy instruments, many of which apply differently to commercial smallholders and to those in subsistence farming, can be used to achieve the following:

- Improve price incentives and increase the quality and quantity of public investment.
- Make product markets work better.
- Improve access to financial services and reduce exposure to uninsured risks.
- Enhance the performance of producer organizations.
- Promote innovation through science and technology.
- Make agriculture more sustainable and a provider of environmental services.

Source: Word Development Report 2008

On-going Programs/Initiatives

Federal government has launched following major projects for the development of livestock and dairy.

- **Project The White Revolution “Dhoodh Darya” (Rs 2.6 billion as federal share)** This project has ten components with main thrust on: community farms, development of milk pockets and establishment of milk pasteurization plants; infrastructure development of military farms, bulk vending of milk, training and extension of Pakistan Dairy Development Company’s (PDDC) breeding program. It has already developed 6 community farms, trained 500 farmers and installed 215 biogas plants. Proposed work during 2009-10 will consist of establishment of 20 community farms, 150 Biogas plants, one large and 5 small pasteurization plants, one bulk vending unit and training of 96 master trainers.
- **Aquaculture and Shrimp Farming (Rs 2 billion)** The project aims to strengthen aquaculture industry of Pakistan. It is designed to enhance the domestic production of fish and shrimp by establishing hatcheries, setting up fish farms and cage culture. Work on three fish hatcheries is progress. Government of Balochistan has allocated 500 acres land each for Shrimp Hatcheries at nine sites. Land for fish markets at Peshawar and Sukkur has also been provided. Fisheries Development Board has setup its office at Karachi and Fisheries Management Wing has been established in MINFA. The project intends to carry out activities like establishment of model fish / shrimp farms and rehabilitation / augmentation hatcheries, training to fish farmers, creation of a private sector led Fisheries Development Board, provision of technical back stopping, research and development as well as strengthening capacity of Fisheries Management Wing in MINFA.

- **Strengthening of Livestock Services for Livestock Disease Control in Pakistan (Rs 1.7 billion)** Enhancing productivity through livestock disease control and disease diagnostic facilities, eradication of Rinderpest and control of Foot and Mouth Disease is the main theme of the project. The biggest achievement to the project is that Pakistan has been declared free from Rinderpest. During 2009-10, the project intends to undertake: procurement/ distribution of equipment, computers, ELISA kits, survey and surveillance, trainings of stakeholders, report preparation / publication and seminars.
- **Prime Minister's Special Initiative for Livestock (Rs 1.7 billion)** It aims at provision of self sustainable network of veterinary services to the farmers at their door step for better animal health. Up-till now, the target of establishing 290 veterinary clinics have been achieved and operational zed, 2320 community livestock extension workers (CLEWs) have been recruited. Proposed work for 2009-10 is capacity building of CLEWs and female livestock farmers, meeting establishment and operational charges of veterinary clinics along with carrying out field activities.
- **Livestock Production and Development of Meat Production (Rs 1.5 billion)** The main objective of the project is to establish feedlot fattening farms to maximize bio-economic and sustainable meat production and its value addition through meat processing and quality control. It has established 2145 feedlot fattening farms and has also fattened 93,846 large and 136,878 small ruminants. Local training of scientists, farmers, feed millers and butchers, seminars, workshops / conferences, publicity and advertisement, support for establishment and operation of feed lot fattening farms, support for infrastructure development of farms, feed mills and other facilities, support for development of slaughter houses and butcherries, project monitoring and evaluation are the main activities to be carried out during 2009-10.
- **Milk Collection, Processing and Dairy Production (Rs 1.6 billion)** Installation of 300 cooling tanks in milk producing pockets through farmer organizations is one of the main thrusts of the project. Uptil now, 194 milk producing groups have been organized and 150 milk cooling tanks out of 300 installed. It is also supporting free vaccination and de-worming of animals belonging to member farmers as well as provided subsidized concentrate rations and good quality fodder seed. The project intends to undertake; training of farmers, milk marketing, veterinary cover, AI services, Animal fairs and exhibitions etc during 2009-10.
- **National Program for the Control and Prevention of Avian Influenza (Rs 1.2 billion)** The project is designed to develop national capacity to combat any future outbreak of bird flu through effective surveillance and disease response mechanism. It will establish national/provincial surveillance network and referral diagnostic labs for control of Avian Influenza (AI) in the country through 10 provincial coordinating units and 40 regional surveillance units. It will also, strengthen and upgrade the National Reference Laboratory for Poultry Diseases (NRLPD) and National Veterinary Laboratory (NVL) at Islamabad. The current progress of the project is satisfactory in terms of establishment of 66 Rapid Response Units, 40 regional surveillance units, 10 each of provincial laboratories and coordination units. Proposed work for 2009-10 covers: consultancy (local

and foreign), publicity, advertisement, seminars, workshops, trainings, etc. Purchase of vehicles, office furniture / fixture and construction of BSL-3 laboratory as well as support to provinces.

- **Improving Reproductive Efficiency of Cattle and Buffaloes in Small Holders Production System (Rs 490 million)** This project is focused on the improvement of reproductive efficiency of cattle and buffaloes by increasing semen production as well as through embryo transfer technology. It is expected that at the end of the project, 40 thousand embryos and one million doses of semen will be produced. The project has been able to produce 48 thousand semen doses and 500 embryos. During 2009-10 training of farmers, activities for semen and embryo production, embryo transfer in local cattle, project monitoring and evaluation will be undertaken.

New Programs/Initiatives

- **Poverty Reduction through Small Holders Livestock and Dairy Development (Rs 3.5 billion)** The project has recently been recommended by the CDWP for approval of the ECNEC. The primary objective of the project is to bring out social and economic transformation of rural Pakistan through empowering millions of small livestock holders comprising poor landless farmers including women. The project intends to establish 400 farms over a period of three years. The PSDP liability of the project would be Rs 2.7 billion, community share of Rs 472 million and bank loans of Rs 374 million.
- **Capacity Enhancing of Dairy Products under Public Private Partnership (Rs 3.5 billion)** It is a joint venture between Planning Commission, Pakistan Army and private entrepreneurs to install a dairy factory capable of producing 30 ton whole milk powder per day and other milk products like cheese, yogurt and ice-cream which will serve as a useful entity for supplying quality dairy products to general public.

Chapter 7

Water Resources Development

Through its 9-point agenda the Government has indicated its priority seeking interalia agriculture growth, uplift of agro-economy and pro-poor interventions. The water being critical input to agriculture in arid and semi arid climate zone has been provided maximum financial resources despite economic and financial difficulties faced by Pakistan economy. The focus of investments in water sector is on:

- a. Augmentation of water resources
- b. Conservation of water
- c. Protection of infrastructure

The Government of Pakistan associates high priority to the welfare and well being of people through GDP enhancement and poverty alleviation. Water is one of the means for GDP enhancement and poverty alleviation. As such it is expected that the water availability (at farm gate) would be achieved upto 142.86 MAF at the end of this financial year. However, per capita water availability is diminishing as Pakistan's population is increasing. 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.

Sectoral Issues

The key issues facing the water sector are (a) the absence of a holistic, integrated and sustained approach, (b) sub-optimal use and low productivity of water, (c) water flows to sea due to inadequate storage capacity, (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) un-safe disposal of drainage effluent to the sea, (i) in-adequate protection of infrastructure from floods, (j) lack of private sector participation, (k) deteriorating institutional capacities of key water sector institutions, (l) increased poverty in backward irrigated areas, and (m) poor linkage among water, agriculture and rural development projects and related research.

- Main elements of the strategy to be adopted to overcome the above stated issues are:
- Enhancement of public sector investment
- Integrated water resource development,
- containment of environmental degradation,
- Conservation measures through (lining of irrigation channels, rehabilitation of irrigation system, lining of watercourses)
- Surface and sub-surface drainage,

- Protection of infrastructure from onslaught of floods.
- Institutional strengthening, capacity building and human resources development.

New **Initiatives** to be taken are:

- introduction of high efficiency irrigation system,
- construction of small & medium dams,
- In-land water Navigation,

Landmark of Medium Term Development Framework (MTDF) 2005-10

MTDF envisaged financial outlay of Rs 218 Billion, out of which Rs 187.8 Billion were earmarked for first 4 years, whereas PSDP allocations for first four years amounted to Rs 206.46 Billion which is 110% of the MTDF allocations. The actual expenditure in the first 4 years was turned out to be Rs 182.6 billion which is 89% of the PSDP allocation and 97% of the MTDF allocation.

(Rs Billion)

Years	MTDF Allocation	PSDP Allocation	Actual Expenditure
2005-06 (1 st Year)	41.8	40.0	36.9
2006-07 (2 nd Year)	50.0	53.8	47.0
2007-08 (3 rd Year)	56.0	70.9	57.7
2008-09 (4 th Year)	40.0	41.7	41.0 (expected)
Total (4 years)	187.8	206.4	182.6
*2009-10 (5 th Year)	30.5	59.92	----
Total	218.3	266.38	182.6

*Not included in the analysis.

The major landmarks of the first four years performance of MTDF are:

- Completion of Mirani dam, Balochistan.
- Completion of Sabakzai dam, Balochistan.
- Substantial completion of Raising of Mangla dam.
- Substantial completion of Satpara dam.
- Improvement of 66,755 watercourses all over Pakistan.
- Completion of National Drainage Program all over Pakistan.
- Completion of Second Flood Protection Project all over Pakistan.

- Completion of 43 new minors and remodel. of existing 49 minor canals in Balochistan.
- Completion of Left Bank Out-fall Drain (LBOD) Sindh.
- Substantial completion of Greater Thal Canal, Kachhi and Raineer canal.
- Substantial completion of RBOD-I, II and III.
- Completion of number of small dams/check dams and delay action dams in NWFP, Balochistan and Sindh.
- A sum of Rs 3.9 billion has been expended for lining of irrigation channels in Punjab, Sindh and NWFP.
- More than 13.2 billion has been expended for the improvement/remodeling of existing irrigating system.

Review of 2008-09

The program for 2008-09, the fourth year of MDTF 2005-2010, focused on the irrigation, drainage, on-farm water management, construction of small/medium dams, research/investigation and flood control sub-sectors. The maximum resources were allocated to complete the on-going projects and priority projects, water storages, drainage, canal, irrigation system improvement and water management with a view to overcome scarcity of water through augmentation, conservation measures. The overall implementation remained slow and the planned targets could not be achieved due to inadequate releases and rationalization of development budget. It is expected that the utilization during 2008-09, by the end of June 2009 would remain upto Rs 41 billion in water sector (Rs 30 billion under M/O water & Power and Rs 10 billion under water management program). The overall water availability (at farm gate) is expected to be achieved upto 17.62 Mhm (142.86 MAF) during 2008-09. Out of the total water availability during 2008-09, about 11.62 Mhm (94.23 MAF) was from surface water supplies and 6.00 Mhm (48.63 MAF) from underground water.

Under irrigation sub-sector, the overall physical progress of fast track (high priority) projects remained below the planned targets due to rationalizing of PSDP and late releases. These included: Raising of Mangla, Satpara, Gomal Zam Dams, Greater Thal canal, Kachhi canal, Raineer canal, Extension of Pat Feeder Canals, Lining of irrigation channels and improvement of irrigation infrastructure in Punjab, Sindh and NWFP. An amount of Rs 500 million, Rs 10 million and Rs 450 million were allocated (after rationalizing of PSDP) to Punjab, Sindh and NWFP respectively, for lining of irrigation channels. About Rs 10 billion, Rs 7.8 billion and Rs 2.6 billion are expected to be incurred during 2008-09 for dams, canals and improvement of irrigation system in Pakistan respectively.

Under drainage sub-sector, the progress of RBOD-I and II remained satisfactory, whereas planned targets of RBOD-III could not be achieved due to inter-provincial alignment issue between Sindh and Balochistan. It is expected that all three stages would be substantially completed by 2010. During 2008-09, a sum of Rs 5.9 billion was allocated to continue the on-going activities of the RBOD-I, II & III.

The National Program for Water-course Improvement continued in 2008-09 to achieve the revised target of 5,000 watercourses in all the four provinces. A sum of Rs 9.5 billion was allocated to achieve the planned target, however it is expected that the allocated budget

can not be fully utilized during the year 2008-09.

Under the normal/emergent flood protection program, the allocation of Rs. 1 billion is expected to be utilized to complete the priority schemes of all provinces including FATA, N.A & A.J.K. Agency-wise number of emergent flood schemes being executed are as under:

Punjab	Sindh	NWFP	Balochistan	FATA	A.J.K	N.A
4	6	9	32	13	2	5

The sector-wise physical achievements are given in table 7.1.

Table 7.1 Physical Targets and Achievements

2008-09 and 2009-10

Item	Unit	Targets 2008- 2009	Achievements 2008-2009		Target 2009-10
			Physical	%age	
<u>Irrigation</u>					
a) Water Availability (Cumulative)	Mhm	18.43	17.62	95	18.33
	MAF	149.45	142.86		148.63
b) Earthwork for dams & canals	MCM	130.3	68.20	52	32.50
c) Concrete work for dams & canal	MCM	2.64	4.35	160	2.00
d) Land Acquisition	Ha	9,000	3,930	44	3,900
e) Construction of small/medium dam	Nos.	----	5 comp. 10 under Const.	----	23
<u>Drainage & Reclamation</u>					
Surface Drains (Earthwork) (Extension, rehab. & remodelling of dra	MCM	50.00	12.00	24	8.00
<u>Flood Control Program</u>					
Under Normal Flood Program (scheme)	No	25	25	100	71
<u>OFWM Program</u>					
Watercourse Improvement	No	23,329	5,000	22	10,000

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

Mha : Million hectares

Program for 2009- 10

Water Sector has been given the highest priority in the budget allocation for 2009-10 with an allocation of Rs 59.92 billion (Rs 47.19 billion for Water and Power and Rs 12.7 billion for On-farm Water Management Program), which is 51 percent higher than the last year's revised budget allocation of Rs 31.2 billion. Maximum resources have been given to the timely completion of on-going projects, including water storages and canals. The main strategies and policies to be adopted in water sector are to achieve the planned targets reflected under MTRF (2005-10). The new initiatives started in water sector are initiation of groundwater recharge, lining of canals and construction of small & medium dams. Out of total allocation of water sector in PSDP 2009-10, the respective shares of national projects, Punjab, Sindh, NWFP and Balochistan stand at 44, 9, 20, 8.6 and 18.4 percent.

It is expected that the overall water availability will increase from 17.62 Mhm (142.86 MAF) in 2008-09 to about 18.33 Mhm (148.63 MAF) in 2009-10. This would include about 12.33 Mhm (100.00 MAF) from surface water supplies through canal withdrawals, watercourse improvement, canal lining/remodelling, irrigation system rehabilitation program, construction of small dams and small irrigation schemes, the remaining 6.00 Mhm (48.63 MAF) from underground fresh water aquifer mainly by private tubewells. The water availability will be improved through a major emphasis on water conservation measures such as remodelling/rehabilitation of existing irrigation system, lining of irrigation channels/ watercourses and completion of on-going mega projects being implemented on fast track basis.

In the drainage sub-sector and improvement of irrigation infrastructure, in line with the MTRF target, 0.24 Mha of disastrous area is planned to be reclaimed from water logging and salinity through excavation of 8 MCM of earth work for surface drains, 460 Km of concrete canal lining, more than 30 MCM earthwork (160 Km rehab. of existing channels and 279 Km of drainage channels) for irrigation infrastructure/system improvement and construction of about 2,149 major/minor structures. Under National On-Farm Water Management Program, more than 10,000 watercourses will be improved. A sum of Rs 10,000 million has been proposed for this program for the year 2009-10.

Under Normal/Emergency Flood schemes, it is planned to spend an amount of Rs 1 billion to complete about 71 small/emergent flood schemes in Pakistan. The main programs/projects to be implemented during 2009-2010 are discussed below:

Irrigation

An amount of Rs 39.7 billion (84 percent of the total M/O Water and Power allocation) has been allocated for irrigation projects (dams, canals, lining and improvement of Provincial irrigation infrastructure) during 2009-10. Under this sub-sector, three on-going dams, six canals projects (Gomal Zam, Raising of Mangla, Satpara dams, Greater Thal, Kachhi, Raineer, CRBC additional works, Extension of Pat Feeder and Khirther canals) have been protected for timely completion whereas adequate funds have also been provided for revamping/rehabilitation of irrigation system of Sindh, Punjab and NWFP, Lining of Irrigation Channels in Punjab, Sindh and NWFP. The major irrigation projects are as under:

Major On-going Projects

- **Raising of Mangla Dam.** The construction of main dam raising, land acquisition/ compensation, infrastructure development in new city and Dhanghali bridge works would continue during 2009-10. An amount of Rs 12 billion would be utilized for timely completion of these works.
- **Satpara Dam.** The dam would have a storage capacity of 0.045 MAF and would irrigate 19,920 acres of land in Skardu Valley. An amount of Rs 50 million has been proposed during 2009-10 to undertake works on irrigation system, main dams, structures, power house and spillway.
- **Gomal Zam Dam.** An amount of Rs 2 billion would be spent during 2009-10 for irrigation and drainage works, hydropower works and land acquisition of 2,000 acres.
- **Greater Thal Canal.** A sum of Rs 1 billion has been proposed for 2009-10 for 5.80 MCM of earthwork, 0.04 MCM of concrete lining, about 660 acres of land acquisition and construction of about 43 structures.
- **Kachhi Canal (Punjab Portion 300 km lined contract No. KC-I to KC-V).** An amount of Rs 4 billion has been allocated during the year 2009-10 for land acquisition of about 1,700 acres, 7.00 MCM of earthwork, 0.30 MCM of concrete work and construction of about 117 structures. Overall more than 50% work of Phase-I of the project has been completed.
- **Rainee Canal.** The total length of canal is 164 km. RC-I, II, III and IV are almost completed. Works on RC-V to RC-VII are in progress, overall more than 70% of phase-I has been completed. An amount of Rs 2.0 billion has been allocated for construction of 4 MCM of earthwork, 0.90 MCM of concrete work of main canal/distributaries.
- **Revamping/rehabilitation of Irrigation and Drainage System in Sindh.** The project costing Rs 12.9 billion includes strengthening of 8,082 km of canals/drains, silt clearance of 3,635 km of branches, stone pitching of 380 km of canal banks, repair/remodelling of 241 regulators and rehabilitation of 1,596 SCARP tubewells. During the year 2009-10 a sum of Rs 1.25 billion has been proposed to complete the on-going works.
- **Punjab Irrigation System Rehabilitation Punjab.** The project includes strengthening of 1000 km of canals/drains, earthwork of 198 MCM for silt clearance of branches, stone pitching of canal banks, repair/remodeling of 90 regulators, 50 bridges and rehabilitation/remodeling of 17,500 modules. An amount of Rs 1 billion has been allocated for this program for the year 2009-10.
- **Lining of Irrigation Channels in Punjab, Sindh and NWFP.** Lining of irrigation channels in saline zones are being undertaken in three Provinces to save the seepage and other losses. A sum of Rs 2.2 billion has been proposed to this program for lining of about 460 Km of irrigation channels during the next fiscal year 2009-10.

- **Extension of Pat Feeder Canal.** A sum of Rs 1 billion has been recommended for this project during 2009-10 for remodeling and remaining extension works.
- **Lower Indus Right Bank Irrigation & Drainage Project (RBOD-I).** The project has been revised at a cost of Rs 14.7 billion. The main components of the project include extension/widening of RBOD-I, rehabilitation of Miro Khan and Rehabilitation of Shahdad Kot. An amount of Rs 1.500 billion has been proposed to complete the on going works.
- **Right Bank Outfall Drain from Sehwan to Sea (RBOD-II).** The revised project costing Rs 29 billion has been approved. It includes construction of 273 km of drains for disposal of 3,525 cusecs of drainage effluent into sea. The project has been delayed due to in-adequate funding. About 80% of earthwork and 60% of stone/concrete work for the main drain has been completed. An amount of Rs 3.50 billion has been allocated during 2009-10 to complete the on-going contracts.
- **Balochistan Effluent Disposal into RBOD (RBOD-III).** The project is revised at a cost of Rs 6.5 billion. Overall about 70% of physical works are completed. The planned targets of the project can not be achieved due to inter-provincial alignment issue between Sindh and Balochistan. During the year 2009-10, an amount of Rs 0.80 billion has been earmarked for earthwork of 2.80 MCM, construction of 72 structures and land acquisition of about 600 acres.

Conservation and Efficient Use of Water

The OFWM program aims at reducing conveyance losses and field losses by improving watercourses, precision land levelling and organization of water user associations and establishing demonstration plots. In addition, water storage tanks are to be constructed and lifting devices installed on streams so as to provide irrigation water to barani agricultural land. The watercourse improvement would be accelerated to save water, minimize water loss and alleviate poverty. A sum of Rs 10 billion has been proposed to meet the target of improvement of 10,000 watercourses under the National On-Farm Water Management program costing Rs 66.40 billion (Federal share Rs 50.65 billion).

A sum of Rs 1.5 billion has been proposed for implementation of High Efficiency Irrigation System i.e. uses of drip and sprinkler irrigation system (will enhance water conservation and farm irrigation efficiency from 60 to 80 percent). The program envisages converting 200,000 acres into model irrigation system at a cost of Rs. 18 billion.

Flood Protection Program

Under this program emergent type of flood schemes are being implemented in all provinces including FATA, AJK and N.A. An amount of Rs 1 billion has been allocated for the completion of 4 schemes (on-going/new) in Punjab, 6 schemes (on-going/new) in Sindh, 9 schemes (on-going/new) in NWFP and 32 schemes (on-going/new) in Balochistan, 13 schemes (on-going/new) in FATA, 2 schemes (on-going/new) in A.J.k and 2 schemes (on-going/new) in N.A during the year 2009-10.

Survey, Investigation and Research

Survey, Investigation and Research is a continuing program being carried out by WAPDA. During 2009-2010, the work will continue on a number of important schemes such as Research Studies on Drainage, land reclamation, water management & use of drainage water, Detailed engineering design & feasibility studies for small dams (Hingol, Naulong, Akhori, Naigaj dams), feasibility study for construction of new small dams in Balochistan & NWFP, Land & water Monitoring of Indus Plains, Establishment of Micro seismic Network in Northern areas of Pakistan and Master Planning study for integrated development for Chitral, Swat and Kabul rivers. A sum of Rs 110 million has been proposed for this program during 2009-10.

Chapter 8

Energy Security

Overview

Pakistan is suffering from an acute energy crisis since 2006 which is caused by insufficient energy generation, increasing demand, and inefficient use of energy resources. Capacity additions will take at least 5 years to start coming online. Pakistan has high energy resource base with limited exploitation. It is essential to tap its vast potential to produce hydro electricity (hydel) and thermal energy from domestic resources. The hydel potential of the Indus River System is about 54,000 MW while coal resources are estimated at 185 billion tons (175 billion tons is Thar Coal Resources). In oil equivalent the coal resource represents about 400 billion barrels, more than the combined oil reserves of Saudi Arabia and Iran together. The energy demand is projected to reach 129 million tones of oil equivalent (MTOE) in the next 15 years.

Pakistan's energy mix is highly dependent on oil and gas which together provide 79 percent of the country's primary energy supplies. Of the total 63 million tons of oil equivalent energy used annually, 31 percent is from oil (of which 82 percent is imported) and 48 percent from gas, 11 percent from hydroelectricity, 9 percent from coal and 1 percent from nuclear and imported energy. Assuming overall economic growth of 6-7 percent, energy demand will double in 9-10 years. Energy demand/supply position is given at Table 8.1.

**Table 8.1 Energy Demand and Supply Situation
2008 to 2030**

Energy Supply, Demand and Energy gap (MTOE: millions of tons of oil equivalent energy)						
	2008	2010	2015	2020	2025	2030
Supply	62.9	76.2	98.7	127.1	168.2	220.4
Demand	63.5	79.4	120.2	177.3	255.4	361.3
Gap	(0.6)	(3.21)	(21.5)	(50.2)	(82.2)	(140.9)

During the last few years, world oil prices have quadrupled (US\$ 28/barrel in 2003 and US\$ 137/barrel in May 2008). The poor economy does not allow the import of fossil fuels, particularly oil, on a large scale. Moreover, too much reliance on imported oil is critical from energy security point of view. A large fraction of the population lives in remote areas and is still waiting to be connected to the national electricity grid. To help these remote communities in particular, and to overcome energy shortages in general, Pakistan needs to develop its indigenous energy resources like hydropower, solar and wind. Energy efficiency is identified as least-cost short to medium term development solution.

Review of 2008-09

Power

Financial

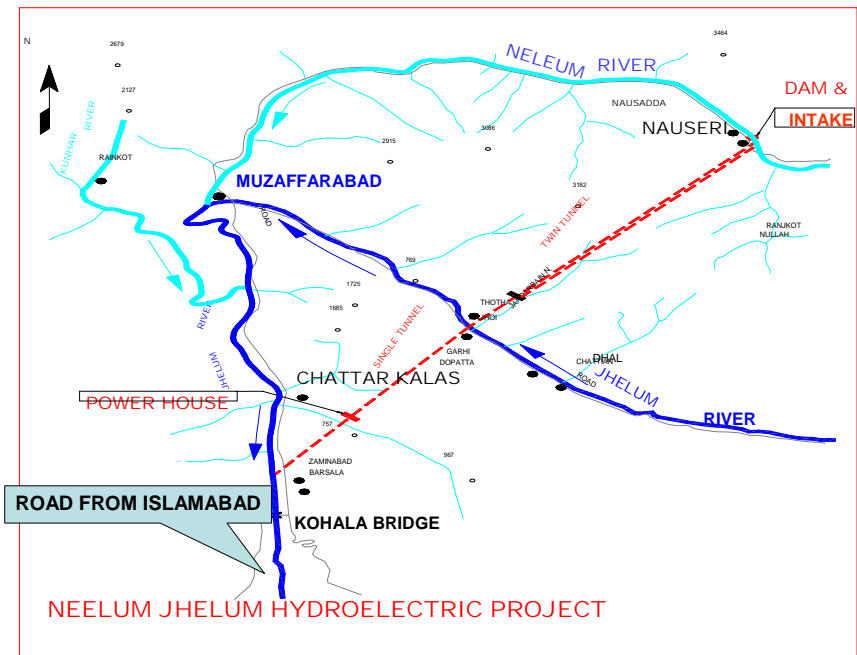
For the year 2008-09, an allocation of Rs 76.7 billion (including foreign aid of Rs 16.3 billion) was made for the power sector, including budgetary allocations for corporations. Against the above allocations, the revised estimates are Rs 103.3 billion (including foreign aid of Rs 41.1 billion) or increase of 25% above the allocation.

Power Generation

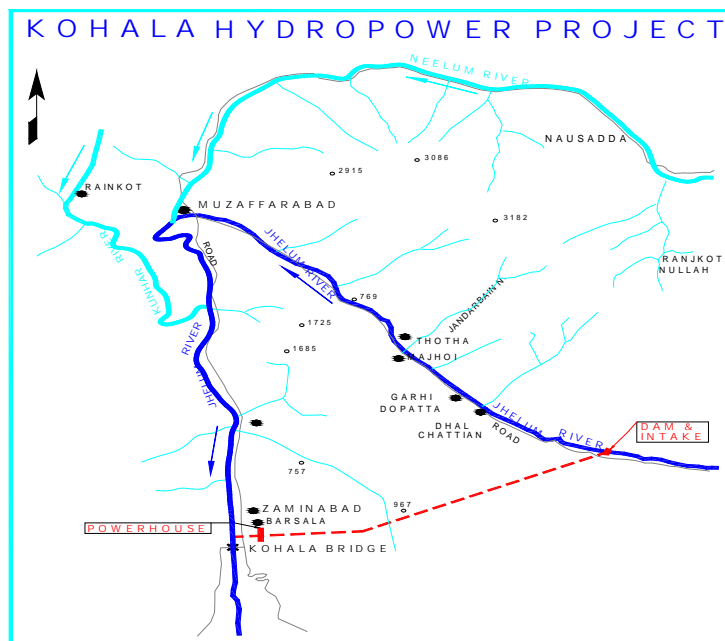
During 2008-09, installed power generating capacity increased marginally from 19,987 MW (actual) in 2007-08 to 20,843 MW in 2008-09 (expected) through addition of 165 MW Attock Power Project, 225 MW each of Atlas Shiraz Project and Orient Thermal Combined Cycle Project and 21 MW Alternative Energy from Biomass in the WAPDA/PEPCO system whereas, 220 MW Korangi Thermal Power Station in KESC system. However, the peak demand (WAPDA+KESC) of the national grid system increased from 19,281 MW in 2007-08 to 19,793 MW in 2008-09 however, the total energy generation is expected to decrease from 96,632 GWh in 2007-08 to 93,565 GWh in 2008-09 due to less water release from Indus River System Authority (IRSA) and annual maintenance shutdown of thermal and nuclear power station. It is also estimated that the system losses in both WAPDA and KESC would decrease from 21.2 % in the year 2007-08 to 20.7 % by the end of 2008-09.

During the year, 0.83 million new connections are estimated to be provided by WAPDA and KESC. It is also planned that WAPDA will electrify 10,000 villages/abadies during the year.

Construction of 969 MW Neelum – Jhelum hydropower project is in initial stages whereas, construction of Diemer-Basha Dam project 4,500 MW is expected to start by end of the year 2009.



MOU for construction of Kohala Hydropower Project (1,100 MW) has been signed with Chinese company M/s China Water and Electric Corporation (CWE) for implementation of project in the private sector. Mangla Dam Raising Project is expected to be completed by December 2009 to provide additional 180 MW of power.



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

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

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

Construction of second nuclear power unit of 300 MW (CHASNUPP-2) at Chashma, District Mianwali is proceeding well with 1st concrete pour on 28th December 2005 and

scheduled to be completed in 2011. Feasibility study for installation of two nuclear power projects at Karachi (KANUPP-2 & 3) has also been completed.

A total of 2000-2500 MW of thermal power projects at Chichoki Mallian, Nandipur, Guddu, Dadu and Faisalabad are under various stages of implementation. Currently, four rental power projects with total capacity of 781 MW are being processed as follows:

- Karley Rental Project at Karachi, 249 MW by November 2009.
- Walters Rental Project at Korangi, Karachi, 230 MW by November 2009.
- Gulf Rental Project at Eminabad, Gujranwala, 81 MW by December 2009.
- Independent Power Rental at Faisalabad, 221 MW by December 2009.

In addition, two more projects based on imported coal of 1,200 MW each (AES and Mitsui) located near Karachi are also under consideration by PPIB.

In addition, to the ongoing secondary transmission and grid program, construction of several new 500 kV & 220 kV primary transmission lines and grid stations has also been initiated. The feasibility study for import of 1,000 MW of power from Iran is in the final stages of its completion. The power imported from Iran will be interconnected with the national grid which is at a distance of about 70 kms from Pak-Iran border. Further, four projects for construction of 132 kv Grid stations at different places of Gwadar have also been approved. To cater the growing demand of power in the country, increase the efficiency of system network and reduce power congestion in the power system, a project for construction of transmission lines and grid stations, extension of feeder lines and installation of capacitors has also been approved for eight DISCOs except TESCO. ADB has agreed to finance 80% of the total cost of the project.

A number of proposals from international and local investors for establishment of multi-fuel power projects at various locations of the country were received by the Private Power & Infrastructure Board (PPIB). PPIB is currently processing forty seven (47) power projects based on Oil, Coal, Gas and Hydel with a cumulative capacity of 12,500 MW. These projects are expected to be commissioned during 2009 to 2016. Twelve IPPs with cumulative capacity of 2,533 MW have achieved Financial Close. It is expected that 2,734 MW capacity from thirteen projects will be available to the national grid by June 2010. Out of this 454 MW is expected to be commissioned upto June 2009 and 2,280 MW from July 2009 to June 2010.

AEDB has electrified Over 4,500 houses in 100 remote; off-grid villages provided electricity through Renewable Energy applications under the "Rural Electrification Program" in all the four provinces. These households have been provided electricity and drinking water, resulting in socio-economic uplift of the villagers. It is expected that additional 5,000 homes will be electrified in the year 2009-10.

PEPCO load management system has been consistently working to control the load growth. Clocks were advanced by one hour from April 15 to cope with the power deficit. The addition of an hour to the current time (GMT+6) would help conserve 250-300 megawatts of electricity on average daily.

Fuel

An allocation of Rs 1.8 billion was made for Fuel Sector during 2008-09 excluding non-budgetary corporations program. Against the above allocation, the revised estimate is

Rs 1.7 billion, showing 95% utilization. Agency wise allocation and utilization is given in Table 8.2.

Table 8.2 Fuel: Allocation and Utilization of Agencies

(Rs Million)

2008-09			
S.No.	Name of Agency	Allocation 2008-09	Revised Estimate 2008-09
1	PAEC	1210.2	1210.2
2	HDIP	79.8	44.9
3	GSP	15.9	14.1
4	DG (PC)	313.4	313.4
5	DG (Mineral)	123.0	86.4
6	Development Wing (MPNR)	63.9	55.9
Total		1806.3	1725.0

During 2008-09, crude oil production was 67,000 barrels per day (BPD) against the target of 72,000 BPD showing an achievement of 93%, while gas production was 4,000 MMCFD against the target of 4,100 MMCFD showing an achievement of 98%. Indigenous coal production remains at 3.5 million tones against the target of 4.5 million. The Liquefied Petroleum Gas (LPG) supply was 1,670 tones per day against the target of 1,730 tones per day. A total of 90 wells are expected to be drilled against target of 100 wells. Pakistan has become the largest user of the CNG in the World having 1,950 operational CNG stations with more than 1.6 million CNG vehicles.

Fuel Policies

The Petroleum Policy 2009 has been approved to accelerate the exploration and production activities by encouraging the foreign investment. Further, in view price fluctuation in international oil market and to reduce dependence on imported fuel the policy for blending 10% ethanol (E-10) with premium motor gasoline has been introduced and work on formulation of National Coal Policy has already been initiated to attract international investment of load power generation project especially for early exploitation of Thar coal resources.

Natural Gas Transmission and Distribution

The two Gas utility companies (SNGPL & SSGCL) have laid 422 Km Gas Transmission net-work, 3,705 Km Distribution and 4,627 Km Services lines. Further, 336,687 additional gas connections including 330,085 domestic, 5,773 Commercial and 829 to General Industries were provided.

Coal Development

Thar Coal and Energy Board (TCEB) has been established as one window facility for Thar Coal Development. An agreement has been signed with Chinese Company M/s. China National Chemical Engineering Group Corporation (CNCEC) to conduct feasibility study on a coal block in Sonda Jherruck coalfields for integrated mining project of 1 million ton and commissioning 250 MW coal based power plant.

The feasibility study for determining techno-economic viability of Thar coal for gasification and extraction of chemicals is being implemented by the Ministry of Petroleum and Natural Resources through the international consultants M/s Lurgi-Sasol, South African firm. The Laboratory test has shown positive results and further detailed studies are underway and expected to be completed in the current financial year. As a result of government endeavors, about 80% of cement industry has switched over to indigenous coal from furnace oil that has saved considerable foreign exchange being spent on the import of furnace oil. The conversion of cement industry to coal has generated a demand for 2.5-3 million tons coal per annum.

Mid Stream and Down Stream Oil Sector

A license was issued to Bosicor Oil Pakistan Limited (BOPL) for setting up an Oil Refinery of 115,000 barrels/day capacity at Hub, Balochistan, which will bring an investment of US\$ 337 million in next two years. A License was also issued to three oil marketing companies for developing a joint storage facility of 16,750 M. tons for petroleum products. This project, which is estimated at the cost of Rs 600 million, will be completed in 2 years time. Another license for a new oil terminal of 120,000 tons capacity has been issued to M/s. Attock Petroleum Limited. The project cost is estimated at Rs 800 million.

CNG and LPG Sector

488 licenses were granted for operation of CNG stations. Besides this, 24 licenses were also granted for construction/establishment of CNG stations in Balochistan. There are about 2718 established CNG Stations in the country and approximately 1.9 million vehicles are using CNG. Pakistan is now the largest CNG using country in which an investment of Rs 70 billion has been made, creating some 100,000 jobs.

The policy of de-dieselization is also being actively pursued. In its first phase the diesel operated intra-city urban public transport is being phased out (which includes buses, mini-buses and wagons) in Karachi, Hyderabad, Lahore, Faisalabad, Peshawar, Quetta and Islamabad/Rawalpindi. This program will have a major impact on air quality of urban areas and will improve health standards as well.

Gas Import Projects

During 2008-09, Inter State Gas System (Pvt) (ISGS) continued to remain engaged in negotiations with both Iran and India on the Iran-Pakistan-India (IPI) Gas Pipeline and Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas Pipeline Projects for the development of Strategic Underground Gas Storage (SUGS) Projects were also actively persuade.

IPI Project

The Government approved the IPI Gas Pipeline Project endorsing to enter into GSPA with Iran for import of 750 MMcfd with provision to import additional 250 MMcfd, if available, at the gas price offered by Iran. Work on the IPI Project has, therefore, been started. The project shall take four (4) years to complete, to provide first gas flow in 2013.

Program for 2009-10**Power**

An allocation of Rs 154.7 billion (including Foreign aid of Rs 19.3 billion) has been made for the power sector during 2009-10, including budgetary corporations as given in the Table 8.3.

Table 8.3 Power: Investment Program for 2009-10

(Rs million)

S. No	Name of Agency	Investment for Financial Year 2009-10	
		Total	Foreign Aid
1	Water and Power Development Authority	139306.88	14885.0
2	Pakistan Atomic Energy Commission	14943.41	4430.0
3	Pakistan Nuclear Regulatory Authority	447.44	0
	Total	154697.73	19315.0

The installed power generation capacity is expected to increase from 20,843 MW in 2008-09 to 24,701 MW in 2009-10 with an addition of 3,858 MW (Annexure-I). This includes 1,381 MW of rental plants, 1,949 MW of IPPs, 478 MW of hydropower and 50 MW of wind power from Biomass to be added in the WAPDA/ PEPCO system. The target set for the total electricity generation is 107,116 GWh in 2009-10 with an increase of 12.65% over the energy generated in 2008-09.

In addition to already operating 300 MW Chashma Nuclear Power Plant (C-1) since 2001 and under construction unit C-2 of same capacity. To further add nuclear power the capacity of 640 MW is also being finalized. Furthermore, 1,000 MW unit at Karachi has already been conceptually cleared.

The detailed engineering and design of Diamer-Basha Dam project has been completed and preparation of tender documents is in progress. Tenders for construction of the dam are expected to be floated in the national / international newspapers by mid of year 2009, whereas construction of dam is expected to be started by the end of year 2009. In addition, acquisition of land for construction of dam is in progress and re-settlement of the affected people would be made in the next three years.

To overcome the power shortages and reduce the extent of load shedding, a total of 1,500 MW thermal power projects at Dadu, Guddu and Faisalabad have also been envisaged during 2008-09 with average capacity of 500 MW each.

Four hydropower projects of Northern Areas, include Naltar-III (16 MW) and Naltar-V (14 MW), Shagarthang (26 MW) and Thack Chillas (04 MW) have recently been approved in 2008-09. It was decided that Naltar-III Hydropower Project (16 MW) would be executed by Heavy Mechanical Complex (HMC) on turnkey basis as a model project to develop expertise of indigenous manufacturing and implementing hydropower projects in the country. While the other Naltar-V project would be executed through ICB on turn key basis.

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

During the year, 1.1 million new electric connections would be provided by WAPDA and KESC besides, electrification of 15,000 new villages/ abadies under the People Works Program (formerly called Khushal Pakistan Program). In addition, 5,000 homes will be provided lighting in the remote locations during next year with the use of solar and micro wind turbines under the program of AEDB.

Fuel

An allocation of Rs 4.0 billion has been made during 2009-10 for the Fuel Sector, excluding the non-budgetary corporations as given in below Table 8.4.

Table 8.4 Fuel: Agency Allocation 2009-10

(Rs Million)

2009-10		
S.No.	Name of Agency	Proposed Allocation 2009-10
1	PAEC	2498.921
2	HDIP	194.446
3	GSP	88.449
4	DG (PC)	88.00
5	DG (Mineral)	1034.324
6	Development Wing (MPNR)	97.374
	Total	4001.514

Oil and Gas

During 2009-10, the crude oil production is planned to be 70,000 BPD against estimated production of 67,000 BPD in 2008-09. The gas production is planned to be 4,100 MMCFD against the estimated production of 3,960 MMCFD in 2008-09. The coal production target are fixed as 4.5 million tons.

Transmission and Distribution of Gas

During 2009-10, Gas will be supplied to approximately 341,123 new consumers and to more than 360 new towns/villages. Gas utility companies have planned to invest Rs 6.4 billion on other project bringing the total investment of Rs 31.8 billion for the said period.

Liquefied Natural Gas (LNG)

M/s Sui Southern Gas Company Limited (SSGC) has been mandated to launch "Pakistan Mashal LNG Project" in the following two phases

Phase I	3.5 Million Tones per annum	500 MMCFD	2011
Phase II	3.5 Million Tones per annum	500 MMCFD	2013-14

At present, SSGC is in process of finalizing project developer.

In addition to the Pakistan Mashal LNG Project, M/s Pakistan GasPort Limited (PGPL), a private company, is also pursuing their LNG import project at their own cost and risk without any off take commitment from the government. M/s PGPL has signed an Implementation Agreement with Port Qasim Authority for establishment of an offshore LNG Import Terminal at Port Qasim, Karachi having a capacity of 3 million tones/annum (400 MMCFD gas).

Bio-fuel

In view of wide fluctuations in the oil prices there is a global trend to reduce reliance on imported oil and develop appropriate substitutes which can be used in combination with oil. Anhydrous Ethanol (Ethanol with less than 1% water) is one such product which can be blended with gasoline in varying proportions. Most gasoline vehicle engines operate well with mixtures of 10% Ethanol E-10. The E-10 blend fuel would be introduced and marketed on trial basis in PSO stations in Islamabad/Rawalpindi.

Mid Stream and Down Stream Oil Sector

The following activities are planned to be undertaken during 2009-10:

- M/s. Indus Refinery Limited intends to setup oil refinery at Port Qasim (Karachi), with an estimated cost of US\$ 750 million.
- M/s. Bosicor oil Pakistan Ltd (BOPL) intends to setup Single Buoy Mooring System off shore oil loading / unloading facility near HUB coastal line, at an estimated cost of US\$ 30 million.
- M/s. Hascombe Private Limited intends setting up 6,500 M. tons oil storage at Shikarpur at an estimated cost of Rs 350 million.

Import of Gas

The following project-wise major activities are planned in 2009-10 regarding import of gas.

IPI Project

The following actions have been taken;

- Completion of Feasibility Study, Social and Environmental Impact Assessment, Detailed Route Survey and Front End Engineering Design
- Establishment of Land Acquisition Office and start Land Acquisition in the public sector under the Land Acquisition Act of 1894
- Procurement of Long Lead Items including line pipe, valves and compressors
- Appointment of Financial Advisor.
- Finalizing and Execution of secondary agreements, including the Gas transportation agreement and back to back sale agreements with the SSGC and SNGPL
- Based upon the Feasibility and FEED, developing procurement strategy.
- Getting regulatory approvals and licenses.

Coal Sectors Program

Under a technical assistance program, the World Bank will provide an amount to Rs 2.4 billion (US\$ 30 million) to the Government of Sindh (GoS) and the Ministry of Water and Power for implementation of the project. The project envisages hiring services of consultants (international and local), for conducting the following activities:

- Studies ranging from assessment of coal resources, to preparation of master plan for development of coal resources and updating of bankable feasibility report of Block-I,
- Policy, legal, regulatory and safeguard advice, and
- Transaction Advisory Services for the on-going joint venture proposed in Thar Block-II and in future for international competitive bidding in Thar Block-I.

The project scope also includes capacity building of Mines & Mineral Development Department (M&MD) and Thar Coal and Energy Board (TCEB) has also been envisaged under the scope of the project.

**Power Sector: Physical Achievements and Targets
2007-08, 2008-09 and 2009-10**

Items	2007-08	2008-09	2009-10
	Actual	Estimates	Targets
Additional Installed Capacity (MW)*	301	856	3858
Total Installed Capacity (MW)	19987	20843	24701
Growth Rate (%)	1.8	4.1	15.8
Maximum Demand (MW)	19281	19793	21278
Growth Rate (%)	9.2	2.5	6.8
Energy Generation (GWh)	96632	93565	107116
Growth Rate (%)	-6.2	-3.2	12.65
Energy Sales (GWh)	76108	74220	85453
Growth Rate (%)	-0.9	-2.5	13.1
System Losses (%)	21.23	20.67	20.22
Consumers Cumulative (Million)	19.91	20.69	21.8
Consumers Added (Million)	0.97	0.83	1.11
Electrification of Villages/Abadies (Nos.)	131753	141360	155399
Addition (Nos.)	11948	9639	14042

* 2007-08

WAPDA/ PEPCO

Rental Plant at Bhikki = 136 MW
 Malakand-III = 81 MW
 Multan Steam = 65 MW
 Sepcol (IPP) = 19 MW

Total = 301 MW

* 2008-09

WAPDA/ PEPCO

Attock Power Project = 165 MW
 Atlas Shirazi Project = 225 MW
 Orient Thermal C.C.(Balloki) = 225 MW
 Sub-total (WAPDA/ PEPCO) = 615 MW

KESC

Korangi Thermal Power = 220 MW

AEDB

Alternative Energy from Biomas = 21 MW

Grand Total = 856 MW

*2009-10

An addition of 3,858 MW would be made available in the system (WAPDA+KESC).

**Chapter
9****Manufacturing and Minerals****9.1 Manufacturing****Review of 2008-09**

Manufacturing is the third largest sector of the economy accounting for the 19% of the GDP. It was targeted to grow by 6.1% with large scale manufacturing growing by 5.5% in 2008-09. The growth in manufacturing sector during 2008-09 was adversely affected by many factors including energy crises, high international commodity prices and internal security conditions through out the year. As a result, the large scale manufacturing sector registered a negative growth of 7.7 percent in the first nine months of 2008-09. It appears that energy shortage had a broad-based impact on manufacturing activities. It was more pronounced on metal sub-sector which faced a steep increase in international steel prices. Activities in textiles and chemicals (especially caustic soda) industries were also affected by frequent energy disruption as well as rising input cost. Textile sector in particular, was hit by other multiple shocks since it is an export driven sector. Impact of weak external demand fell disproportionately on this sector. Poor law and order situation diverted importers of Pakistani products to search for new suppliers. Similarly rising cost of raw materials, as well as imported inputs which go into textile production process and a high degree of volatility in domestic currency value created problems of costing and pricing. This state of affair is also indirectly driven by international oil prices, rupee depreciation and most importantly, weak external demand on the back of global recession and slowdown in domestic demand.

The production of large scale manufacturing industries (LSMI) declined by 7.7% during July-March 2008-09 as compared to the same period last year. Main items showing growth included wood products (43.0%), fertilizer (21.5%), glass sheets & plates (13.2%), cement (4.7%), chemicals (3.8%), leather products (2.9%), paper & paper board (0.8%) and engineering products (0.7%). Major items showing decline in production included automobiles (-39%), electronics (-3.3%), food & beverages (-10.5%), petroleum products (-9.2%) and iron & steel products (-5.6%) etc.

Public Sector Development Program 2008-09

Industry Sector: An expenditure of Rs 1.9 billion has been incurred during 2008-09 in the industry sector against an allocation of Rs 2.5 billion. The major projects initiated during the year include Clean Drinking Water for all, Gujranwala Business Centre Gujranwala, Sports industries Development Centre Sialkot, Gujranwala Tools, Dies and Moulds Centre, 2MGD Water Desalination Project Gwadar Balochistan, Ceramic Complex Gujranwala, Product Development Centre for Composite Based Sports Goods Sialkot, Development Projects of Pakistan Gem and Jewellery Development Co., Development of Marble and Granite Sector, Expansion of Network of USC.

Textile Sector: In Textile Sector Rs 308 million were invested during 2008-09, out of which Rs 170 million have been utilized. The major projects initiated include Lahore Garment City Project, Punjab, Faisalabad Garment City Project, Punjab, Providing and Laying Dedicated 48 inch Diameter mild Steel Water main for Textile City Karachi,

Export Development Plan implementation Unit, Up-gradation of EDF Funded Textile Institutes, Holding of Conferences and Seminars.

Commerce Sector: An expenditure of Rs 123 million has been made in 2008-09 against an allocation of Rs 241 million in the commerce sector and a number of projects including Adoption of Social Accountability (SA-8000) Islamabad, Creation of Domestic Commerce Wing in Ministry of Commerce Islamabad, Creation of Planning and Monitoring Wing in Ministry of Commerce Islamabad, Construction of Building for Pakistan School of Fashion Design at Johar Town, Lahore, Trade and Transport Facilitation Project, Capacity Building of National Tariff Commission for implementation of Trade Defense Laws Islamabad JICA-Japan/EU/China, Restructuring Foreign Trade Institute of Pakistan, Islamabad and Furnishing and Purchase of Equipment for School of Fashion Design.

Policies, Strategies and Measures

In manufacturing sector the policy focus is on the entire value chain, the provision of facilities for public testing laboratories and public R&D, vocational and technical training, standards, infrastructure and communications.

The strategies to achieve the policy objective will revolve around diversification of industries, setting up of Industrial Zones, Corridors, Clusters and Estates, facilitate strategic alliances, technology transfers, provide speed incentives for the development of SMEs, restructure knowledge and technology base, develop industry academia linkages, encourage engineering consultancy/design, set up certification and testing facilities, develop transport and communication infrastructure, give priority for legal & regulatory framework, reduce cost of doing business, attract investment and encourage private sector R&D.

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

Growth and Investment Targets for 2009-10

Large scale manufacturing sector is targeted to grow by 1% while small scale manufacturing sector is expected to grow about by 7%. In 2009-10, it is expected that the main growing industries would be, Cotton Yarn, Paints and Varnish, LCVs, Phosphatic Fertilizer, Motor Tyres and Tubes, Electronic Meters, tractors, pig iron and cigarettes etc. An allocation of Rs 2.5 billion has been earmarked for industry sector. Major projects include: Agro Food Processing Facilities, Multan, (Rs 237 million), Gujranwala Business Centre, Gujranwala (Rs 99 million), Sport Industries Development Centre, Sialkot (Rs 273 million), Establishment of Eight (8) Advanced CAD/CAM Training Centres (Rs 321 million), Gujranwala Tool, Dies and Moulds Centre (GTDMC) (Rs 878 million), SUP INSTALL COMM & OP of 2MGD water desalination plant Gwadar Industrial Rs 379 million), Ceramics Dev. & Training Centre Gujranwala (Rs 314 million), Foundry Service Centre, Lahore (Rs 150 million), Product Development Centre for composite based sports goods Sialkot (Rs 380 million), Development project of Pakistan Gem and Jewellery Dev Company (Rs 1.4 billion), Development of Marble and Granite sector (Rs 1.9 billion), Expansion of Network of USC (Rs 1.7 billion), Sialkot Business and Commerce Centre (SBCC) (Rs 172 million), Revival of Hyderabad Leather Footwear Centre Hyderabad, Sindh (Rs 35 million), Women Business Development Centre Karachi (Rs 34 million), Policy and Project Implementation, Monitoring and Evaluation Unit (PPIMEU) (Rs 26 million), Energy

Efficiency for Textile Sector in Pakistan (Rs 40 million), Construction of Boundary wall site office for Gwadar EPZ (Rs 11 million), Red Chilies processing centre unnari, Sind (Rs 212 million).

An amount of Rs 485 million is allocated for Commerce Sector. Major projects of commerce sector include: Project "Adoption of Social Accountability-8000 (SA-8000) (Rs 1.2 billion), Creation of Domestic Commerce Wing in the Ministry of Commerce Islamabad (Rs 57 million), Creation of Planning and Monitoring Wing in the Ministry of Commerce (Rs 39 million), Construction of Building for Pakistan School of Fashion Design at Johar Town, Lahore (Rs 822 million), Facilitation Unit (TTFU) in MOC. (Rs 360 million), Purchase of Equipment, Furnishing, Curriculum Development and Training of Pakistan School of Fashion Design, Lahore (Rs 756 million), Restructuring of Foreign Trade Institute of Pakistan Islamabad (Rs 130 million), Expo Centre, Lahore and Joint Venture of Govt. of Pakistan and Govt. of Punjab (Rs 4.4 billion).

Rs 612 million are allocated for the Textile Sector's projects which include: Lahore Garment City Company (Rs 497.4 million), Faisalabad Garments City Company (Rs 499 million), 38 dia meter Water pipeline for Pakistan Textile City Limited Karachi (Rs 636.6 billion), Export Development Plan Implementation Unit (Rs 40 million), Up-gradation of EDF funded textile Institutes (Rs 38 million), Garments Technology Training Centre Karachi (Rs 185 million) and holding of Seminar/Conferences (Rs 3 million).

9.2 Minerals

Review of 2008-09

Mineral potential of Pakistan recognized to be excellent but the sector is inadequately developed. This is evident from the fact that its contribution to GNP remained 0.5% to 1%, unchanged over the last many decades. Although concerted efforts have been made in developing geological products, the sector is not growing to its potential. Many factors including resources, institutional, academic and R&D infrastructure are affecting its growth. As a result of government efforts to develop mineral sector, several minerals have been discovered over the last many decades, including WORLD CLASS RESOURCES of lignite coal deposits at Thar; Sindh, porphyry copper gold in Chagai and lead-zinc deposits in Lasbella, Balochistan have been discovered and/or are being evaluated and developed. The work of the development of many other mineral projects is in various stages of implementation from grass root through exploration, evaluation to development and utilization stages.

MTDF 2005-10 gives emphasis to geological mapping, capacity building of institutions, setting up of geological database centers, technology up-gradation and BIM to mining units and facilitation for the development of small scale mining operations. The policies, programs, strategies as contained in MTDF 2005-10 were followed during the year 2008-09 as is evident from the performance of GSP who carried out regional geological mapping over an area of 5,800 Kms, initiated nine economic geologic projects, undertook geophysical, ground water and paleontological studies etc. The mineral production has recorded a mixed trend in the production of limestone 34.7(MT), Coal 3.5 (MT), Marble 1.0 (MT) and Silica Sand 0.35 (MT) during the year 2008-09.

Constraints and strategic action taken during 2008-09 are briefly outlined as under:

- Uncertainties in the law and order situations in certain mineral potential areas that are being addressed through political process.

- Insufficient detailed surveying and geological/geophysical mapping (only 41% of the country's area is geologically mapped to a scale of 1:50,000 while geophysical surveys (gravity and magnetic) have coverage, at 44% of the total area (aero magnetic surveys 13% and other geophysical surveys 21%). This activity has now been accelerated by setting up Remote Sensing Centers in GSP.
- Lack of vision in taking advantages of advancement in geological knowledge, exploration techniques, mining and processing technologies and changing commodity prices. This situation is being addressed by fully utilizing the available physical (institutions and R&D centers) and human infrastructure (trained and highly qualified geo-scientists, technologists and academia).
- Inadequate skill levels in the industry, with little opportunity for training, skill development or career progression because of outdated administrative structures. Training and capacity building of personnel in the federal and provincial mineral departments are major programs. Value addition of gems and other precious stones is receiving special attention by setting up gems and gemological institutes for training of cutting and polishing of gemstone to worker in Peshawar, NWFP as Pakistan has enormous wealth of dimension stones such as marble, granite, onyx and these are being exploited in a scientific manner for their proper processing for export. Further proposals are being designed to set up school of mines at Quetta; Balochistan, Peshawar; NWFP and Sindh provinces to produce middle line supervisors.
- The private sector has shown little interest in moving up the value addition chain, and has relied on low cost in some cases primitive methods of extraction. This situation is being addressed by setting up mine equipment shops in coal mining areas and concentration plants for the up-gradation of low grade chromite ores. The health and safety of miners remains an area of concern, which is being tackled through better education and training to mine workers in Mine Rescue Centers already set up in all the provinces.

Prospects for 2009-10

Pakistan is blessed with rich and diversified mineral potential. Considering that mineral sector development is inadequate, the government has given priority to the development of this sector. The development of the mining industry has been recognized 'Priority Sector' in various Five years Plans. Adequate institutional, human, R&D and other relevant infrastructure have been developed but remained underutilized. National Mineral Policy announced in 1995 is adequate but requires improvements with a view to making it more investment friendly.

A mega project near Saindak Project of Balochistan namely Reko Dik Copper-gold project is likely to be launched by world largest copper and gold producing company with an investment of US\$ 1.0 billion by 2010 to produce 0.3 million tons of copper annually, thus bringing Pakistan for the first time on the major copper producing country of the world map by using indigenous physical and human capabilities. This is subject to entering into viable agreement between the mining company, Govt of Pakistan and Govt of Balochistan. The Duddar lead-zinc deposits in Balochistan are being developed and have come into production to produce 100,000 tons of zinc concentrates and 33,000 tons of lead concentrates for export. Similarly, development of Thar Coal field in Sindh containing 175 billion tons, one of the largest good quality

lignite deposits in the world, on completion would be used for power generation and gasification. All the non-glamorous minerals, having immense socio-economic benefits would be fully utilized such as abundantly available gypsum deposits would be utilized for producing gypsum plaster to partially replace cement in housing sector, reclamation of saline-sodic soils and treatment of low quality tube wells water through the application of gypsum would bring spectacular and durable socio-economic impacts in rural areas, generate gainful employment, improve crop yield and in turn prosperity and political stability. Phosphate rocks of NWFP evaluated by spending colossal amount of money and tireless efforts by international organizations and national institutions would be exploited to set up phosphatic fertilizer industries, Dimension stones, precious and semi precious stones industries and other mineral based industries would be developed to meet the ever increasing demand of various sector of economy.

Mineral sector is expected to grow by 2% in 2009-10. An allocation of Rs 580 million has been earmarked for minerals sector. Major projects to be carried out during 2009-10 include:

- Ground Follow-up of Aeromagnetic Anomalies in Chagai District, Balochistan (2004-10).
- Accelerated Geological Mapping and Geochemical Exploration of the out-crop area of Pakistan (2005-10)
- Up-gradation/Strengthening of Geosciences Advance Research Laboratories, Geological Survey of Pakistan (2005-10)

**Chapter
10****TRANSPORT AND COMMUNICATIONS****Review of 2008-09**

The PSDP for 2008-09 provided an outlay of Rs 51.5 billion for the federal public sector program comprising Rs 15.1 billion for the budgetary program and Rs 36.4 billion for the budgetary corporation program (NHA). Against this, an expenditure of Rs 51.4 billion has been incurred giving an overall utilization of around 99.8 per cent of the total outlay. An expenditure of Rs 13.6 billion has been incurred under the budgetary program and Rs 37.8 billion under the budgetary corporation program (NHA). Salient features of implementation of the program are given below:

Pakistan Railways

The entire allocation of Rs 6.6 billion made for Pakistan Railways has been incurred. The main thrust was at the improvement of infrastructure and procurement of essential material for locomotives, coaches, bogie wagons and track rehabilitation of the railway network. Work on track rehabilitation, doubling of track from Lodhran to Khanewal and from Khanewal to Raiwind, procurement/ manufacture of 144 Diesel Electric (DE) locomotives, 550 passenger coaches, procurement/ manufacture of 2130 high capacity wagons, replacement of old signaling gear from Lodhran Khanewal and strengthening and rehabilitation of 159 weak bridges continued with further acceleration. To develop indigenization a pilot project for manufacture of 5 DE locos initiated. Work on conversion of meter gauge into broad gauge on Mirpur Khas to Khokhropar section, feasibility studies for laying new tracks on Havelian to Khunjrab, High speed Track between Rawalpindi and Lahore completed and work on Shahdara–Faisalabad and Shahdara – Lalamusa sections continued. Basic objective of the projects is enhancement in quality of public service, boost in freight & passenger business and to run the Railways on commercial lines keeping in view the national interest.

Damages to the Railways infrastructure in Karachi & Sukkur Divisions were caused due to the tragic demise of ex-Prime Minister Motharma Benazir Bhutto on 27th December 2007. To redress these losses a project for rehabilitation/ replacement of damaged assets including track, coaches, signaling system, railway stations and allied facilities was taken up to bring back the original operational efficiency of Pakistan Railways. During the year an expenditure of Rs 1.1 billion was incurred.

Ports and Shipping

An allocation of Rs 338.7 million was made in the Ports and Shipping sub-sector, against which an expenditure of Rs 1,6 billion has been incurred giving a utilization of around 500 per cent. Major utilization was made for completion of additional dredging of the navigation channel of the Gwadar Deep Sea Port Project to deepen its draught to 14.5 meters. The dredging has since been completed. President of Pakistan inaugurated the Gwadar Port on 20th March 2007. Port of Singapore Authority has been entrusted the Port operations. Land acquisition process continued for east bay expressway road project alongwith work on Civic centre at Gwadar.

National Highways

An allocation of Rs 36.4 billion was made in the National Highways sub-sector, against which an expenditure of Rs 37.8 billion has been incurred giving a utilization of around 104 per cent. Work on Gwadar–Peleri -Gabd and Pleri – Jiwani sections of Makran Coastal highway, Lyari Expressway, Islamabad-Muzaffarabad Road, Mansehra-Naran-Jalkhad Road, Jhalkhad – Chilas Road, Nutal–Sibi–Dhadar sections of N-65, Ratodero-Shahdadt-Khuzdar road, Basima-Nag-Panjgur-Hoshab Road (M-8) and improvement of N-70 Qilla Saifullah-Loralai-Bewatta Section reached to advanced stage of completion. Work continued on rehabilitation of National Highway (N-5), Lowari Tunnel, Chenab bridge at Shershah, five bridges on Gilgit–Skardu road, Indus Highway Phase-III, widening of Kararo – Wad Section (N-25), construction / improvement of existing sub-regional roads under NWFP Road Development Sector project and National Highway Development program. Work on Islamabad–Peshawar Motorway (M-1) was completed. Work on new projects for additional carriageway of Indus (Sehwan – Khairpur Nathan Shah – Ratodero Section 200 km), CRBC Crossing – Sara-e-Gambila (N-5, 70 km), acquisition of land for Faisalabad-Khanewal Expressway (184 km), Hassanabdal - Havelian and mobilization of contractors for construction, widening and improvement of KKH (Mansehra – Sazin Section, 258 km) was initiated. Main objective of the rehabilitation, widening and construction of national highways has been to enhance countrywide mobility, accessibility, safety in travel and productivity, reduction in travel time and costs thereby boosting of trade and economic activities.

National Transport Research Center

An allocation of Rs 4.5 million was made for National Transport Research Center (NTRC), against which an expenditure of Rs 3.3 million could be incurred giving a utilization of 73 percent. Work on the project for Pakistan Transport Plan Study completed and National Transport Policy accelerated. Work on research and on-going studies/projects continued.

National Highways and Motorways Police

An allocation of Rs 100.2 million was made for the National Highways and Motorway Police (NH&MP) against which an expenditure of Rs 90.2 million was incurred for Acquisition of Land for Establishment of Police Posts and Offices of NH&MP along N-5, Establishment of Training center at Sheikhpura and construction of NH and MP complex at Rahimyar Khan. The NH and MP is playing a very important role in maintaining discipline and safety on the national highways and motorways. Their contribution has drastically reduced the number of road accidents and other mishaps on the national highways.

Finance Division

An allocation of Rs 4.0 billion was made for construction/improvement of provincial and district roads in all the provinces. These roads have been identified under the President / P.M directives. An expenditure of Rs 2.1 billion stands incurred on these schemes giving a utilization of 50 percent.

Maritime Security Agency (MSA)

The entire allocation of Rs 38.9 million was incurred on continuation of work on construction of MSA Headquarters Building at Karachi.

Airport Security Force (ASF)

An allocation of Rs 23.1 million was made for the Airport Security Force (ASF) against which an expenditure of Rs 36.2 million was incurred for to complete the balance ongoing works for construction of barrack accommodations at Islamabad, Lahore, Peshawar, Karachi, Gwadar, Quetta, Pasni, and Jaccobabd airports. Works on shifting of barracks at NIIA and Peshawar due to expansion of airport and water connection to ASF camp at Karachi would also be undertaken.

Karachi Shipyard & Engineering Works (KSEW)

An allocation of Rs 1.4 billion was made for the Karachi Shipyard and Engineering Works (KSEW) against which an expenditure of Rs 1 billion was incurred for Installation of Ship Lift and Transfer System and Associated Machinery and Equipment to provide docking and repair facilities to Surface Ships, Submarines and Commercial Vessels of upto 4,000 Tonnage at the KSEW, establishment of Project Management Cell for Development of Ship Building Industries in Pakistan and civil works for up-gradation of Karachi Shipyard & Engineering Works Ltd (KS&EW).

Ministry of Environment

The Project for procurement of 5,000 new CNG dedicated buses for Karachi and other mega cities (Hyderabad, Lahore, Faisalabad, Rawalpindi/ Islamabad, Gujranwala, Multan, Peshawar, Quetta and Sukkur) on Private – Public partnership basis was approved by ECNEC in October 2007. The preparatory works like setting up of a Project Implementation and Management Unit (PIMU) in Karachi City for effective coordination and operation of CNG bus project were initiated. As per the Cabinet Decision taken on 16th July, 2008 the CNG Bus Project was transferred from Planning and Development Division to M/o Environment for effective implementation. The allocated amount of Rs 500 million were also transferred to M/o Environment.

Planning and Development Division

An allocation of Rs 498.2 million was made for two projects i.e. National Trade Corridor Management Unit (NTCMU) and National Trade Corridor Strategy (Infrastructure Development). An expenditure of Rs 223 million was incurred during the year. The National Trade Corridor (NTC) initiative started in August 2005 and by now marked progress has been achieved. For instance, free time at ports has been reduced from seven days to five days already, increasing port capacity by 50 percent increase through procedural improvements, without spending a single rupee. It has been planned to further reduce this time to 3 days. Similarly, clearance time at new container terminals has been reduced to 4 hours, whereas it used to be 5-7 days previously. The intensity and nature of present and future competition envisages to enhancing Pakistan's share of world trade to grow from the current 0.2 percent to 1.0 percent in 2030, and this corridor initiative would act as catalyst to enhance the trade.

Programs for 2009-10

A comprehensive and integrated transport policy will be developed during 2009-10. The Transport development program 2009-10 would be based on a broad strategy that will include establishment of a multi-modal transport system; an emphasis on asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system; enhanced private sector participation in sector development and institutional capacity building, with research and development and use of modern technology, procedures and processes to increase sector efficiency. The strategy also

takes into account the regional and domestic dimensions, particularly in relation to rail, road and ports and shipping sub-sectors, enhancing regional connectivity to improve links to the Central Asian States, Iran, Afghanistan and India.

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

It is planned to revitalize the Railway by transforming it into a commercially oriented entity, while retaining the railway network in public ownership. Development of port infrastructure and rationalization of port charges is envisaged to cater to trans-shipment through the landlord port concept with enhanced private sector participation. Likewise rationalization of airport charges and the development of airports through the private sector are also planned.

An allocation of Rs 81.7 billion has been made for the development program of the Transport and Communications Sector. This includes Rs 36.0 billion for the budgetary program and Rs 45.7 billion for the budgetary corporations program (NHA). Salient features of the program are outlined as under:

Pakistan Railways

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

An allocation of Rs 12.68 billion has been made for 2009-10. Works on track rehabilitation of Pakistan Railway network, procurement of 69 DE locos, procurement/manufacture of 625 passenger coaches, procurement of 2300 bogie high capacity wagons, rehabilitation of 450 passenger coaches, doubling of track on Lodhran - Raiwind sections, recover the damages to the Railways assets during riots in December 2007, strengthening/ rehabilitation of 159 weak bridges, and other on-going projects would continue. Work on Karachi Circular Railway (KCR), 202 Railway Coaches, Establishment of Inland Container Terminal (ICT) Dry Port near Shershah Railway Station, Construction of new "D" Class Railway station at New Multan City, renovation/ improvement of Kundian Khas, Usmanwala and Kanganpur Railway Stations, renovation/ repair of Lansdowne Bridge on Rohri – Jacobabad Section near Sukkur, feasibility of 10 damaged bridges on Sibi – Khost Section etc. would be started.

Ports and Shipping

A Ports master plan study, defining the roles of Karachi Port, Port Qasim and the Gwadar Port would be prepared. The Business Plans of the three ports would be completed. A project monitoring unit which has been established within the Ministry of Ports and Shipping will undertake a study to identify the existing bottlenecks in efficient operation of ports and recommend phase-wise improvements required at the ports.

Outsourcing of container and other terminals at the ports is also planned. Land acquisition process for free zone at Gwadar will also be initiated.

An allocation of Rs 828.8 million has been made to complete the balance works on the Gwadar Deep Sea Port including deepening of channel, continue works on for construction of Eastbay expressway to link Gwadar with National Road Network and Gwadar Port Civic Centre. Work on maintenance dredging of Gwadar Port and repair of Navigational Aids of Gwadar Port would be initiated.

National Highway Authority (NHA)

An allocation of Rs 45.7 billion has been made for the national highways program. Main thrust of the program is aimed at the acceleration of work on the rehabilitation and dualization of National Highway (N-5) on different sections, left over work on Islamabad-Peshawar Motorway (M-1), Makran Coastal Road, Layari Expressway, Islamabad-Muzaffarabad Road (N-75), Mansehra Naran-Jalkhad and Jhalkhad – Chilas Road, Nutal–Sibi-Dhadar Section (N-65), Ratodero- Shahdadkot-Khuzdar Road, Qilla Saifullah-Loralai-Bewata Section of (N-70) and Bridge on River Jhelum at Azad Pattan. Work on Lowari Tunnel, Gwadar Ratodero Road (Khuzdar-Khori, Ratodero-Quba Saeed Khan & Gwadar- Turbat), Hoshab-Panjgur-Nag-Baseema-Surab (450 Km long section) and the remaining portion of the Indus Highway (N-55) (Sehwan-Dadu, Dadu-Larkana, Rajanpur-D.G.Khan and Malana Junction-Sarai Gambila Sections) reached to an advanced stage. In addition, work would continue on Construction of Bridge over River Indus at Larkana and Land acquisition for Peshawar Northern Bypass. Also work will be initiated on the improvement of N-65 from Jaccobabad Bypass to Shikarpur, Quetta-Kalat-Chaman road, the National Highway Development Sector program and NWFP Road Sector program and Rehabilitation/ Improvement/ Widening of KKH (Raikot – Khunjrab section, 335 km) and designing work on east west road improvement project (34 km Gajj – Bewatta section of N-70) under JBIC Soft loan. Land would be acquired for Expressway from Faisalabad to Khanewal (E-4) as well as its construction has been planned, also land for Khanewal to Lodhran, land for Hassanabdal – Mansehra Expressway (E-35) is also planned to be acquired during the financial year. Projects on Lodhran - Khanewal section of N-5, Peshawar Northern bypass and Rawalpindi By-pass projects would be undertaken on BOT basis. The projects will increase the total kilometrage of national highway network and contribute towards smooth and safe flow of vehicular traffic on the national highways network. Work on Lakhi-Noudero, Hyderabad – Mirpurkhas - Khokhropar and Gharo-Keti Bunder road will also be started.

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

National Transport Research Center (NTRC)

An allocation of Rs 4 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)

National Highway and Motorway Police is an effective organization working towards ensuring safety and smooth mobility on the national highways and motorways. An allocation of Rs 101 million has been made for continuation of work on construction of NH&MP Complex at Rahim Yar Khan, acquisition of land for establishment of Police Posts and Offices along National Highway (N-5) and establishment of NH&MP Training Centre at Sheikhopura.

Planning and Development Division

An allocation of Rs 695.2 million has been made for continuation of works under the National Trade Corridor Management Unit (NTCMU). Work on NTC Business Strategy Study through hiring international consultants and to develop institutional capacity of Transport & Communications Section has to be initiated.

Finance Division

An allocation of Rs 16.5 billion has been made for construction/improvement of 71 provincial and district roads in all the provinces. These roads have been identified under the President/ P.M directives.

Maritime Security Agency (MSA)

An allocation of Rs 59.6 million has been made for continuation of work on construction of MSA Headquarters Building at Karachi.

Airport Security Force (ASF)

An allocation of Rs 28 million has been made to complete the balance ongoing works for construction of barrack accommodations at Islamabad, Lahore, Peshawar, Karachi, Gwadar, Quetta, Pasni, and Jaccobabd airports.

Civil Aviation Authority (CAA)

An allocation of Rs 1000 million has been made to start work on New Gwadar International Airport (NGIA) and Sialkot International Airport.

Karachi Shipyard & Engineering Works (KSEW)

An allocation of Rs 1960 million has been made for continuation of on-going works. Installation of Ship Lift and Transfer System, to provide docking and repair facilities to Surface Ships, Submarines and Commercial Vessels of upto 4,000 Tonnage at the KSEW and Civil Works for Up-gradation of KSEW. The project for setting up of a Project Management Cell for development of Ship Building industries in Pakistan would be initiated.

Ministry of Postal Services

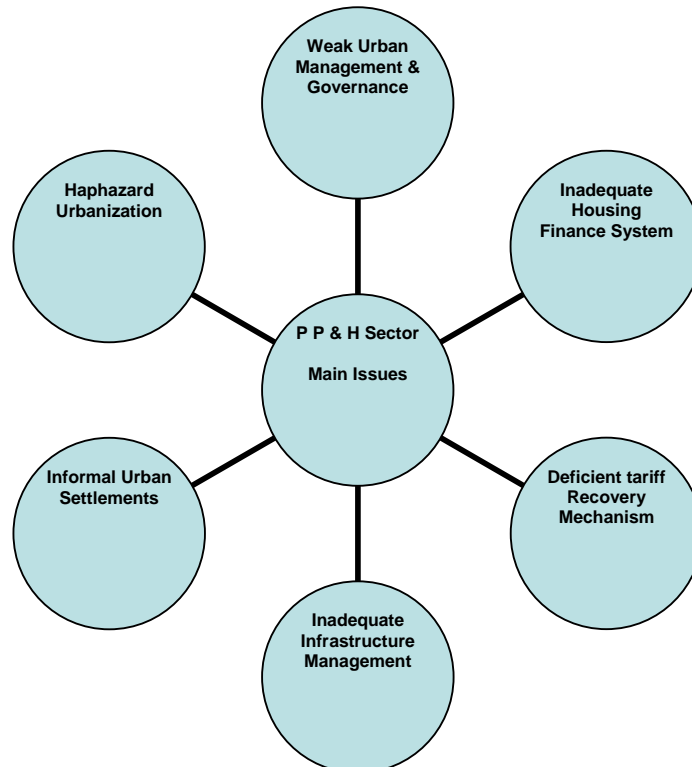
An allocation of Rs 300 million has been made for three projects of new Ministry of Postal Services. Work on the new projects would be started which includes renovation and reconstruction of Post Offices and Postal Operations and Residential Buildings, transport for Mail/ Cash Conveyance/ Visits/ Inspections and Counter Automation at Pakistan Post.

Chapter 11

Physical Planning and Housing

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

- Weak Urban Management and Governance
- Inadequate housing finance system, specially for the low and middle income groups;
- Haphazard urbanization with;
- Informal urban settlements i.e. Katchi Abadis/Slums;
- Inadequate infrastructure management / Deteriorating water supply and sanitation systems; and
- deficient recovery of user charges



To achieve a tangible progress in PP&H sector, the issues, which are being persuaded in the current fiscal year 2008-09, are:

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

Urban Development

Currently, over one-third of the country's population about 56 million people live in urban areas. By 2030, Pakistan will become predominantly urban with challenge of managing additional 70-80 million more city dwellers. Mega cities like Karachi and Lahore will operate under a new set of economic dynamics, as both are ranked low according to City Development Index. This will demand a holistic approach to address the issues of increasing rural non-farm employment, rural-urban complementarities, and the needs to develop balanced hierarchies of settlements. Various measures to improve urban development are presented in Box 7.1

Box 7.1 Measures to Improve Urban Development

- 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 the area.
- Develop sustainable devolved institutional mechanism up to small town's level through close community participation to carry out planned activities effectively.
- Undertake 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.
- Encourage Private sector investment through public-private partnerships and innovative modes of development with incentives.
- Minimize 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.

Water Supply and Sanitation

Currently, only 69% of the total population has access to safe drinking water (87% urban and 58% rural). The sanitation facilities are available to 46% of total population (66% urban and 33% rural). The main water supply issues relate to diminishing resources due to population growth, contamination of water bodies, extensive system losses due to weak operation & maintenance and poor sanitary conditions with unhygienic disposal of waste water and solid wastes.

Housing for All

Currently, about 300,000 housing units are being constructed against an annual demand of 650,000 units, with the backlog of 6.5 million houses. A much larger effort for construction of shelter will be required if the housing backlog is to be reduced. The Government will support the launching of mass housing program with increased supply of institutional resources and long term affordable rate financing options; increasing the availability of developed land and more small size plots for low income groups; undertake high rise development to utilize land more effectively; improve construction technology including standardization of components for mass production; regularizing notified Katchi Abadis and restraining the emergence of new slums; increase community participation in housing and service delivery; and enact an effective legal and regulatory framework to facilitate development of housing. The Vision 2030 aims for provision of shelter to all, with access to essential amenities in a clean and secure setting. The housing policies and programmers would satisfy basic needs of the poor, provide shelter through a participatory process focusing on pro-poor growth, social development, good governance and protection of vulnerable groups. Construction of low-income housing will be a priority, by addressing issues of inadequate supply of developed land, poor land administration, inadequate legal and regulatory systems, and limited housing finance for the poor.

Land Banks would be established at federal/ provincial levels to allocate lands for various housing projects/ new towns with focus on low-income housing. All suitable federal and provincial state lands would be transferred to the proposed Land Banks. Housing is also a local community affair where end users are both the contributors and stakeholders for all types of housing activities. Accordingly, the role of the local government would be important in enabling, promoting and facilitating the provision of housing to all segments of the population within their respective jurisdictions.

Review of 2008-09

During the financial year 2008-09, an amount of Rs 12 billion was allocated to different Ministries/Divisions to implement PP&H Programs. Due to financial crunch limited release of funds has been made. It is estimated that by the end of fiscal year 2008-09 about Rs 4 billion will be spent on the Physical Planning & Housing Sector programs.

The coverage of planned water supply has increased from 68% to 69% and sanitation facilities extended from 44% to 46% of total population

Due to financial crunch the provision of housing and development of residential plots remained slow. The Provincial Governments developed around 100,000 residential plots in public housing schemes throughout Pakistan, whereas in private sector there was insignificant delivery of new plots. The progress on Katchi Abadis regularization and up-gradation could not been achieved more than 50% of the target. Prime Minister's Housing for Low Income Groups has been initiated in provincial capitals

including Rawalpindi & Islamabad. The Workers Welfare Fund undertook five projects for construction of flats for workers near industrial estates at provincial capitals.

To cater for acute shortage of government office buildings especially in Islamabad, the Ministries /Departments/Agencies continued construction of respective office buildings.

Main / Programs	Achievements During 2008-09
Housing for All	Due to financial crunch only 50% of the targets were achieved, during the plan period.
Water Supply & Sanitation (Population Coverage) i) Urban Water Supply ii) Urban Sanitation iii) Rural Water Supply iv) Rural Sanitation	Due to financial crunch only 50% of the targets were achieved, during the plan period. <div style="text-align: right;"> 87% 66% 58% 33% </div>
Katchi Abadis / Slum Improvement (Population Coverage)	Due to financial crunch only 50% of the targets were achieved. About 0.15 million additional population's environmental condition has been improved in Katchi Abadis / Slumsthrough out the country.

Programs for 2009-10

The following activities will be undertaken during 2009-10.

- Emphasis will be given on implementation of Prime Minister's one million housing for low income groups along with one million housing units on ownership basis.
- At Federal level, through PSDP a large number of official accommodation projects pertaining to Civil Armed Forces (CAF)/Police/Judiciary, and essential government offices, urban development, housing accommodation, and water supply and sewerage will be undertaken.
- The Federal Government under matching grants between federal and provincial governments will continue to provide support for bulk water supply & sewerage projects in Karachi, Hyderabad, Mirpurkhas, Nawabshah, Sukkur, Quetta, Faisalabad, Okara, Peshawar, Malakand, Muzaffergrah, Muzaffarabad and other cities including coastal areas, urban areas uplifts projects in Ziarat, Loralai, Kohlu and Gwader.
- The PSDP would continue financing water supply & sewerage schemes in ICT and construction of functional buildings/ structures and residential accommodations. The CDA will be focusing on development of roads / highways / overhead bridges / pedestrian bridges and continue development of residential sectors and to provide plots for construction of houses to reduce acute shelter problem in the federal capital.
- Federal government will continue and expedite to provide houses to federal government employees on ownership basis on their retirement.
- For efficient delivery of water supply & sewerage services in urban areas efforts will be made to complete the on-going schemes and to recover the full O&M costs; to initiate a phased program of rehabilitating the old water supply and sewerage network; to reduce the water losses; and to integrate the planning and development of new water and sewerage projects.
- To expedite improvement of katchi abadis /slums, the district governments will be activated to ensure participation of end-users in identifying problems and in setting their own proprieties, district governments and urban development of respective areas/ cities.

Urban Development

During 2009-10, draft National Spatial Strategy will be finalized within the framework of Vision 2030 to safeguard the areas of national interest and provide guidelines aimed at maximizing efficiency of human settlements. The current urban centers, which are already congested and polluted, would not be able to absorb the envisaged enhanced economic activities and trade. Accordingly, as part of the National Spatial Strategy, it is envisaged to diversify the growth of population and urbanization through out the country.

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

other typical environmental hazards in large cities. Characteristics of the cities as engine of growth are presented in Box 7.2.

A National Trade Corridor (NTC) improvement program has already been launched and in progress. The Corridor will be linked with establishment of new cities; logistic centers (for retail and wholesale trade); special economic zones, industrial and technology parks; and cold chain/food processing centers. During 2009-10, the planning of new cities will commence in conjunction with economic activities along the motorways and expressways. A program of upgrading of infrastructure within the existing urban centers and existing intercity networks will also be undertaken.

Box 7.2 Cities as Engine of Growth

Cities are increasingly becoming engines of growth, centers of economic activity, knowledge.

It is planned to develop cities as hubs of trade and commerce with higher levels and intensities of infrastructure and connectivity to the outer world compared to the present.

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

Urban Governance

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

Municipal finance has emerged as a core issues in the functioning of cities, which require an increasing proportion of monetary, material and human resources to fulfill civic aspirations. During 2009-10, new approaches would be explored to facilitate the financing of major infrastructure in large cities including financing in part by profits generated by property development. An entrepreneurial approach, with involvement of the private sector, will be adopted on a citywide basis to promote metropolitan cities to potential investors. Accessing the capital markets through municipal or other bond issues, with or without government guarantee, would also need to be considered. This would be complemented by price reforms to meet the cost of efficient service provision, manage demand and generate cash to catalyze new investments.

Water Supply and Sanitation

The development of urban water supply would be based on meeting rapidly increasing demand for household and industrial water, increasing investments in new water

delivery systems, upgrading and managing the existing systems more efficiently, ensuring provision of potable water to poor households, recycling of water, where feasible, and enhancing cost recovery. The sanitation improvement options would cover wastewater management and disposal of human wastes through cost efficient and affordable means, including improvement in the management of septic tanks.

Housing for All

The need of housing, particularly their low-income residents, will be catered for through implementing the legal and regulatory reforms for better operation of housing markets. As part of the transition to an enabling role for governments in District Management Committees, the private sector, Non-Government Organizations, community groups, and low-income householders will play an increasing role in the provision and maintenance of their own housing. Public housing institutions like; National Housing Authority, Pakistan Housing Authority, Federal Government Employees Housing Foundation, and the House Building Finance Corporation are in great need of restructuring and should expand their links with NGOs and Community Based Organizations in providing low-income shelter.

Land supply, especially for housing, has a critical role in supporting quality of life in urban areas. An initiative on urban land management will be commenced to improve the efficiency of urban land markets, through appropriate and affordable land use, building standards and regulations; improving procedures for land transfers (including cadastral mapping, titling, and registration); measures to stop land being held vacant for speculative purposes; and improving information to the public on land market indicators.

Private Sector Involvement

To improve the economic efficiency of the country's large cities, a joint public – private approach is required to improving serviced land supply, improving transport and communication links, ensuring reliability of energy and water supplies, delivering satisfactory waste management and drainage, improving the quality of labor markets, and improving information systems on land, finance and other elements of the mega city economy. Priority will be to make market entry easier for the small business through better security of tenure, access to land, credit, and affordable planning and building standards. New approaches would be required for financing major infrastructure in large cities including financing in part by profits generated by property development. The Federal Government has set up an Infrastructure Project Development Facility (IPDF), which among others will facilitate the Public-Private-Partnerships in municipal infrastructure. Under the PPP regime, the introduction of market-based principles and private sector expertise to the urban sector can bring a variety of benefits, particularly in larger cities.

During 2009-10, the federal and provincial governments will launch the following initiatives.

- Market-based approaches, to allow existing agencies to deliver better and self-financing services. In other cases, the private sector may bid to operate a service, either on a contractual or an ownership basis.
- Training and familiarization for local government officials to their new responsibilities as a party to the contract. The contract will bind the private operator to provide services in which payment will be made on the basis of progress, while the government would retain overall regulatory authority. A

national statutory framework would be developed as a starting point for contract negotiations and must cover factors such as minimum quality standards and environmental parameters.

- Regulatory framework at local level to address the quality, price, and required reliability of the service; the investment program; maintenance of assets; and rights of access in the public domain. The skills of Risk Assessment to create an environment conducive to attracting the private sector, and Forging Agreements with private service providers, also need to be developed.

The major PP&H sectoral programs to be implemented during 2009-10, are highlighted below:

Sub-Sector	PP&H Targets 2009-10
•	Prime Minister's One Million Housing Programme for low income groups (Poor & low paid government employees)
•	Development of Residential Plots To facilitate development of 2,50,00 small each size residential plots in "site & Services Schemes" in urban and rural areas, for construction of houses by the allottees.
•	Water Supply / Sanitation / Sewerage i) <i>Urban Water Supply</i> Increase population coverage from present 87 per cent to 89 percent. ii) <i>Urban Sewerage & Sanitary Drains</i> Increase population coverage from present 66 per cent to 68 percent. iii) <i>Rural Water Supply</i> Increase population coverage from present 58 per cent to 60 percent. iv) <i>Rural Sanitation</i> Increase population coverage from present 33 per cent to 35 percent.
•	Katchi Abadis Slums Up-gradation Improvement of environmental conditions of additional 0.250 million population in Katchi Abadis / Slums.
•	Government Employees Housing Provision of addition 2000 houses and flats from Government Employees in Islamabad & Provincial Capitals.
•	Government Offices & Buildings Construction of 0.20 million square feet covered area for federal / provincial government agencies & Civil Armed Forces.
•	Housing for Industrial Workers Construction of 1000 small size plots and houses / flats, by the Workers Welfare Fund.
•	Houses for Overseas Pakistanis Implementation of on-going schemes in major cities by the Overseas Pakistanis Foundation

Chapter 12

Mass Media, Culture Sports, Tourism and Youth

12.1 Mass Media

The mass media sector in Pakistan has made quantum leaps during the last few years. The numbers of satellite TV channels as well as FM radio stations have increased manifold. Electronic media and print media in the country is primarily a private sector activity with a part of electronic media owned, operated and financed by the Government of Pakistan. Funds are provided to the three major sub-sectors of Electronic Media i.e. Pakistan Television Corporation (PTVC), Pakistan Broadcasting Corporation (PBC) and Associated Press of Pakistan Corporation (APPC). The sub-sectoral financial allocation and utilization position is given at Table 12.1

**Table 12.1 Mass Media: Financial Allocation and Utilization
(2008-09 AND 2009-10)**

Sub-sector	(Rs Million)		
	Revised Allocation 2008-09	Expected Utilization 2008-09	Allocation 2009-10
Ministry of Information and Broadcasting	19.2	19.2	42.7
Pakistan Television Corporation	102.3	102.3	384.2
Pakistan Broadcasting Corporation	195.3	195.3	479.2
Associated Press of Pakistan Corporation	89.2	89.2	10.0
Total	406.0	406.0	916.12

Review 2008-09

The revised allocation for Mass Media Sector for 2008-09 is Rs 406 million which is expected to be utilized by June 2010. TV centre Multan consumed Rs 29.2 million. Land for the TV station building has been acquired and civil works are in progress. The TV station Multan is for the time being run from a temporary building while a permanent building is under construction. The projects of rebroadcast stations at Kohat, Badin, Kharan, Bar Khan, Jura, Athmaqam, Karan, Dudhnial, Sharda, and Kel are under progress. Equipment for all these RBCs is being procured, towers works have been awarded, land has been procured and civil works are in progress. Rs 163 million have been consumed by the project 2X100 KWSW transmitters and high

frequency aerial system at Landhi, Karachi. Most of the equipment has been procured while orders have been put for some equipment. The transmitters are being installed. These two transmitters will air programs for world services from Karachi. The balancing and modernization of equipment phase-V consumed Rs 32.3 million. Under this program, old and obsolete equipment of Radio Pakistan at various radio stations is being replaced by digital equipment. The electronic news gathering project of Associated Press of Pakistan (APP) has consumed Rs 89 million. Under this project, video news service of APP from Islamabad and four provincial capitals has been launched. The equipment is being purchased for expanding the program to other bureaus of APP all over the country. The feasibility studies for Media University and National Press Club Islamabad are also under way and have consumed Rs 16 million so far.

Program 2009-10

An amount of Rs 916.12 million has been provided for ongoing and new projects of Ministry of Information and Broadcasting. Pakistan Television has been provided Rs 384.2 million for ongoing and new activities. The major allocation is for TV Station Multan, Rs 60 million, for completion of the TV station building. Rebroadcast station Mian Channu has been provided Rs 36.3 million for civil works. Rebroadcast Station Kohat, Badin, Kharan, Bar Khan, Jura, Athmaqam, Karan, Dudhnial, Sharda, and Kel have been provided funds for completion of rebroadcast station buildings. Equipment for these transmitters has been imported. Rs 60.0 million have been allocated for terrestrial digitalization of PTV transmissions. The regional TV channels of PTV Abaseen (NWFP) and Bolan (Balochistan) have been year marked Rs 40.0 and Rs 20.0 million respectively for purchase of equipment.

Pakistan Broadcasting Corporation will receive Rs 479.2 million during the year 2009-10. The major allocation of Rs 80 million is for completion of 2X100 KMMW transmitters and high frequency aerial system at Karachi. This amount will be spent on purchase of equipment. Rupees 30 million each has been allocated for 100 KMMW transmitters at Larkana, Chaman, Gwadar and Parachinar, for purchase of land and import of equipment. Establishment of Pakistan Broadcasting Academy and IT block will receive Rs 20.9 for completion of building of the academy. Rs. 100 million have been provided for establishment of FM Radio Stations in various cities. Rupees 105 million have been allocated for replacement of 3 transmitters at Muzaffarabad, Hyderabad and Multan. The amount will be spent on purchase of transmitters. The Electronic News Gathering project has been provided Rs 10 million for purchase of equipment and installation. The feasibility study for National Press Club Islamabad has been provided Rs 18 million for completion. PC-I of the Press Club will be prepared on the basis of this report. Rs 6 million have been provided for Planning and Monitoring Cell at the Ministry of Information and Broadcasting.

12.2 Culture, Sports, Tourism and Youth

The major task in the Culture sector is keeping alive centuries old monuments and archeological sites over all the country. This is an ongoing and perpetual activity because decay and destruction of all these monuments with the passage of time is a natural phenomenon. Pakistan National Council of Arts and Lok Virsa are the custodians of tangible and intangible culture and all visual and performing arts. A Task Force has been constituted which will make recommendations for better preservation and development of cultural heritage. Sports complexes at district level and small sports stadia at Tehsil/Union Council are being created for provision of sporting facilities to the youth of the country, especially in the far flung areas. During 2009-10 the sports infrastructure will be expanded further and small facilities, grounds and halls

will be provided across the country. Tourist Facilitation Centers are being created in various parts of the country. Motels, bus terminals and transport facilities are also being made available for promotion of domestic as well as regional tourism. Youth Development Centers are in progress in different parts of the country for providing vocational training and recreational facilities to Youth. Moreover computer literacy, awareness and internship programs are also continuing for giving exposure and training to fresh young graduates. The sub-sectoral financial position has been given in the Table 12.2

Table 12.2 Culture, Sports, Tourism and Youth

(Rs Million)

Sub-sector	Revised Allocation 2008-09	Expected Utilization 2008-09	Allocation 2009-10
Culture	212.8	212.8	449.993
Sports	140.0	140.0	583.20
Tourism	10.0	10.0	177.489
Youth	22.2	10.0	47.8
Total	385.0	372.8	1258.482

Culture

Review 2008-09

The revised allocation for Culture is Rs 212.8 million including technical supplementary grant of Rs 26.3 million for feasibility studies for construction of Monument of Shaheed Mohtarma Benazir Bhutto and preservation and restoration of historical monuments of Multan. The construction of Aiwan-e-Quaid at F-9 Park, Islamabad has consumed Rs 64.7 million. The project is making significant progress and civil works are going at a fast pace. The Pak-China Friendship Centre at Islamabad has utilized Rs 56 million on preliminary works before Chinese start construction of the actual building. Development and restoration of archaeological sites from Taxila to Swat (both Taxila and Peshawar section) have utilized Rs 17 million on conservation and restoration of various sites in this region. Master Plan for preservation and restoration of Shahdara Complex of Monuments and Rohtas Fort have consumed Rs 15 million on preservation works of the wall and gates of the Fort, tomb of Jehangir, Asif Khan tomb, and Akbari Masjid at Shahdara. The Master Plan for Rehabilitation and Cultural tourism at Moenjo- Daro consumed Rs 9.3 million on publicity and projection works as well as conservation works at the site. Preservation and Restoration of Hiran Minar and Tank in Sheikhpura is also making progress and has consumed Rs 10.3 million on restoration works. Similarly preservation and restoration works are continuing at Mehr Garh sites and Jandiala, Sher Khan in Sheikhpura. The projects which are expected to be completed by June 2009 are: preservation and restoration of Mir Chakar's Fort at Sibbi and reorganization of termite affected Quran Gallery of National Museum at Karachi.

Program 2009-10

The Culture sector has been allocated Rs 449.993 million for ongoing as well as new projects. The major allocation Rs 116 million is for Aiwan-e-Quaid at F-9 Park which is expected to be completed by June 2010. Pak-China Friendship Centre has been allocated Rs 55 million for provision of utilities and other logistic facilities. The Chinese are expected to start the construction of the main building this year. The Chinese component in the project is about Rs 2.1 billion. The feasibility studies for Construction of Monument of Shaheed Mohtarma Benazir Bhutto and preservation and restoration of historical monuments of Multan have been provided Rs 20 million and Rs 10.3 million respectively for completion. The restoration of archeological sites from Taxila to Swat (both sections) will receive Rs 50 million. Similarly Rohtas Fort and Shahdra Complex will also receive Rs 50 million for preservation and restoration works. Hiran Minar and Tank and Jandiala Sher Khan have been provided Rs 56 million for restoration, preservation and conservation activities. The new projects of Ministry of Culture which are expected to take off during year are: Upgradation of Lok Virsa Media Studios, and Rehabilitation of Allama Iqbal Manzil at Sialkot.

Sports

Review 2008-09

The revised allocation for Sports Sector is Rs 140 million which is expected to be utilized fully. Construction of boxing gymnasia at Islamabad, Lahore, Karachi, Peshawar and Quetta is in progress. The structure of these gymnasia has been completed up to roof level. Establishment of Sports Medicine Centre at Pakistan Sport Board, Islamabad is under construction at a fast pace and is expected to consume Rs 9.5 million by June 2009. Five projects of synthetic hockey turfs namely at Swat, Sibbi, Sheikhpura, Sukkur and Gilgit have also made significant progress except the project at Swat which could not make much progress due to the prevailing law and order situation. For the rest of the places turfs have been ordered and they will be laid as soon as received. The total utilization on these five projects stand at Rs 16 million approximately. The projects of sports stadia at Pattoki, Mianwali, Nankana Sahib, Bannu, Sehwan Sharif, Bori district Loralai, Zhob, Upper Dir and Mastung made significant progress.

Program 2009-10

For the year 2009-10 an amount of Rs 583.20 million has been allocated for the sports sector. The five boxing gymnasia at Islamabad and four provincial capitals have been provided funds for completion by June 2010. These five projects will receive about Rs 97 million. The Sports Medicine Centre has been provided funds for completion by June 2010. Construction of Sports Stadium by Bori District Loralai, Zhob and upgradation of existing Jamal Abdul Nasir Shaheed Stadium at Chaman have been provided Rs 20 million each for completion. Upgradation of football ground at Qila Saifullah and upgradation of existing Taj Lala football stadium at Pisheen have been provided Rs 21.2 million and Rs 20.8 million respectively for completion by June 2010. Construction of sports stadium at Mianwali is also expected to be completed by June 2010 and has been provided Rs 11 million. The new initiatives which will take off during 2009-10 are: Upgradation and renovation of existing Qasim Bagh Football Stadium Multan, Laying of synthetic hockey turf at Shaheed Zulfiqar Ali Bhutto Sports Complex, Mirpur Khas, Construction of players hostel, boxing hall and seating steps at Shaheed Zulfiqar Ali Bhutto Sports Complex, Upgradation of Naurez Football Ground at Mastung, Construction of multipurpose sports hall at Mastung, Repair and renovation of existing swimming pool at Pakistan Sport Complex, Islamabad, Construction of

sports facilities at Muridke district Sheikhpura and Construction of sports complex at D.I. Khan

Tourism

Review 2008-09

The revised allocation for the sector stands at Rs 10 million which will be utilized by June 2010. The major expenditure of Rs 8.4 million is on bus terminal/tourist facilitation centre at Nankana Sahib where the civil works are in full swing. The website development project of the Ministry consumed Rs 1.5 million on web hosting charges.

Program 2009-10

Rs 177.489 million have been allocated for the tourism sector in the year 2009-10. The major allocation of Rs 18.8 million is for completion of ongoing projects of tourist facilitation centers at Quetta and Peshawar. The bus terminal at Nankana Sahib has been given Rs 10 million for making progress on civil works. Rs 2.1 and Rs 1.6 million have been proposed respectively for up-gradation of tourism research studies and development of website. Rs 20.00 million each has been allocated to Tourist Facilitation Centers (TFCs) at Lahore, Karachi, Gilgit and Islamabad.

Youth

Review 2008-09

The revised allocation for Youth Sector is Rs 22.2 million. The major projects are construction of Youth Development Centres at Karachi, Sukkur, Gwadar and Gilgit where civil works are in progress at initial stages. The utilization on these projects is around Rs 10 million. Rs 8.7 million has been spent on the Youth Development Centre at Quetta which is already complete but this amount was required for furnishing, equipments and some outstanding bills. Rs 2 million have been consumed by Mobile Youth Literacy and Awareness Program which gives computer education and equipment to youth of rural areas at their door step.

Program 2009-10

The sector has been allocated Rs 47.8 million. The major allocation of Rs 35 million is for Youth Development Centres at Malir, Gwadar and Gilgit for speedy completion of civil works. The Mobile Youth Literacy Program has been provided Rs 5 million.

**Chapter
13****Education for the Knowledge Society****13.1 School and College Education**

The Medium Term Development Framework (MTDF-2005-10) lays emphasis on human resource development as the same plays pivotal role in the socio economic development of the country. Elementary education and literacy have been allocated sufficient resources to achieve the targets of Universal Primary Education (UPE) and to improve Gender Parity Index (GPI). Specific Programs “Education Sector Reforms (ESR)” and establishment of new Cadet Colleges in the country have been launched for the qualitative improvement of Education. Facilities related to computer, technical and science education are being provided under various projects. To ensure quality of education, capacity of Teachers Training Institutions is being built and teachers are being trained under five Canadian Debt Swap Projects.

Policy

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

Strategy

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

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

Review of PSDP 2008-09

Financial

During the fiscal year 2008-09, an amount of Rs 4.2 billion was provided in Federal PSDP for expansion and development of Basic and College Education.

Major Programs

Various new initiatives were taken during the year under review. Education Sector Reforms (ESR) specific programme was provided Rs 732 million which was spent on Provision of missing facilities to Primary and Middle schools, Adult Literacy Programme, Revamping of Science Education at Secondary Level and establishment of Polytechnic Institutes at districts level specially in under developed areas of Balochistan at Muslim Bagh, Khanozai for boys and at Turbat for girls and at Gilgit in Northern Areas for boys. For qualitative improvement of education at elementary level, tests of grade IV and VIII were conducted under National Education Assessment System (NEAS). Work on establishment of 13 cadet colleges remained in progress. Provision was also made for new schools/colleges in Islamabad, consolidating existing schools by providing additional classrooms, scholarships, science education facilities in secondary schools. National Education Foundation established community schools in the country at places where primary schools were not available within reachable distance. They also established skill based literacy centers. For capacity building of Teachers Training Institutions and training of teachers Rs1 billion were expended under Canadian Debt Swap Projects.

Physical Achievements

Missing facilities in 1200 primary/middle schools were provided at a cost of Rs 1.8 billion. The provision of missing facilities have been completed in 994 schools (detail given in the Table 13.1.1) where as work on 216 schools is expected to be completed by June 2009.

Table 13.1.1 Province/Area -wise provision of missing facilities in 994 schools

Sindh	NWFP	Balochistan	ICT	AJK	FANA	FATA	Total
373	259	133	81	70	40	38	994

Note: Excluding Punjab province as it had its own program

Federal Directorate of Education, Islamabad completed projects of up-gradation of 5 Primary Schools to middle level and 4 girls Middle Schools to Secondary level. Transport facilities were provided to 6 Islamabad Model Colleges and 4 F.G. schools. Administration Block, Laboratories and library were provided to Islamabad College for Girls F-6/2 and repair of Boundary wall of Girls College F-7/2 completed.

A number of scholarships were provided to needy and talented students at all levels. Under a project 200 students of Balochistan and FATA were enrolled in quality institutions and provided scholarships. Science laboratories and science equipment was provided to Secondary schools under Science Education Project. Work remained in progress on 4 polytechnic Institutes. To provide quality education 14 Cadet Colleges (detail given in the table 13.1.2 below) remained under construction:

Table 13.1.2 On-going projects of Cadet Colleges in Pakistan

Punjab	Sindh	NWFP	Balochistan	AJK	FANA
Okara, Pasroor, Choa Saidu, Mianwali and Multan	Ghotki	Swabi	Zhob, Panjgur, Jaffarabad, Kohlu and Noshki	Muzaffarabad	Chilas

During Financial year 2008-09 an amount of Rs1 billion was spent under Canadian Debt Swap projects on in-service training of 50000 teachers, provision of scholarships to 4000 student teachers, repair and maintenance of 30 Teachers Training Institutions, Provided 13 vehicles, furniture and equipment to 60 Teachers Training Institutions.

Academy of Educational Planning and Management (AEPAM) has provided training to 2000 Principals, Head Teachers, District Education Officers and educational administrators for their capacity building.

Under Basic Education Community Schools a project was implemented by NEF. The process of establishing new schools was totally changed to eliminate all possible questionable practices. NEF has established 4,032 community schools and 1,154 literacy and skill development centers with total learners' strength of 35,000 during the year.

The objectives of National Education Assessment System (NEAS) are to measure learning achievements of students at Grade-IV and VIII levels in the subjects of Languages, Mathematics, Science and Social Studies; develop capacity in education assessment related activities and institutionalize sustainable monitoring system. In 2008 NEAS has conducted tests of Grade-IV & VIII covering 1450 public schools having 25000 students and 100 private schools having 1800 students.

Proposed PSDP 2009-10

Financial

An allocation of Rs 8.6 billion has been made for the financial year 2009-10 for Basic and College Education projects. This includes Rs 8.6 billion for projects of Ministry of Education, Rs 15 million for projects of School/ College education in Cantonments & Garrisons under Ministry of Defence and Rs 5 million under Cabinet Division for Center of Excellence for Urdu informatics and production of reading material in national language.

Major Programs

A major program has been approved in principle by the CDWP, which will establish one National Technical Training Centre in each district of the country. This program will train young people with 10-12 years of education in the skills needed for the 21st century. The content and quality will be ensured through a set of "mother institutes" which will mentor the programs in these centers. National Vocational and Technical Education Commission (NAVTEC) and the provincial TEVTAs will be major partners in its implementation. The first 27 centers are expected to be launched in 2009-10, with an estimated cost of Rs 7 billion (including operational cost for five years)

An allocation of Rs 2 billion has been made for Education for All (EFA) provision of missing facilities in primary and middle schools. The ongoing work on 700 schools would get completed during the year.

The ongoing projects for establishment of 14 Cadet Colleges in the country are included in the PSDP 2009-10. Five colleges are expected to start their academic activities during the year 2010. An amount of Rs 1200 million has been allocated to accelerate the work.

An allocation of Rs 1 billion under Canadian Debt Swap has been made for capacity building of teacher training institutes and training of elementary school teachers all over the country.

Under German Debt swap Rs 100 million has been provided for improvement of Punjab School Libraries and Rs 100 million under German Debt Swap-II for education for earthquake affected areas in NWFP for rehabilitation of existing Middle and Secondary schools.

An allocation of Rs 146 million has been made for provision of scholarships. A scheme for providing quality education to the students belonging to Balochistan and FATA for studying in quality institutions of other provinces will remain under implementation. National Education Foundation is establishing community schools and skill based literacy centers in the country for which an allocation of Rs 2 billion has been made.

An allocation of Rs 286 million has been provided to establish and upgrade educational institutions in ICT. Emphasis has been laid to provide female education in school and college sector.

Physical Targets

Following targets are expected to be achieved:

- Establishment of 3000 literacy centers
- Establishment of 14 cadet colleges under President's/ Prime Minister's Directives
- Establishment and consolidation of 15 Schools and Colleges
- Establishment of 4 Polytechnic Institutes
- Enrolment of 100,000 out of schools children in skill based literacy program
- Strengthening of 120 teachers training Institutes under Canadian Debt Swap
- Training of 100,000 teachers under Canadian Debt Swap

13.2 Higher Education

The focus of higher education is the development of a knowledge-society in Pakistan. Transformation of our institutions of higher education into world class seats of learning, equipped to foster high quality education and research will produce enlightened citizens with strong moral and ethical values that build a tolerant and pluralistic society rooted in the culture of Pakistan.

Review of 2008-09

Financial

In the year 2008-09, an amount of Rs 18 billion was allocated for the Higher Education Sector, which was rationalized to Rs 16.4 billion. It is expected that 100% of allocation would be utilized by the end of current financial year.

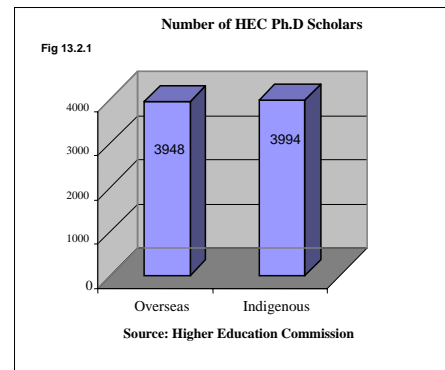
Physical Achievement

Infrastructure Development

Initiatives were taken to improve and establish new institutions and campuses of already established universities. New universities and sub-campus of the existing universities were established in remote and far-flung areas of the country. These include the Khyber Medical University Peshawar, Islamia College University Peshawar and sub campus of Shaheed Benazir Bhutto Campus of University of Malakand at Sheringal Dir (Upper) and Fatima Jinnah Women University Rawalpindi, Campus II.

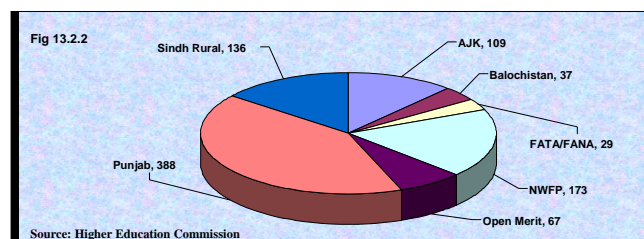
Human Resource Development

A number of HRD development programs worth Rs 70.2 billion were designed particularly focusing on emerging technologies. Under different overseas scholarship schemes, 4202 scholars have been sent abroad in countries such as USA, UK, Canada and other European countries. During the year 2008-09, a total of 500 scholars proceeded abroad for Ph.D study. 254 scholars have returned back to Pakistan after successfully completing their Ph.D. During the period 2008-09 only, a total of 930 scholarships have been granted against the Indigenous Scholarship Programs. 30 scholars have been placed at various universities under 'Placement of PhD Scholars Returning from Abroad' Program.



489 Researchers and Faculty Members were awarded with 9-12 months Post-Doctoral Fellowships to work in international well equipped research laboratories and universities. Out of these, 308 went abroad while 208 have completed their Post-Doc. During the year 2008-09, a total of 18 Post Doctoral Scholars proceeded abroad (Figure 13.2.1).

To provide opportunities to students belonging to Balochistan and FATA, a scholarship scheme was initiated under which a total of 2,000 scholarships (1300 for Bachelors and 700 for Master level) were to be offered to students from these areas. During the year 2008-09, 131 students have been awarded scholarships on merit. 938 students were awarded 5 years MBBS scholarships in Havana, Cuba during the year 2008-09 (Figure 13.2.2).

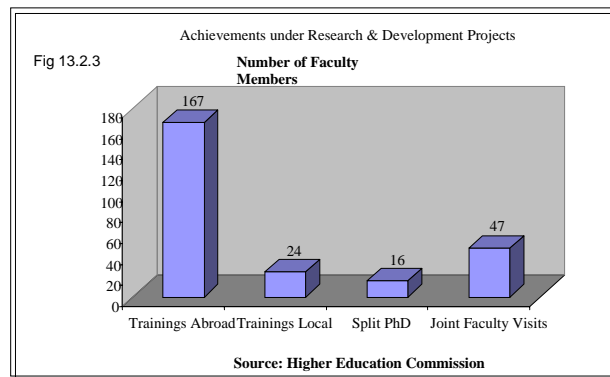


Faculty Development

Faculty Development and teachers training are aimed to empower the higher education teaching faculty with the latest learning innovation and research techniques in compliance with the global challenges and strategic competitiveness. 297 highly qualified foreign professors including 92 foreign nationals have been hired under Foreign Faculty Hiring Program (FFHP) and placed on long term assignments across the county. A total of 22 foreign professors joined Pakistani universities during 2008-09. Detail of faculty trained under various programs is presented in Figure 13.2.3.

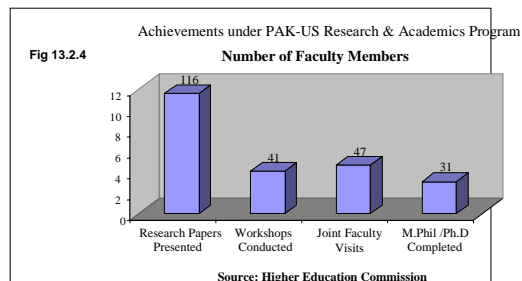
Supporting University Research

Research suggests that public policy plays an important role in shaping national innovative capacity by determining human capital investments and creating incentives for innovation. The capacity of higher education institutions has been enhanced to carry out cutting-edge research in all areas of Science and Engineering, Natural and Basic Sciences, Medical Sciences, Humanities, Social Sciences, Economics and Finance.



Research is a mandatory precondition for acquiring new knowledge and fostering better understanding, joint research programs including US Academics Programs, 31 projects were approved under the 3 PAK-US

joint research and academics programs. Achievements under



PAK-US research and academics program are presented in Figure 13.2.4.

Measures for Quality Education

Quality Assurance is the highest priority in reform strategy for higher education. Therefore, a Quality Assurance Agency was established to enhance quality and attain goals of international compatibility and competitiveness. The Agency is to establish Quality Enhancement Cells (QECs) at all public sector universities of Pakistan. To date 30 Cells have been established in the leading universities.

HEC has earned the membership of APQN and INQAAHE as a partner of internal Quality Assurance community. This reflects that Quality Assurance systems and procedures developed by the HEC are exactly in line with international standards. To discourage plagiarism, progress on this account is presented in Box 13.2.1.

Box 13.2.1 Plagiarism Detection Cases

Plagiarism Policy announced and awareness campaign carried out. Complaints regarding plagiarism resolved (total 47 cases reviewed, 30 have been settled and decision for 17 is under progress). 100 Papers received for grants checked every month. Checking of Ph.D thesis through "iThenticate" initiated.

Monitoring of Development Projects

Monitoring and evaluation system has been developed for all development projects. It also evaluates the Annual and Mid-term reports submitted by the public sector universities to ensure effective and efficient management. A critical capacity has been built in the universities, to prepare, execute and monitor development projects on scientific lines and in accordance with the overall needs of the country's higher education strategy. So far HEC has 835 projects have been approved and executed. Out of them, 360 projects have been completed and submitted Project Completion Reports (PC-IVs), the releases of 184 projects completed but activities are still ongoing, 291 projects are at different implementation stages.

Providing Information through Technology**Pakistan Education and Research Network (PERN)**

Pakistan Education and Research Network (PERN) is the only National Research & Education Network of the country. PERN aims to provide high speed internet and intranet facilities to stake holders of the academic and research sector of the country. At present, a total of Eighty Five (85) universities/institutes/campuses are connected to PERN with a distribution of internet bandwidth of over 600Mbps, whereas universities are getting bandwidth ranging from 4 Mbps to 24Mbps. Realizing the limitations of existing network and the needs of having a true end-to-end IP-based research & education network of the country (PERN2), a project has initiated to build a network which can be enabler of modern NREN's applications and services.

A new state-of-the-art advanced research and education network has been designed in which the network is based on latest technology available in this domain, i.e. Gigabit MetroEthernet, DWDM, OAMs/ADMs and SDH. The PERN2 MetroEthernet of Islamabad Rawapindi and Peshawar regions have been completed and fully operational, providing gigabit IP connectivity to 20 universities. The deployment of PERN2 network in other regions/ cities is in progress and will be completed in 2009-10.

In August 2008, Pakistan Education & Research Network has been connected to other global Research & Education Networks (RENs), viz. the Internet2 of USA, Asia-Pacific Advanced Network of continents of Asia and Australia, and GEANT2 network of National RENs of European countries. This link is a result of joint efforts of the Higher Education Commission of Pakistan and the National Science Foundation of USA.

Video Conferencing outreaching to all the public sector universities/institutes of Pakistan

A nationwide project has been initiated of empowering all the public sector universities with the most advanced video conferencing setup enabling the academic and research community virtually closer for knowledge sharing, interactivity and research collaboration. This advanced video conferencing facility has been provided to an additional twenty seven (27) universities during 2008-09, and so the number of universities/ institutes of the country having state-of-the-art video conferencing facility has now reached to sixty (60). HEC has started interactive lectures relating in various fields to universities in Pakistan. Nobel Laureates/Eminent scientists/researchers (local/foreign) are invited to deliver lectures/ share their knowledge/ research work.

Pakistan Research Repository

Pakistan Research Repository is available online at <http://eprints.hec.gov.pk> making the collective research output of Pakistan's institutes of higher education available for open access. The content of the Pakistan Research Repository has already been indexed by leading online search tools, including global eprints servers and Google Scholar.

The repository has now been populated with more than 2100 PhD theses, i.e. an addition of more than 300 theses in the repository over past one year. Higher Education Scholars Publications (HSP) is aimed towards enabling researchers and scholars of Pakistan to share their work among themselves and the global community and enable our industry, public and private sector organizations and students to benefit from these researches and take part in the development of the country. The service is available at <http://hsp.hec.gov.pk>

Campus Management Solution – Universities' Management Information System

Enterprise Resource Planning (ERP) solutions remain a top concern for higher education administrators. The university-wide management of student-related information is about to become more streamlined and flexible, with the implementation of Campus Management Information System, and so the rationale of HEC's initiative for the implementation of Campus Management Solution as a pilot project in seven (7) public sector universities. Campus Management Solutions are designed to manage the entire student lifecycle from recruiting and enrollment to career services and alumni relations.

Main achievements of higher education during 2008-09 in brief are presented in Box 13.2.2

Box 13.2.2 Major Achievements Higher Education 2008-09

- Under overseas scholarship schemes, 4202 scholars have been sent abroad in countries such as USA, UK, Canada etc. During the year 2008-09, a total of 500 scholars proceeded abroad for Ph.D study. 254 scholars have returned after successfully completing their Ph.D.
- During the period 2008-09 only, a total of 930 scholarships have been granted against the Indigenous scholarship programs. 18 Post Doctoral scholars proceeded abroad.
- 938 students were awarded 5 years MBBS scholarships in Havana, Cuba. During 2008-09, a total of 618 scholars were sent to Cuba.
- So far 10478 Faculty Members and Senior University Administrators have been trained through different Long/Short term courses. 22 foreign professors joined Pakistani universities during 2008-09. Additionally, 175 foreign professors are working on short term assignments.
- 31 projects were approved under the 03 PAK-US joint research and academics programs.
- HEC has earned the membership of APQN & INQAAHE as a partner of internal Quality Assurance community.
- So far HEC has approved and executed 835 projects. 360 projects have been completed and submitted Project Completion reports (PC-IVs).
- PERN2 MetroEthernet of Islamabad/ Rawapindi and Peshawar regions have been completed and fully operational, providing gigabit IP connectivity to 20 universities.
- Pakistan Research Repository has now been populated with more than 2100 PhD theses, i.e. an addition of more than 300 theses in the repository over past one year.
- Video conferencing facility has been provided to an additional twenty seven (27) universities during 2008-09, and so the number of universities/ institutes of the country having state-of-the-art video conferencing facility has now reached to sixty (60).
- HEC initiated training sessions for University/ Institution's technical officials for Sindh, Baluchistan, Federal Capital, AJK, NWFP and Punjab regions. Total of (69) universities' IT professionals were given extensive video conferencing technical training in these regions.
- During 2008-09, total 600 interactive video sessions were held including 35 interactive video lectures/ presentations, 03 conferences, 457 technical discussions and 78 meetings.

Prospects for 2009-10

Financial

An amount of Rs 22.5 billion has been allocated in PSDP 2009-10 for 418 projects in higher education sector which is 37% higher than the previous year's development budget. Main physical targets of the higher education for the next year 2009-10 are presented in the Box 13.2.3

Box 13.2.3 Major Targets Higher Education 2009-10**Infrastructure**

- Establishment of Women Universities at AJK, Multan, Faisalabad.
- Establishment of new Universities at Swat, Turbat Sibbi Gawadar, Mardan, Nawabshah.
- Up-gradation of Mirpur College of Engineering & Technology and Government Girls Degree College Sukkur to university.
- Establishment of new Campuses of universities at Jhang, Dir Upper, Tando Allahyar, Mirpur Khas, Dadu, Larkana.

Human Resource Development

- 326 overseas scholars will proceed abroad for high education.
- 200 fellowships will be awarded under the Post Doctoral Fellowship Program.
- Funding will be provided to 3900 scholars studying abroad and 3994 scholars studying in local universities of Pakistan.
- 2200 teachers will be trained under the Faculty Development programs.

Access to Information

- Gigabit Research & Education network is being rolled out in Lahore, Faisalabad, Multan, Quetta, Hyderabad and Karachi which will become operational during 2009-10.
- Video conferencing facility will be provided to remaining twelve (12) public sector universities/institutes. National Interactive Distant Learning Program (NIDL) is an ongoing activity in which Nobel Laureates/Eminent scientists/researchers deliver lectures/share their research work in conferences, workshops, etc. as organized.
- Efforts are being made to publicize the Country Directory of PhD Theses. HEC intends to deploy similar child servers in the higher education institutes which would enable universities to upload all their theses directly onto these servers. This will create a virtually centralized PhD Theses Repository.
- HEC intends to extend the access of this online software tool to all public sector universities/ institutes. The preliminary works of negotiation and acquisition of the software tool have been completed and signing of service agreement is in process.

Research and Development

- 10 fellowships will be awarded in next year.
- 15 faculty members will be awarded foreign trainings in next year.
- Curricula of 20 disciplines in Basic, Social and Applied sciences will be revised during 2009-10.
- 31 linkages under PAK-US fellowship program will be funded.

Measures for Quality Education

- Workshops of editors of HEC recognized Journals will be held in Islamabad, Lahore, Peshawar & Karachi.
- Meeting of experts on Evaluation of Medial Journals will be held.
- Meeting of experts on Evaluation of Multi disciplinary Journals will be held.

13.3 Science & Technology

It is true that growing level of investment in research and development is generally correlated with improved GDP. The wealthy industrialized nations generally spend between 1.5 to 3.8 percent of their GDP on Research and Development, whereas the developing nations tend to have R&D/GDP ratios of less than 0.5%. To improve the overall capacity in science and technology, public spending on research and development has been increased manifold during the past few years. A strong S&T capacity can thus translate into accelerated industrial and economic development. Successful economies have achieved much by focusing on education and investing in research and development. S&T capacity in developing nations is not a luxury but an absolute necessity if they are to participate as full partners in the world's fast-growing knowledge –based economy.

Review of Achievements 2008-09

Financial

During financial year 2008-09, an allocation of Rs 3 billion was made for Ministry of Science and Technology which was reduced to Rs 1.5 billion because of economic crunch. It is expected that the entire amount would be utilized.

Physical

Major achievements of the Science and Technology sector for the year 2008-09 are briefly presented in Box 13.3.1. Detailed review of projects of Ministry of Science and Technology and other scientific organizations are outlined in the following paragraphs.

Pakistan Council for Scientific & Industrial Research (PCSIR) has developed workshop facilities and pilot plants for production of advanced precision and engineering materials, products and value addition of the finalized research. Production of high quality low cost orthopedic implants, surface treatment of surgical instruments, hallmarking of Gem and Jewelry and development of carbon reinforced polymer (CRP) for sports items were achieved. A Patent Advisory Cell has been established at PCSIR Labs, Karachi. Training was provided to community/individuals at rural areas in collaboration with NGOs. And two products have been developed i.e. Seabuckthorn powder drink and Seabuckthorn tonic. Two separate Technology Business Incubation Centers (TBIC) have also been established in collaboration with private entrepreneurs at Karachi & Lahore.

National Institute of Oceanography (NIO) is all set to submit the case for the extension of continental shelf from 200NM to 350NM to the United Nations. Exploration of exclusive economic zone (EEZ) of Pakistan directly and indirectly contributes Pakistan's economic interest and benefits.

Council for Works and Housing Research (CWHR): R&D work on the production of light weight aggregates from coal, coal waste, shale, clay etc for making bricks, insulated bricks, and screed materials has been completed. It has installed the in-house developed Ferrocement products at different areas in Karachi and Islamabad. Survey was also conducted in the Coastal Area (Ketti Bunder) of District Thatta, Sindh to construct 150 houses using Ferro-cement Technology replacing chipboard. Quality testing of cement, aggregate, concrete, steel and tiles has been carried out for 20 different parties in both public and private construction sector.

Pakistan National Accreditation Council (PNAC) is now internationally recognized council that would lead a conspicuous impact on quality improvement of products and

services leading to enhancement of exports. A total of 4 MoUs have been signed with different organizations for conducting joint quality and accreditation seminars/courses. Quarterly "Accreditation Newsletter" has been distributed on regular basis.

Pakistan Science Foundation (PSF) has sanctioned 100 requests of financial assistance, whereas 73 scientists / technologists have availed grants and participated in International Conferences and seminars/trainings abroad. In addition, 23 scientific societies were provided funds to strengthen their role in the development of science and technology by holding science conferences, seminars, workshops, publication of scientific journals and development of linkages with their sister organizations in other advanced countries.

Pakistan Council for Research in Water Resources (PCRWR): Eighteen new water quality labs are being established in four provinces, AJK and Northern Area. 5300 water supply schemes have been monitored to judge their performance and problems. 11 water filtration plants have been installed. 100 community level arsenic removal units have been installed in girls schools in arsenic effected areas of Central Sindh and Southern Punjab, whereas 6000 household arsenic removal filters have been developed for free distribution in arsenic affected areas A network of water sources has been established in the Cholistan Desert by developing specially designed reservoirs (each with 4 million gallon capacity). In addition specially designed deep tube wells have been installed in the Cholistan Desert. Two Reverse Osmosis Plants have been installed to desalinate high saline groundwater with desalination capacity of 2.2 million gallon annually for human and livestock drinking.

Pakistan Council for Renewable Energy Technologies (PCRET) installed 90 Micro Hydel Power Plants of 1648KW capacity in NWFP, FATA, Northern Areas and earthquake affected areas electrifying 13500 houses. PCRET has also installed 1300 Biogas plants producing 2.37 million M³ gas and 14.6 tons of fertilizer. It also designed and fabricated 29 box type and 12 concentrator type solar cookers, 14 solar desalination plants of 5 liter capacity, 11 solar dryers of 270 KG capacity for drying of fruits and vegetables. Installed 9 KW PV systems electrifying 41 schools and mosques in Balochistan and Sindh.

Pakistan Council for Science and Technology (PCST) has collected and compiled data about National S&T Manpower and Budget as per requirement of UNESCO. Report about designing, testing and analytical facilities available in 126 organizations (R&D organizations and industries) is being finalized by the council. PCST has organized workshops on "S&T Statistics: International Practices and their Applications" and 'Science and Technology Policy: Lessons from Different Global Perspectives and Challenges for the Future'.

National Institute of Electronics (NIE) has provided solutions to the industries, engineering services including PCB manufacturing both in public and private sector through Embedded Control Systems Labs and Quality Testing. NIE has also designed and developed 10 feet X 20 feet multicolor display board for local market. Development work on displays capable of displaying movies, animations, graphics and text completed. The center for Quality Testing and Certification of Electronic Products is functioning in accordance with the requirement of ISO/IEC 17025 standards. Eight technical persons received training in this regard.

COMSATS Institute of Information Technology (CIIT) has 6 operational campuses in the cities of Islamabad, Abbottabad, Lahore, Wah, Attock and Sahiwal, with the student body of 14000, faculty strength of 100, offering 41 different degree programs

of 4-year undergraduate degrees and MS and Ph.D. degrees. The 7th Campus of CIIT at Vehari has been inaugurated.

The **Centre for Applied Molecular Biology (CAMB)** has provided DNA testing, body identification/blasts and 03 robbery/theft cases to the police and courts. Moreover, Linkage analysis for 70 reported loci was conducted on 30 families for recessive hereditary hearing impairment in Balochistan. DNA typing of 157 Sahiwal Cattles and 170 Neeli Ravi Buffalo has been completed for the selection of genetically superior cattle and buffalo.

Pakistan Atomic Energy Commission: During Financial year 2008-09, Rs 236 million were allocated for the projects pertaining to S&T sector of PAEC. Three projects namely, establishment of National Institute of Lasers and Optronics (NILOP), Up-gradation and Extension of PINSTECH labs and Up-gradation of Fire Fighting Systems of PINSTECH are ongoing at PAEC. Civil Works and installation of equipment is in progress at NILOP, whereas new labs are to be established at PINSTCH that include Advanced Materials and Central Diagnostic Laboratories Nano-materials and Sol-gel Nanotechnology Laboratory, Chemical Metrology Laboratory, Functional Materials, Composites, Special Alloys and Ceramics Laboratory, RF Accelerator Laboratories, Health Physics and Radiation Protection Labs.

Box 13.3.1 Major Achievements Science and Technology 2008-09

- Reports of 18-sites/stations regarding survey of wind power potential in Northern Areas has been prepared by PMD and sent to Ministry of Water & Power, P&D, MoST and Alternate Energy Board.
- Precast water lining units developed by CWHR have been purchased by SINA Health, Education & Welfare Trust. Collaborative R&D & consultancy has been provided to public & private organizations on construction issues.
- PCSIR has developed 62 processes, leased out 7 to stakeholders and obtained 7 patents. Test undertaken and report issued are around 15752. Sixty three industries were monitored. 2749 instruments were calibrated under ISO 17025. Forty two technical feasibility reports were prepared. Conducted 50 short courses and 30 training seminars, 180 students completed technical Diploma and 213 M.Sc /Ph.D/ M.Phil students have been supervised.
- PCSIR Leather Research Centre Karachi, PCSIR Laboratories Complex Lahore and PCSIR Laboratories Complex Karachi were accredited under ISO 17025 by the Norwegian Accreditation Body.
- PCRWR has installed 100 community level Arsenic removal units in Arsenic affected areas at 11 water filtration plants. It has constructed 4 reservoirs for rain water harvesting and 50 structures (leaky, ridges, furrows, ditches-furrows, pits, terraces) for ground water recharge in Balochistan.
- Twenty specially designed deep tube wells have been installed by PCRWR with annual discharge about 1405 million gallons in the Cholistan Desert where groundwater is usable for drinking of human and livestock population. Also designed and installed Participatory Low Cost Farm level Tile Drainage Systems in Sindh Province.
- PCRET has installed 1300 Biogas Plants producing 2.37 million cubic meter gas and 14.6 tons of fertilizer per annum and 9 KW PV systems electrifying 41 schools and mosques in Balochistan and Sindh.
- NIE has trained about 350 professionals and university students in advanced technologies such as; Electronic System Design and Applications, Information Technology and Computers, IC Design (chip design), Database Development (Skill Development), Industrial Automation.
- In CAMB, sequence analysis in recessive Hereditary Hearing Impairment of gjb2 genes in two families revealed a reported mutation. Capsid Protein (CP) gene of SCMV was amplified through RT-PCR from the collected samples of sugarcane and confirmed by sequencing.

Programs for 2009-10

Financial

An amount of Rs 4.1 billion has been allocated in PSDP 2009-10 for science and technology sector projects. Out of which an amount of Rs 3.3 billion have been earmarked for MoST and Rs 0.8 billion for the science and technology projects of Pakistan Atomic Energy Commission.

Pakistan Council for Scientific & Industrial Research (PCSIR): Under HRD program PCSIR has planned to sent abroad 15 scientists for Ph.D in different fields of S&T for scientific R&D organizations. Infrastructure development through BMR of existing PCSIR laboratories would be undertaken, Workshops and Pilot plant facilities would be strengthened. Machinery and state of the art laboratory equipments for R&D activities shall be purchased and commissioned under different development projects. A nursery will be established for the cultivation of medicinal plants at Balochistan. Plant growth study and Biochemical analysis for salt tolerant plants will be pursued. Training will be provided to 1500 individuals and four seminars / workshop will be organized on "Control of Post Harvest Losses of Fruits and Vegetables in Northern Areas and Swat Division". Six more products will be developed, which are in the pipeline.

Council for Works and Housing Research (CWHR) will be strengthened by upgrading its infrastructure, improving manpower strength and establishing laboratories so that demand oriented R&D could be undertaken to reduce imports of construction inputs in the country. CWHR intends to establish pilot plant for the production of activated clay from locally available bentonite. Experimental bricks developed by CWHR will be delivered to the District Government of Tharparkar. For dissemination of the Ferocement Technology products shall be installed at different places in the country.

Pakistan National Accreditation Council (PNAC) will establish a Centre for Accreditation and Standards Training (CAST). This Centre will create awareness to the industry, industrial policy makers, academia, service providers, exporters, consumers etc about the benefit of adopting quality improvements practices by arranging seminars in-house as well as at the premises of different stakeholders in major cities of the country. Workshops and training courses shall be conducted in the field of metrology, standard, testing and quality (MSTQ), accreditation compliance issues for gaining market access.

Pakistan Science Foundation (PSF): Science Clubs will be established in 100 high schools all across the country. Five Science Centers will be established in different cities of Pakistan to supplement the teaching of biological and physical sciences in schools and colleges. S&T exhibition will play an effective role in creating awareness among the public about the role of S&T in the development of society.

Pakistan Council for Research in Water Resources (PCRWR): During the financial year 2009-10 PCRWR will execute 14 R&D projects based on the construction of 11 water quality laboratories at different sites, impart training to 1000 officials from water supply agencies through 40 training courses, install 40 high efficient irrigation systems and lift irrigation system in NWFP & Northern Areas. Conduct research studies on "Development & Propagation of Water Harvesting Techniques", "Grafting of Glaciers" and "Improvement of Channels".

Pakistan Council for Renewable Energy Technologies (PCRET): The Council will provide indigenous technological support to the local industry to develop and promote renewable energy products of international quality. PCRET will start production of solar cells and modules up to 80kw annual capacity. The activities pertaining to survey, designing and installation of Micro Hydropower plants will continue. The purpose of these plants is to provide low cost electricity to the off grid and remote villages. Carbon funds in this regard shall be explored.

Pakistan Council for Science and Technology (PCST) will conduct National Innovation Survey for enhancing national productivity and national competitive performance. The survey is expected to lead to an estimation of existing possibilities of interplay between different sections of the society e.g. the government, the private sector, the universities and research institutions in achieving these objectives. S&T Public attitudes and Public understanding survey will be an exercise to get an idea of the public perception about S&T to help in better preparation of future S&T policies.

Pakistan Technology Board (PTB): Centre for Biofuel Studies, Technology Facilitation Centre, Industrial Management Cell are envisaged. The Technology Foresight Exercise for the facilitation of the strategist and policy planner shall be completed during 2009-10. Awareness for optimum utilization of carbon credit by public & private sector is intended. The results of ongoing research pertaining to production of Biofuel from Plant Biomass are also expected to mature.

National Institute of Electronics (NIE) will plan to get an accreditation for the testing lab from national/international bodies. Complete and customized solutions for small, medium scale organizations will be provided. Latest state of art machinery and equipment will be inducted in NIE to give a boost to its R&D efforts. Expertise will be developed on design and layout of digital, analog and mixed signal ICs. Contact with IC fabrication facilities abroad will be established.

COMSATS Institute of Information Technology (CIIT) will strengthen the Department of Biomedical Material Sciences at COMSATS Institute of Information Technology, Lahore, which will result in formation of Ceramic Lab, Polymer Lab, Biological Lab, Characterization Lab etc. The strengthening of R&D activities in Chemical Engineering Department at CIIT, Lahore will help in formation of Physical Chemistry, General Chemistry, Fluid and Particle Mechanics Facility etc. It will also provide support in energy research, chemical process modeling and polymer science and engineering.

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

Major Targets of Science and Technology Sector for the Year 2009-10 in Brief are presented in Box 13.3.2.

Box 13.3.2 Major Targets Science and Technology 2009-10

- Reports regarding survey of wind power potential in Northern areas of remaining 24 sites would be compiled to attract the private/public power producing sector to participate in development/establishment of wind Mill farms in the northern areas.
- Mouse & Human mesenchymal cells, Human Kidney epithelial cells, human hematopoietic stem cells would be cultured in SIUT laboratory.
- A proposal is under consideration for construction of low cost demonstration models by CWHR at various locations of Sindh Province in collaboration with Peoples Housing Cell, Government of Sindh.
- PCRWR will conduct water quality monitoring of 2400 water supply schemes and research studies on: Development & Propagation of Water Harvesting Techniques”, “Grafting of Glacier” and “Improvement of Channels”.
- 11 water quality labs will be constructed on the land provided by the Provincial Government
- PCRET will design, manufacture and install MHPs in Northern Areas, NWFP and Earthquake affected areas.
- NIE will establish Multi-layer Printed Circuit Board (PCB) Fabrication facility upto 08 layers, 100 micron track with 100 micron track to track clearance.

Chapter 14

Information and Communication Technologies

14.1. Information Technology (IT)

The inherent strength of Information Technology as an agent of change, transformation and growth of economies around the world has made it a corner stone of futuristic vision of countries to become dynamic, knowledge-based and highly developed competitive nations. In fact to face challenges of the 21st century, the digital infrastructure has to be developed to the desired level. This has produced a great demand for IT all over the world. Pakistan also attaches high priority to IT in line with global trends.

For Pakistan to be a prosperous and developed nation in the near future, IT can play a pivotal role in achieving this goal. Despite the recent global recessionary trend, ICT sector continues to grow at a respectable pace in the world today and is envisaged as a hope to survive during these testing times

and a tool to reverse the recessionary trends. Pakistan ranked much lower in world due to uncertain situation prevailed during the year 2008-09 Pakistan's ranking further slipped from 86 in last year to 98 this year. A comparison of Networked Readiness Index (NRI) ranking of selected countries is shown in Figure-14.1.1.

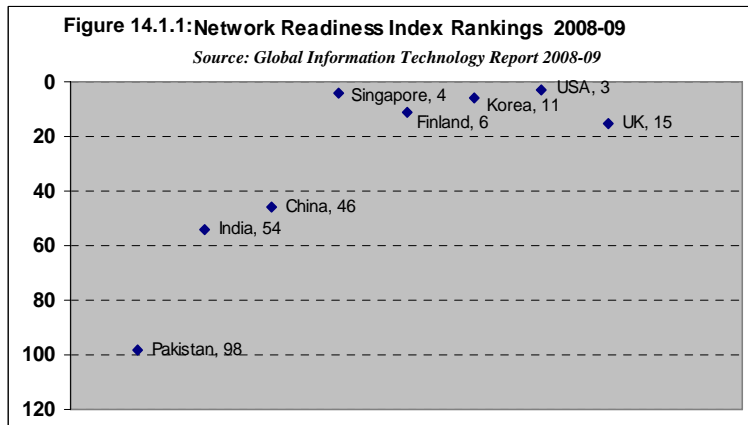
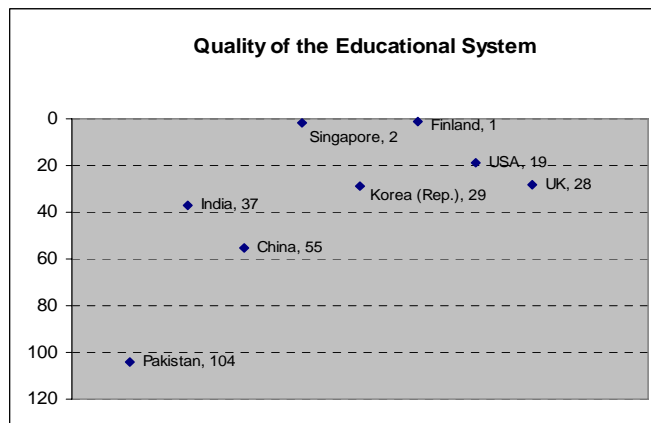


Figure-14.1.2:

Source: ITU - Global information Technology Report 2008-2009



Critical Issues

Education & Human Resource Development

As shown in Figure-14.1.2, the poor quality of Pakistani educational system is the main reason of lagging behind in the development of IT. In quality of educational system's ranking Pakistan stands at 104 well below India (37) and China (55). About 1,100 secondary / high schools / inter-colleges (10% of total high schools / inter-colleges) in the public sector possess facilities of computer education including computer labs and teachers. In order to cover all the existing public sector high schools/ inter-colleges, an amount in the range of Rs 17-20 billion is required. If all the existing 20,000 plus middle schools are also to be covered then about Rs 50 billion will be required.

Furthermore, internet access in schools needs to be enhanced along with computer education to improve Pakistan's internet access in schools ranking. As per the ranking of Global information Technology Report 2008-2009, Pakistan is ranked as 81 for "Internet Access in Schools", Finland tops the list while China is ranked 33 and India as 60. The comparison of Pakistan's ranking with some other countries is shown in Figure-14.1.3 below.

Pakistan needs rapid and consistent increase in the base of primary, secondary and tertiary education in terms of quantity as well as quality. An efficient and focused educational system needs to be put in place in which thinking; innovation and creativity is encouraged and promoted. For inculcating these traits in the students, teachers must be trained in the latest teaching methodologies as well. Also, incentives in the shape of scholarships need to be offered to the talented students for promoting IT education. The initiative like National ICT Scholarship program being sponsored by Ministry of IT is a step in the right direction.

Establishment of training centers for developing skills in human resource is required for meeting the requirements but some mechanism for quality control of the training institutes needs to be put in place. Also, projects for improving IT skills with increased outreach of IT institutions need to be implemented.

In order to provide overseas employment to the trained IT professional, IT Placement Centers can play a pivotal role. Therefore, placement centers should be established specifically for exporting IT manpower seeking overseas opportunities. Recommendations, in brief, to develop HRD in IT are presented in Table-14.1.1.

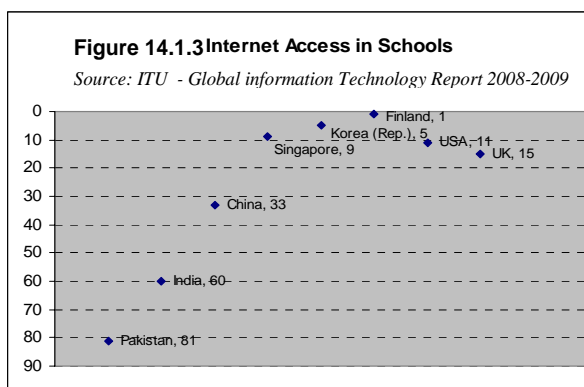


Table 14.1.1 Recommendations for Human Resource Development

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

Information Technology Exports

For 2009-10, the estimated IT exports will be around US\$ 280 million, which is very low as compared to IT exports by other countries. For increasing the software and IT exports besides attracting large multinational businesses in the country, local entrepreneurs and investors in large numbers should be attracted through incentives and infrastructure support. For this purpose, development of IT incubators to establish IT companies and venture capital funds should be encouraged by providing them with 'one-window-facilitation' to start their business. A government-backed program to establish IT incubators should also be designed.

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

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

Silicon Valley, USA, Multimedia Corridor in Malaysia, and Internet City in Dubai are examples that have led to the growth of IT industry in the respective countries. A Multimedia/ Internet City and Knowledge Village in Pakistan on similar lines will help to attract large software companies and multinationals to build their offices locally. These places may be treated as Tax Free Zones. Further, this will act as a hub for value-added activities such as multimedia content development, animation, computer games, knowledge creation, etc. Recommendations for development of IT industry and exports, in brief, are presented in Table 14.1.2.

Table 14.1.2 Recommendations for Development of I.T. Industry

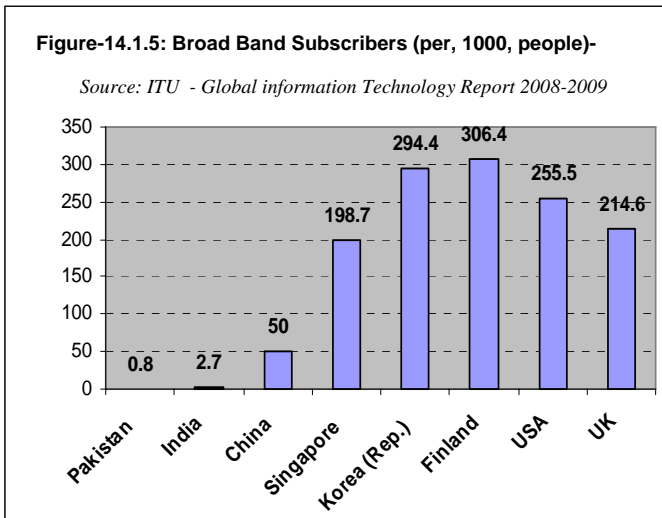
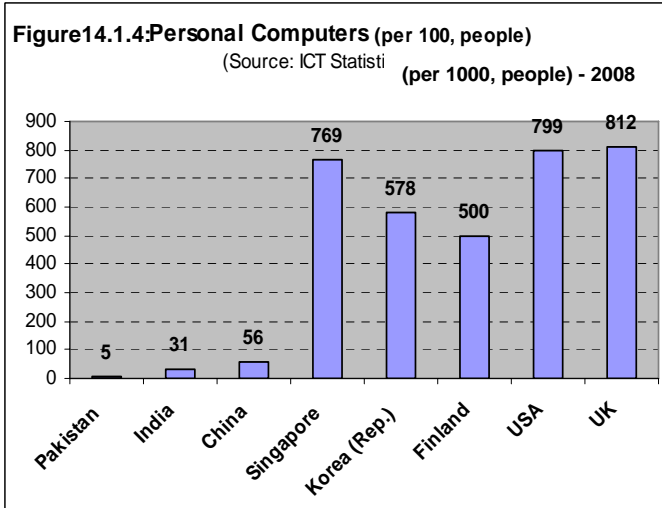
- Incentives for achieving higher CMMI Levels
- Incentives for achieving other International Certifications such as ISO 27001, ISO20000
- Encouraging development of I.T. incubators
- Mergers, acquisitions, joint ventures with foreign software houses to build world-class companies.
- Incentives for remitting earning in the shape of foreign exchange.
- Establishing Internet City and Knowledge Village to achieve critical mass of high technology companies.
- Developing computer hardware industry
- Abolition of Sales Tax on computer hardware equipment and software.

E-commerce

E-commerce is the main pillar on which the knowledge-based economy stands. In Pakistan, e-commerce is still a long way to be seen at a recognizable level. In this regard, many issues will have to be addressed that include expansion in connectivity infrastructure, introduction of Public Key Infrastructure (PKI), implementation of laws related to electronic transactions, data protection and cyber crimes so that confidence is built for doing business using this medium.

Computer Hardware Industry

Pakistan's computer hardware industry requires more attention to make it a vibrant sub-sector of the IT industry. To promote it, computer hardware firms equipped with after-sales maintenance/ repair workshops/ labs employing qualified IT professionals and having country-wide presence should be preferred for the award of large Government contracts. Also, there should be tax concessions / holiday for OEMs companies and manufacturers of computer hardware components (e.g. storage media, networking equipment, keyboards, etc.) for a period of next 15-20 years. Similarly, sales tax on computer and allied equipment needs to be removed to provide impetus to rapid growth of information technology and services in the country. It will also help in broadening the ownership of PCs and broadband subscribers, as currently, Pakistan has a very small base of PCs and broadband penetration as compared to other countries (Figures 14.1.4 and 14.1.5).



E-Government

Emphasis on e-government initiative continues since the year 2000 when M/o IT was established. As compared to last year the E-Readiness score for Pakistan has increased, from 3.8 to 4.1 showing that a continuous effort is being made. However, this initiative being in developmental stage requires a concerted effort and continuous ownership at the highest level to make it successful. Currently, in e-Government, Pakistan's position is

Table -14.1.3: Recommendations for Sustainability of E-Government Initiative

- Replication of already matured of e-government initiatives to avoid duplication of efforts
- Proper IT Sections in each Ministry inducting qualified IT professionals.
- Development of IT Cadre at competitive salaries based upon performance.
- Sharing of government software applications with other government entities including Provinces.

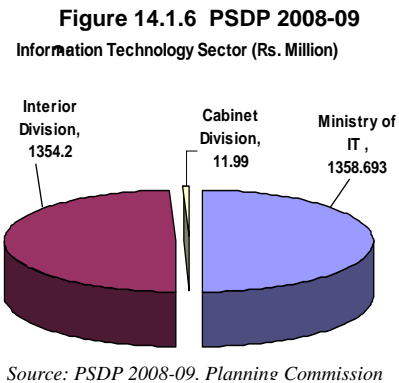
stagnant as e-government initiatives taken in the last few years have not been much successful. The major issue in the sustainability of e-government projects is the retention of IT professionals in the longer run as the private sector is offering very lucrative packages for the same skills and experience level. To attract IT professionals in the public sector, development of an IT Cadre at competitive salaries based upon performance is essential. The IT Cadre is also necessary to remove the existing disparity between contract and regular employees. This will help in motivating IT professionals to join public service as a long-term career. Recommendations, in brief, for sustainability of e-government initiative and cadre are presented in Table-14.1.3.

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

REVIEW OF 2008-09

Financial

In the PSDP 2008-09 (Figure-14.1.6), an amount of Rs 2.7 Billion was allocated for Information Technology Sector for 80 projects. These projects were executed by various Ministries/ Divisions that included Ministry of Information Technology, Ministry of Interior, Ministry of Women Development and Cabinet Divisions. The graph shows the distribution of PSDP allocation among the Ministries/ Division. As per the revised estimates, the utilization for 2008-09 will be 66% of allocated funds.



Physical

The major achievements for 2008-09 are delineated below:

Human Resource Development

Educated human resource is of paramount importance for the growth of information technology. For this, Pakistan needs to rapidly increase the base of all educational institutions having IT facilities. The country currently produces about 20,000 IT graduates, while there is a demand of about 50,000 graduates every year which is projected to grow to 155,000 per year in 2010. In this context, the Government is focusing on both long-term and short-term human resource availability for this sector. For the long-term, projects have been identified to build capacity for having IT skilled persons that are in demand overseas. In the shorter period, focus has been laid on upgrading skills of public as well as Government employees for effective use of the computer-based systems being developed for the Ministries/Divisions. Major projects executed during 2008-09 for human resource development include:

- **National ICT Scholarship Program** approved at a cost of Rs 2.4 billion was launched. The Scholarship Program provides opportunity for students of the non-metropolitan areas to have access to quality IT/Computer Science education in the country. About 7,300 students got foundation training for this program and about 500 successful students got scholarships for 4-years Bachelors degree program in various universities country wide.
- **IT Training for Elected Lady Representatives (PHASE-II)** was approved for providing basic computer education to approximately 11,500 elected lady councilors. About 500 councilors will be trained during the year. The duration of the project is five years.
- **Pilot Project for End-Users and System Administrators – Training on Open Source Software** was conducted to raise the skills in the use of open source software. More than 5,000 persons participated in awareness workshops and 1,600 people were trained in the use and administration of Linux system.
- **Basic Information Technology Training** aims at improving the IT literacy and skills of Government servants to carry out office work and training was imparted to about 13,000 Government employees.
- **Pakistan Software Export Board (PSEB)** is implementing IT Internship Program throughout the country. About 1,200 interns were placed in the country. The success rate of these interns getting permanent jobs is more than 90%.

Information Technology Industry Development

It is expected that IT exports in 2008-09 will reach US\$ 210 million approximately against a target of US\$ 240 million. This shortfall is mainly attributed to the overall uncertain situation that prevailed during the year which made the international investors reluctant to invest and do business. In contrast, during the FY2008-09, IT and ITeS exports of India are expected to cross US\$ 47 billion mark compared to US\$ 40 billion last year.

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

- **Purchase of Land in Karachi and Lahore for Establishment of IT Parks** was approved for capacity building of IT industry. This project will boost the information technology infrastructure and facilitate more companies to establish their business in Pakistan.
- **Standardization of Pakistani Software Industry.** Programs were initiated to obtain internationally recognized certifications (like CMM, CMMi, ISO 9000, COPC etc.) by local companies. As a result, the number of CMMI assessed companies has increased. Currently CMMI certified companies according to their level include, two CMMI Level-5, three CMMI Level-3 and sixteen CMMI Level-2 companies. Also, now there are 110 ISO-9000 certified companies, out of which about thirty companies got certification this year. ISO 27001 consultancy and audit of ten IT companies has been completed this year.

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

E-Government

Government continues to pursue its policy of improving its efficiency and facilitating its citizens through Information Technology. The e-government program covered computerization of Ministries as well as extending its services to the public. The major e-government projects executed during 2008-09 included the following:

- **Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-II** was approved at a cost of Rs. 3,562.5 million for deployment of MRP/MRV System. Through this project, the MRP/MRV System was deployed at 14 Regional Passport Offices (RPOs) and 7 Foreign Missions in 2008-09.
- **Replication of e-Office (Basic Common Applications) at 45 Divisions of Federal Government** was initiated. Currently e-Office is being implemented in the Ministry of IT, Planning Commission and Finance Division. This project will enable faster and more efficient communications within ministries/ divisions.
- **E-Services for Ministry of Food, Agriculture and Livestock (MINFAL)** is in the final stages of acceptance. Electronic tools such as Geographical Information System (GIS), crop forecasting modeling and agricultural databases are now available to MINFAL for carrying out their day to day functions.
- **Automated Fingerprint Identification System** for online comparison/ identification of criminals through fingerprints is being implemented to combat terrorism and crimes.
- **Telemedicine:** Three pilot projects were launched for Holy Family Hospital Rawalpindi, Jinnah Postgraduate Center Karachi & Mayo Hospital Lahore. The telemedicine centers established at each of these major hospitals serve four rural healthcare centres (total 12) with the purpose of providing quality healthcare at the doorsteps of people living in rural areas.
- **Hajj Application System** A fully functional Online Submission of Hajj Application System has been developed which covers online submission of Hajj applications, Group/Party formation for Ballot, Ballot for Hajj Applications under Government Hajj Scheme, Flight Scheduling and accommodation booking at Hajji Camps and at Saudi Arabia.

Programs for 2009-10

Financial

In the PSDP 2009-10, an amount of Rs 2.3 Billion has been earmarked for IT sector for 65 projects worth Rs 16 billion (Figure-14.1.7).

Physical

The PSDP earmarked for 2009-10 will further enhance the human resource development, IT industry development, E-Government, infrastructure development, and will create employment opportunities in the IT sector. Major thrust in IT for the 2009-10 will be on the following project:

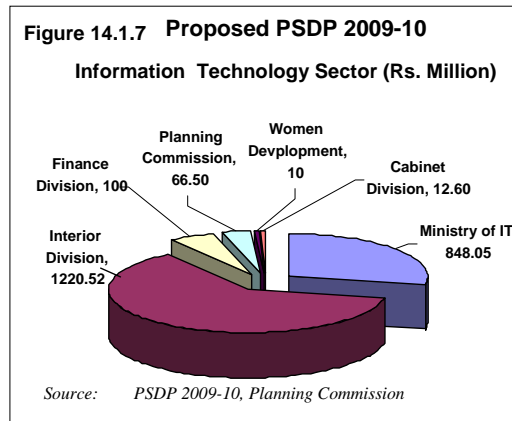
Human Resource Development

- National ICT Scholarship Program.** The target for the year is to provide foundation training to about 9,000 students. About 700 successful students from this foundation training will get scholarships (target for five years is 3,500 scholarships) for 4-years Bachelor's degree program in various national universities.
- IT Training for Elected Lady Representatives (PHASE-II)** Approximately 1,500 elected lady councilors will benefit from this training program. The project will be completed in March 2014.
- Pakistan Software Export Board (PSEB)** plans to place 400 interns in various companies in the next year. The project will be completed in December, 2009.
- Pakistan Computer Bureau (PCB)** plans to provide basic IT training to 3,000 Government employees.

Information Technology Industry Development

In PSDP 2009-10, emphasis on improving the IT infrastructure will continue so that more international IT companies are attracted to do business in Pakistan alongside the domestic IT companies. In this regard, some of the important projects included in PSDP 2009-10 are:

- Phase-II of Standardization of Pakistani IT Industry** will further strengthen the capacity of IT industry to attract international business. The target for the year is to support 50 companies to attain CMMI level 2, thirty companies CMMI level 3 and 15 companies CMMI level 5. The proposed cost of the project is Rs 290.7 million.
- Next Phase of Strengthening of Pakistani IT Industry through International Certifications** will offer opportunity to Pakistani companies of achieving twenty certifications of both ISO 20000 and ISO 27001. The proposed cost of the project is Rs 170 million.
- IT Parks Construction projects consultancy for both Karachi and Lahore airports will launched.** These parks will facilitate more IT firms to establish their businesses in the country. These projects will cost Rs. 50 million.



E-Government

- **Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-II** The MRP/MRV System will be deployed at 10 RPOs and 40 Foreign Missions in the year 2009-10. The project will be completed in January 2011.
- **Replication of e-Office (Basic Common Applications)** at 45 Divisions of Federal Government is being implemented. In the next year, e-Office is planned to be deployed at Establishment, Interior and Health Divisions.
- **Automation of Central Directorate of National Savings (CDNS)** will facilitate its investors and improve public service at its business units. This will also provide value added services including ATM, Internet and Mobile Banking etc. to the clients of CDNS in future.
- **Upgradation of NADRA Data Warehouse** will further enhance and upgrade the existing system to cater for future needs of NADRA.
- **Land Revenue Records Management System for Punjab** has been revised with an increased scope to cover all 36 Districts of the province and an improved implementation methodology focusing at Tehsil level instead of Kanoongoi level to improve the efficiency of land records management and facilitate the citizens to have better access to land records at an affordable cost.
- **Prime Minister's Initiative for providing Video Conferencing Facility** for Federal and Provincial Governments will be launched. Overall, there is a provision for providing Video Conferencing Facility at 50 sites in the project based on High Definition (HD) Technology.
- **Online access of Case Laws for Balochistan and Islamabad High Court** will be made functional similar to Online access of Case Laws of Punjab, Sindh and Supreme Court of Pakistan. The cost of each of these projects is Rs 39 million.

14.2 Telecommunications

Monopoly in Pakistan's telecom industry ended in 2002 with the privatization of PTCL. Foundation of telecom boom was led by government and private sector which acted swiftly in the right direction towards voyage of a wired Pakistan. Mobile companies in many regions of the world do not enjoy the subscriber growth witnessed today in Pakistan. Telecom infrastructure is improving dramatically with foreign and domestic investments into fixed-line and mobile networks; fiber systems are also being constructed throughout the country to aid in network growth.

Review of 2008 – 09

Presently there are two telecommunication organizations working under the government umbrella namely National Telecommunication Corporation (NTC) and Special Communication Organization (SCO). During the process of privatization of PTCL, NTC was created to take care of the Government's telecom needs. NTC at the moment operates about 114 exchanges in the country and total working connections are 112,774. SCO presently operates 146 exchanges and has 135,575 working connections. For Telecommunication Rs 3.6 billion are expected to be utilized.

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

National Telecommunication Corporation (NTC)

- **Establishing of Coastal Communication Link** The cost of project is Rs 627.1 Million where NTC has to lay 237 Km OFC between Port Qasim to PNAD and from Gwadar to Jewani and 695 Km OFC from PNAD to Gwadar was to be laid by NLC. NLC portion of cable was destroyed by floods in 2007 and commissioning of the OFC could not take place. Now it has been repaired by NLC and 2 pairs of this OFC would be handed over to NTC by the end of June, 2009.

Special Communications Organization (SCO)

- **Expansion of Telecom Facilities in Northern Areas.** The project is worth Rs. 688.9 Million where 26 new digital exchanges were constructed and installed in Northern Areas. 8 existing exchanges were upgraded and network was laid for all these exchanges.
- **Interconnect Billing and Customer Support for AJK.** The system will automate preparation of 500,000 subscribers bills to enable accurate audit and check on billing. The cost of the project is Rs. 580 Million.
- **Northern Areas Terrestrial Link Microwave.** The project involves laying of 450 Km OFC from Mansehra to Gilgit and 390 Km OFC between Gilgit and Skardu. Expansion would also be done on 25 Satellite Exchanges and laying of 440 Km OFC for inter connection of transit exchanges. 218,000 new digital lines including GSM would also be added. Cost of the project is Rs. 490 Million.

Performance of Private Companies in 2008 - 09

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

**Table-14.2.1: Number of Fixed+WLL Telecom Connections
(2008 and 2009)**

(Millions)

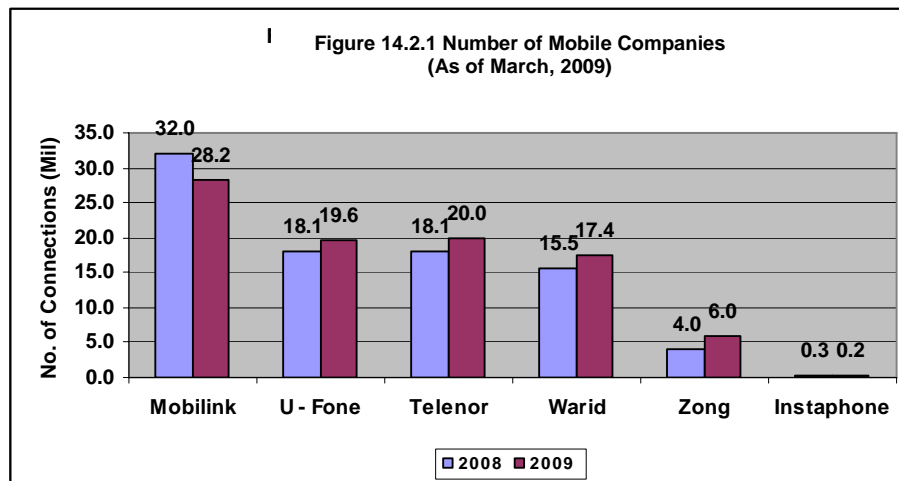
No.	Item	As of June 2008	As of March 2009	Growth (%)
1	PTCL Fixed Lines	4.3	3.6	-16.2
2	Other Fixed Lines	0.1	0.1	2.1
3	PTCL WLL	1.2	1.2	-0.2
4.	Other WLL	1.1	1.2	16.3
	Total Fixed+WLL	6.7	6.1	-7.8

**Table-14.2.2: Number of MobileTelecom Connections
(2008 and 2009)**

(Millions)

No.	Company Name	As of June 2008	As of March 2009	Growth (%)
1.	Mobilink	32.0	28.2	-11.8
2.	U – Fone	18.1	19.6	8.3
3.	Telenor	18.1	20.0	10.5
4.	Warid	15.5	17.4	12.2
5.	Zong	4.0	6.0	50.0
6.	Instaphone	0.3	0.2	-28.7
	Total Mobile	88.1	91.4	3.7
	Grand Total : Fixed+Mobile)	94.8	97.6	2.9

Source: Pakistan Telecom Authority



Source: Pakistan Telecom Authority

Decline in Net Increase

As a result of the verification exercise of mobile SIMs, it was observed that numerous un-registered mobile connections were operating in the country. When these were blocked, the number of mobile connections decreased, therefore the net increase during the year was substantially lower than previous years. As of March, 2009 the tele-density in Pakistan stood at 60.6 (fixed + mobile), whereas last year i.e. June, 2008, the tele-density was 58.8 (fixed + mobile).

The broadband connections increased from 130,281 in June, 2008 to 170,000 in April 2009. This increase is mainly attributed to aggressive launching of triple-play services at affordable prices. Besides broadband, WiMAX services have also been launched during the year by private telecom companies.

Program for 2009-10

In PSDP 2009-10, Rs 10.1 billion have been earmarked for **SUPARCO**, **SCO** and **NTC** to execute 26 projects worth Rs 27.79 billion. Following are some of the important projects:

SUPARCO

- **Pakistan Communication Satellite System (PAKSAT-1R).** The project envisages to design, develop and launch a geo-stationary communication satellite (PAKSAT-1R) by 2011 to replace the leased communication satellite PAKSAT-1. The cost of the project is Rs 17.5 billion.
- **Development of CFIs to fly on-board Communication Satellite PAKSAT-1R.** The project is worth Rs. 388.8 Million and aims to achieve capability of indigenous manufacturing of space hardware, i.e., On-board Data Handling Subsystem, Telemetry Subsystem, Telecommand Subsystem and Power Conditioning and Distribution Unit.
- **Development of Logistic Support Facilities for National Satellite Development Program.** The cost of the project is Rs. 333.3 Million This is an infrastructure development project to support and facilitate activities related to the National Satellite Development Program which would also incorporate development and launch of communication satellite PAKSAT-1R.
- **Development of Various Laboratories for National Satellite Development Program in Lahore.** The project is worth Rs. 426 Million where 12 labs would be constructed in Lahore to develop various subsystems of communication satellite for the National Satellite Development Program.

Special Communications Organization (SCO)

- **Re-Location of SCOs Telecom assets due to up-gradation of KKH from Ralkot to Khunjab** The project is proposed due to expansion and upgradation of 335 Km of Karakoram Highway (KKH) which will effect SCO's telecom assets in the area. Re-location of these communications assets are strategically important. The cost of project is Rs 199 Million.
- **Laying of OFC to connect Remote areas of NAs and AJK.** The project would provide optical transmission system as trunking media for subscribers of fixed and GSM network at remote locations of AJK & NAs. The cost of the project is Rs 299 Million.

National Telecommunication Corporation (NTC)

- **Hosting of GOP Portal and Govt Websites Abroad.** The project provides protection to GOP websites against DoS attacks and gives access to internet users across the globe to GOP websites.

**Chapter
15****Health and Nutrition****15.1 Health**

Health is an essential prerequisite without which individuals, families, communities and nation cannot hope to achieve their social and economic goals. The new policy paradigm is based on health as a right as envisioned in the Constitution of Pakistan and will be driven by the following key principles.

- Ensuring universal coverage of an essential package of health interventions without economic, geographical, social or cultural barriers and is responsibility of the state;
- Overcoming social and economic inequities to improve health outcomes;
- Promotion of a results based culture ensuring a shift from a planning environment concentrated on the reporting of processes and outputs to outcomes, and targets indicators.
- Provision of quality health care and ensuring gender sensitive and patient-centered services;
- Ensuring good governance, promotion of meritocracy and transparency in every aspect of health care management; and
- Promoting evidence based decision making which must prevail at every level of the health system so that policy development and actions deriving from policies are relevant, feasible, resource appropriate and culturally and socially acceptable.

The principles are envisaged to be applied to all aspects of health care and will be supported by emphasis on local (district) ownership and leadership, strategic coordination, building local capacity, and expanding partnership with private sector.

The new National Health Policy aims to improve health status of people of Pakistan by achieving the policy objectives mentioned below and it is envisaged that it will also help Pakistan to make progress towards health related MDGs.

- Enhancing coverage and access of essential health services especially for the poor;
- Measurable reduction in the burden of diseases especially among vulnerable segments of population;
- Protecting to the poor and under privileged population subgroups against catastrophic health expenditures and risk factors;

- Strengthening health system with focus on resources;
- Strengthening stewardship functions in the sector to ensure service provision, equitable financing and promoting accountability;
- Improving evidence based policy making and strategic planning in the health sector.

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

Strategy

A balanced approach between preventative, promotive and curative interventions will be followed, keeping in view the needs of population especially Women and Children. Attention will be paid to the epidemiological transition and the emergent double disease burden.

- Primary Health Care will be strengthened with necessary back up support in rural areas where all the outlets will function as focal points for PHC and Family Planning Services.
- At present, the patient referral system is either poor or does not exist. Added to this, no referral path has been defined, thus self-referral is very common. This bypassing results in under utilization of hospital health services thus leading to high unit cost. These poorly integrated services have also led to self-referral. The weak organizational and functional linkages between DHOs and MS of DHQ Hospitals are another factor for un-integrated Primary, and Secondary Health Services.
- Continuing stress on achievement of MDGs especially related to MMR, IMR, CMR and global epidemics (TB, Malaria and HIV AIDS).
- A major review will be conducted of all existing “mega” projects to improve their internal and external efficiencies.

Review of Health Programme 2008-09

An amount of Rs 19 billion has been provided in Federal PSDP 2008-09. As a result of rationalization of PSDP (30% cut), the revised PSDP has slid down to Rs13.3 billion against this Rs 8.3 billion has been utilized till March 2009 i.e. 43% of the total allocation

and 62% of the revised PSDP allocation. The low utilization was due to slow releases of funds during the current financial year.

National Program for Family Planning and Primary Health Care

The program has recruited more than 96000 LHWs to date. More than 60 percent of total population and 76 percent of target population stands covered by LHWs. Out of 30 million children, about 16 million are immunized by LHWs during National Immunization Days (NIDS) Similarly, in high risk districts out of 5 million target women, 4.5 million are vaccinated by LHWs) through trained LHWs. Their role in improving mother and child health is by now well recognized. The total cost of the project is Rs21.5 billion. An amount of Rs7 billion has been allocated in the PSDP for the year 2009-10

Malaria Control Program

Malaria is the 2nd most prevalent and devastating disease in the country and has been a major cause of morbidity in Pakistan. More than 90% at disease burden in the country is shared by the 56 highly endemic districts, mostly located in Balochistan (17 out of 29 districts), FATA (7 agencies), Sindh (12 districts) and NWFP (12 districts). More than 40% of the reported cases from these districts are due to fulciparum malaria more dangerous form of malaria. Federally Administrated Tribal Areas (FATA) is the second highest malaria affected belt of the country which accounts for 12-15% of the total case load of the country. Out of 7 agencies of FATA 6 are highly affected with Falciparum Malaria. The overall reported API (Annual Parasite Index) of Balochistan, FATA, Sindh, and NWFP provinces in 2006 was 4 per thousand populations. The API of Balochistan and FATA is 6.9 and 5.4 respectively. However the actual API may be 5 times higher than the reported figures, as the public sector first level healthcare facilities (FLCFs) report only 20% of the malaria cases. National strategy for Malaria Control is based on the following 6 key RBM elements.

- Early diagnosis and prompt treatment
- Multiple prevention
- Improved detection and response to epidemics
- Developing viable partnerships with national and international partners
- Focused operational research
- National commitment

The prevention and control of malaria through the Roll Back Malaria Program has improved the diagnosis of the cases and treatment provide accordingly. Some achievements and innovations of the malaria program are outlined as under:-

- Development of National Strategic Plan and national malaria policy.
- Development of Case Management Guidelines, Microscopy Guidelines, Vector Control Guidelines, Quality Assurance Guidelines for malaria microscopy, IEC material.

- Capacity building of 5000 health personals (Edo's, DOHs, MOs, Entomologist & Paramedics).
- Capacity building of Malaria Microscopists (300+).
- Introduction and adaptation of Rapid Diagnostics Tests (RDTs).
- Promoting use of nets.
- Introduction of ACTs as first line treatment in confirmed falciparum malaria.
- Enhanced Monitoring & Evaluation through concrete surveillance mechanism
- Quality Assurance (QA) in diagnosis and treatment.

The total cost of the project is Rs 664 million an amount of Rs 100 million has been provided for the year 2009-10.

TB Program

Pakistan is 6th amongst 22 high disease burden countries. National TB Control Program (NTP) has achieved 100 percent DOTS coverage in public sector and in the last five years, NTP and partners have provided care to more than half million TB patients in Pakistan. Although the global target of 70 percent case detection is not achieved. There are areas where NTP has to work further like suspect management, contact management, quality bacteriology services, engaging all care providers through public-private partnership and inter-sectoral collaboration, monitoring and supervision, research for evidence based planning and ACSM (advocacy communication and social mobilization).

In recognition of the soundness of the national strategy, the Global Fund to Fight AIDS, TB & Malaria (GFTAM) has recently approved a grant of US\$ 65 million for 5 years. The emphasis will be on public -private partnerships and inter-sectoral collaboration. The percentage of TB case detection rate is 51%, treatment success rate is 87% while cure rate is 74%.

The total cost of the project is Rs 1.2 billion. An amount of Rs 230 million has been provided for the year 2009-10.

HIV/AIDS Control Program

The government is implementing HIV/AIDS Control Program since 2003 at a cost of Rs 2.9 billion for five years. The major focus is on the behavior change communication, services to high-risk population groups, treatment of sexually transmitted infections (STIs), supply of safe blood and capacity building of various stakeholders. Till date 4500 HIV positive cases have been reported to the National and Provincial AIDS Control Programs. It includes 2000 full blown AIDS. Around 850 are receiving free treatment through 12 AIDS Treatment Centers.

The total cost of the project is Rs 1.1 billion and Rs 300 million has been provided in the PSDP for the year 2009-10.

National Maternal & Child Health Program

National Maternal & Child Health Program has been recently launched by the government in order to improve MNH services for all, particularly the poor and the disadvantaged at all levels of health care delivery system. It aims to provide improved access to high quality MCH and FP services, train 10000 community. Health and Nutrition Women Health Workers, comprehensive EmONC services in 275 hospitals/health facilities, provide basic EmONC services in 550 health facilities, and family planning services in all health outlets.

The total cost of the program is Rs19.2 billion. An amount of Rs 3 billion has been provided for the year 2009-10.

The Expanded Program on Immunization

The National EPI Program provides immunization against the 7 killer disease i.e. childhood tuberculosis, poliomyelitis, diphtheria, pertussis, neonatal tetanus, measles and hepatitis B New vaccines would also be considered for introduction in due course.

Under the preventive program, about 8.5 million children were targeted to be immunized and 25 million packets of ORS were to be distributed during 2008-09. During the year, 8 million children of 0-11 months and 6.5 million pregnant ladies were immunized against 7 deadly diseases and tetanus oxide respectively. 24 million packets of ORS were also distributed. Routine coverage is regarded as the basis of child protection.

Total cost of the project is Rs 11.5 billion and allocation for the year 2009-10 is Rs 6 billion.

Prime Minister's Program for Prevention and Control Of Hepatitis in Pakistan (2005-10)

The program was launched in 2005; by the Prime Minister to meet the challenge posed by the high prevalence of viral hepatitis in the country. The program aims at 50 percent reduction in new cases of hepatitis B and C by 2010 through advocacy and behavior change communication, hepatitis B vaccination of high risk groups, establishment of screening, diagnosis and treatment facilities in 150 teaching and DHQ hospitals, Safe Blood transparent and prevention of hepatitis A and E.

Significant progress has been made to prevent and control hepatitis in the country. 1000 patients of hepatitis B and 10,711 patients of hepatitis C were treated. Provision of hepatitis B vaccine for 399,600 high risk personnel has also been made.

Total cost of project is Rs 2.6 billion and PSDP allocation for the year 2009-10 is Rs 452 million.

Cancer Treatment Program

Pakistan Atomic Energy Commission's (PAEC) 13 Cancer Hospitals in four provinces are already providing diagnosis and treatment facilities to the cancer patients. 9 new cancer hospitals are in the process of construction. Breast care clinics have been established at all the nuclear medical centers.

New initiatives

- Public Resources for Health Care, are inadequate to cover the entire populations, Total expenditure on Health is US\$ 19 percapita, where as per WHO's standard it would be US\$ 34. To fill this gap of US\$ 15 additional resources need to be generated. Several options are being scrutinized; these include some form of Social Health Insurance, which can however take a long time to mature. Other options include Zakat & Baitul Maal to generate more resources.
- The functional integration of population and health activities in BHUs/RHCs will be started in light of the ECNEC directive.
- The first National Health Accounts (NHA) study has been completed by FBS/MOH with the assistance of the GTZ and details of all type of expenditure from all resources are available for budget preparation. The NHA will be replicated regularly at the national level.

Health Program 2009-10

An amount of Rs 26.00 million has been proposed in Federal PSDP 2009-10 for different preventative and curative programs in health sector. Physical targets and achievements for 2008-09, and targets 2009-10 are given at Annexure 15.1.1.

15.2 NUTRITION

In Pakistan almost 50 percent pregnant and lactating mothers consume less than the recommended daily caloric intake and deliver 25 percent low birth weight babies. Malnutrition at an early age affects; physical and mental development during childhood, school performance, individuals earning capacity at adulthood. Better food accessibility mechanism coupled with adequate health care and sanitation and nutritional awareness will play vital role in eliminating nutritional disorders and raising nutritional status.

Sectoral Policy

The MTDF envisaged multi-disciplinary Nutrition interventions to achieve the nutrition related MDGs targets carrying out Nutritional activities in social sectors including Health, Food & Agriculture, Social Welfare and Education.

Plan and Strategy

The provision of food and nutrition interventions at all levels is the strategy with better management mechanism in line with the MTDF targets. The infrastructure of relevant sectors especially Lady Health Workers Program and Pakistan Bait-ul Mal (PBM) at grass roots level will be used to promote nutrition interventions.

Issues, Constraints and Measures

The major Nutritional issues are;

- Food and Nutrition security of poor and vulnerable groups

- Hidden hunger and short term hunger
- Nutritional awareness among masses.

Lack of capacity, capability and ownership to incorporate nutritional interventions in the allied sectors i.e. Health, Agriculture, Food, Education, and Mass Media etc are the main constraints in public and private sector. Following measures are projected to address the issues/constraints:

- Institutional capacity building through a Network for Food and Nutrition.
- Social Safety Net Programs.

Review 2008-09

Financial

Rs 108 million (Rs 21 million for ongoing and Rs 87 million for new programs) were allocated for the year 2008-09 out of which Rs 10 million has been released against on going program and expected to be utilized. The ongoing programs are Improvement of Nutrition through Primary Health Care and Establishment of Reference Laboratory for strengthening of Food Quality Control System. While new unapproved programs are School Nutrition program for Government Rural Primary schools and National Nutrition Program. The expenditure remains on lower side because two new projects were not implemented being unapproved.

Food

Availability of major Food items and access during the year was maintained by taking necessary measures to combat the effects of international price hike and shortage of grains. The average caloric availability remained around 2400 and protein at 70gms per capita/day against the average requirement of 2350 calories per capita per day. The availability of essential food items over the period is briefly given in Table 15.2.1:

Table 15.2.1 Food Availability Per Capita Kg Per annum

Year	Cereals	Pulses	Sugar	Milk (ltrs)	Meat	Eggs (Nos.)	Edible Ghee/Oil	Calories Per day (No.)	Proteins Per day (gms)
2007-08	151.1	7.9	31.5	95.5	20.1	64	12.6	2377	69.5
2008-09 Estimates	151.0	8.0	29.3	97.2	20.5	63	12.6	2363	70.0
2009-10 Targets	157.5	7.5	27.8	96.7	20.9	63	12.7	2402	70.6

Programs

Pakistan Bait-ul-Mal's (PBM) Food Support Program for poor households has been integrated into Benazir Income Support Program (BISP) throughout the country for wider coverage.

School Nutrition Program for Government Rural Primary Schools designed as a social safety net and incentive to improve the nutritional status of Government Rural Primary School going children to increase enrolment and reduce gender disparity in enrolment and drop-out rates. The program will cover 54 districts and 10.48 million students by 2014.

Nutrition through Primary Health Care (PHC) covered micronutrient supplementation to address anemia, vitamin-A deficiency in children under five, micro nutrient deficiency in women of child bearing age, growth monitoring, counseling on breast feeding & weaning practices and awareness through Lady Health Workers (LHWs).

Reference Laboratory for Food Quality Control System is being strengthened at National Institute of Health.

Micro Nutrient Deficiency Control Program: Major Micro Nutrient deficiencies i.e. Iodine, Iron and Vitamin-A., are also being addressed. Detail is presented as under.

- Salt Iodization in private sector was strengthened in more than 60 districts along with awareness material. Legislation for Universal Salt Iodization (USI) is in process.
- Wheat Flour Fortification expanded to 82 flour mills. Millers trained for micro-feeders operation and quality control. Mass media campaign for consumer education launched.
- 95 percent children (6-59 months) administered Vitamin A drops on National Immunization Days (NIDs).
- Infant Young Child Feeding (IYCF) policy adopted. Health staff trained on Baby Friendly Hospital Initiative (BFHI), and breastfeeding counseling.

Prospects for 2009-10

The availability of major food items will be maintained at the level of 2350 calories through better management mechanism to meet the nutritional needs of the population in terms of calories, protein and other essential nutrients. Rs 252 million have been proposed in PSDP 2009-10 mostly for new programs which are still unapproved. Some of these are:

- School Nutrition Program for government rural primary schools to be initiated to improve the nutritional status and dropout rate to cover 10 districts in 2009-10 while covering 54 districts in phase-I by 2014.
- Financial assistance of Pakistan Baitul Mall will continue to poor households for food support which has been integrated with BISP while an exclusive Child Support Program will be expanded by PBM from 3 to 11 districts across the country.

- Nutrition activities at public health care level would be expanded through National Nutrition Program (“Improvement of Nutrition through Primary Health Care”).
- Pakistan Enhanced Nutrition for Mothers and Children Project will be developed through World Bank technical and financial support and program dimensions will be determined for nutrition activities in the Health Sector.
- Micro Nutrient Deficiency Control Program to cover major micronutrient deficiency salt iodization, wheat flour fortification, vitamin A supplementation and infant young child feeding will be continued.
- Reference laboratory for food quality control system will be completed at Nutrition Division, National Institute of Health, Islamabad

Physical Targets and Achievements

2008-09 and 209-10

(Number)

Sub Sector	Targets 2008-09	Estimated Achievements 2008-09	Achievement (%) 2008-09	Targets 2009-10
A Rural Health Programme				
New BHUs	40	35	87	50
New RHCs	15	13	86	10
Strengthening/Improvement of BHUs	900	850	94	50
Strengthening/Improvement of RHCs.	45	40	88	20
B Hospital Beds	4500	4300	95	5000
C. Health Manpower				
Doctors	5000	4500	90	5000
Dentists	450	400	80	500
Nurses	3500	3200	90	4000
Paramedics	5500	5000	90	5000
TBAs	500	450		550
Training of LHWs	100,000	96000	96	110,000
D Preventive Programme				
Immunization (Million NOs)	8.5	8	94	7.5
Oral Rehydration` Salt (ORS) (Million Packet)	25	24	96	22

**Chapter
16**

Population and Development

Pakistan, currently with a population of 164.6 million and with a growth rate of 1.7% per annum and an annual addition of 2.8 million persons, presents a challenge to address the issue of economic development and poverty reduction. Such an annual addition to the population, in the backdrop of low socio-economic indicators, not only dilutes the results of the development efforts but also creates unbearable level of demand on limited resources to meet the requirements of additional population. It is estimated that, population of Pakistan will reach to 193.8 million by 2020. Based on present growth patterns and trends, the economy will not be able to sustain the growing population, and hardly any improvement in the quality of life seems possible even under the most favorable assumptions. This trend is, therefore, a matter of deep concern and becomes a central issue in the overall planning perspective as well as poverty reduction strategy.

Increase of population in the urban areas (3.1% per annum) is contributing to the growth of slums, shanty towns, traffic congestion, and shortage of basic infrastructure and social services. This problem is becoming un-manageable and it is very difficult to expand urban services and facilities adequately to cope with the growing pressure of the increasing population. Beside other factors, it is creating law and order situation. The other population-related problem is the degradation of environment, which are not only affecting urban centers but also the rural areas. Forests are being depleted. Availability of agricultural land per person is as low as about 0.2 hectare and even that is under stress due to erosion, water logging and salinity. The situation is further aggravated by fragmentation of land caused by increasing population.

Policy Initiatives

The following policy initiatives are worth mentioning.

- The present Government has given immense priority to the Population Program. The Prime Minister in his first meeting of the cabinet directed the Ministry of Population Welfare (MOPW) for preparing a plan to address the serious issue of higher population growth rate.
- National Population Commission headed by the Prime Minister of Pakistan and four Provincial “Population Councils” headed by the Chief Ministers have already been constituted.

Strategy

In order to achieve the millennium development goals, the strategic focus is on the following:

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

- As per the Memorandum of Understanding (MOU) signed between Ministries of Health and Population Welfare, the health department will offer family planning services through all their centers.

Unfortunately, Pakistan is among the countries, where population growth is a big issue. In order to achieve a desirable level of total fertility rate there is still a lot to be done. The stabilization level can not be achieved without making drastic changes from policy to project execution level. The recent Pakistan Demographic and Health Survey carried out by NIPS reports a TFR of 4 per woman (2008-09). The survey also reports for the same period a contraceptive prevalence rate of 30 percent in 2008-09. These results depict a gloomy picture of performance of the Population Sector. Demographic targets, without involving the health service delivery outlets may not be achieved. Health outlets have to involve themselves to come forward to offer family planning services and Lady Health Workers (LHWs). Secondly, the private sector especially the NGOs have to play a pivotal role. There is no significant progress in involvement of private sector, as envisaged in the Medium Terms Development Framework (MTDF) 2005-10.

Review of Demographic Indicators 2008-09

Some of the selected demographic indicators for the period 2008-09 are reflected in the Table 16.1.

Table 16.1 Selected Demographic Indicators *

	2008 (1st July)	2010 (1st July)
Total Population (million)	161.9	164.6
Urban Population (million)	57.1	58.9
Rural Population (million)	104.8	105.7
Total Fertility Rate (TFR)	4.3	4.0
Crude Birth Rate (per thousand)	25	24.9
Crude Death Rate (per thousand)	7.7	7.5
Population Growth Rate (percent)	1.8	1.7
Life Expectancy (years)	64.9	66.0
Contraceptive Prevalence Rate (percent)	30	30
Unmet Need	33-38	33-38

Source: National Institute of Population Studies (NIPS)

*Estimates are under revision based on the PDS 2006 results

Review of Financial Performance 2008-09

During the financial year under review an amount of Rs 4.3 billion (including Rs 225 million as a foreign exchange) was allocated to 29 projects and programmes of the population sector. However, the program was capped on Rs 3 billion. The Federal and Provincial Population Welfare Programmes are likely to utilize an estimated amount of Rs 3 billion by the close of June, 2009.

Physical Achievements

The Population Welfare Program on cumulative basis have 3314 service delivery outlets, which include; (a) 2846 Family Welfare Centres (FWCs); (b) 176 Reproductive Health Service – A (RHS-A) centres; and (c) 292 Mobile Service Units (MSUs). Besides 5133 Social Mobilizers (male) are also available. The target of MSUs set for the period 2003-08 has been fully achieved.

Contraceptive Performance

The contraceptive performance of the program indicates estimated 8.4 million users upto June 2009.

PSDP Allocations for 2009-10

The Population Welfare Program for the financial year 2009-10 is in line with the sectoral targets and objectives set in MTDf (2005-10) and Millennium Development Goals (MDGs). An allocation of Rs 4.8 billion has been earmarked in the PSDP 2009-10 for the Federal and Provincial Population Welfare Programs. There is an increase of Rs 1.8 billion over the actual expenditure of Rs 3 billion in the financial year (2008-09). The Allocation has been made keeping in view the utilization capacity of the executing agencies.

Physical Targets 2009-10

The population welfare program envisages having following service delivery outlets during the next financial year (2009-10). Table 16.2 is referred.

Table 16.2 Physical and Contraceptive Users Targets

(Cumulative Number)

Name of Service Outlet / Unit	2008-09 (Bench mark)	2009-10 (Targets)
Public Sector		
i) Family Welfare Centres (FWCs)	2846	3248
ii) Reproductive Health-A Centres	176	260
iii) Mobile Service Units (MSUs)	292	293
iv) Contraceptive users (million)	8.4	8.9
Private Sector		
i) RHS-B Centres	129	149
ii) Registered Medical Practitioners (RMPs)	24127	24347
iii) Hakeems and Homeopaths	13701	13776

Source: Ministry of Population Welfare.

**Chapter
17****Employment**

Employment is the key mechanism through which the benefits of growth can be distributed to the poor segment of the country. Access to decent work is thereby crucial in the process towards reduction in poverty and income inequality. Employment is very dynamic and multi dimensional subject hence it requires a multi pronged strategy to deal with it. The Medium Term Development Framework (MTDF) 2005-10 suggests multidimensional policies to generate additional 6.9 million job and thus reduction in unemployment to 4.0 %. The annual plan strategy follows the MTDF and 9-Point Socio-economic Agenda to tackle the unemployment problem.

Policy

The policy is based on major initiatives regarding legislation relating to welfare of labor, conformity of labor laws with International Labor Laws Standard, regulation of labor laws, employment generation and safety nets, and preparation of short and long term skill development program to enhance the capabilities of people to seek productive employment and get better wages.

Strategy

- Employment promotion is based on high Job turnover, economic and social security of workers and labor activation policy (skill for labor force).
- Emphasis would be given to generate employment in the rural areas through development of physical and social infrastructure and agro-based industries.
- Need oriented technical / vocational training
- Within in each economic activity, if feasible, efforts would be made to employ labor intensive production techniques.
- SMEs would be promoted for employment generation by using better production techniques, training and marketing outlets.
- Sectors in which the country has comparative advantage and that employ more labor would also to be promoted through major policy initiatives. These sectors include agriculture, Small and Medium Enterprises (SMEs), construction, and general services.
- Efforts would be made at the highest level for exploring new markets for overseas employment.

Review

Government is cognizant of the unemployment situation and several policies steps have been taken to tackle it. As a result, the overall unemployment rate has decreased from 8.3% in 2001-02 to 5.2% in 2007-08. During the period, labor force annual growth was 3% while growth in labor demand was 3.5%; decreased in unemployment from

8.3 to 5.2%. The quantum of unemployment is 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. Overall, participation rate during the period has increased 2.6% points and female participation rate has increased 4.2% points. Detail is presented in Table 17.1

**Table 17.1 Participation and Unemployment Rates
2001-02 to 2007-08**

(%)

	2001-02	2003-04	2005-06	2006-07	2007-08
Participation Rate	29.6	30.4	33.2	31.8	32.2
Male	48.0	48.7	50.3	49.1	49.3
Female	9.9	11.2	13.3	13.5	14.0
Unemployment Rate	8.3	7.7	6.2	5.3	5.2
Rural	7.5	6.7	5.3	4.7	4.7
Urban	9.8	9.7	8.04	6.7	6.3
Males	6.7	6.6	5.4	4.5	4.3
Females	16.5	12.7	9.3	8.4	8.5

Current Employment Scenario

On the basis of estimated population of 161.9 million and the participation rate of 32.2% as per the Labor Force Survey 2007-08, the labor force is estimated at 52.1 million. Of the total labor force, males constitute 41.1 million or 78.8% whereas females are 11.1 million or 21.2%. Of this 36.7 million and 15.4 million is rural and urban labor force respectively. Of the total labor force, 49.4 million are employed while 2.7 million persons, who constitute 5.2% of the labor force, are unemployed. Out of total unemployed persons, males are 1.8 million or 65.3% while females are 0.9 million or 34.7%.

Of the total employed workforce, the majority i.e. 44.6% is employed in agriculture sector, 0.12% in mining, 13% in manufacturing sector, 0.7% in electricity and gas distribution, 14.6% in trade, 6.3% in construction sector, 5.5% in transport, 1.4% in finance and 13.8% in the community and social services sector. As employment status is concerned, 1% are employers, while self employed, unpaid family helpers and employees are 34.2%, 29% and 36% respectively.

The unemployed labor force is 2.7 million (1.8 million males and 0.9 million females), which constitutes 5.2% of the total labor force. The quantum of unemployment is quite high in rural areas (1.7 million) as compared to urban areas (1 million). Similarly the unemployment rate among females is higher i.e. 8.5% as compared to males, which stands at 4.3%. Unemployment among literate is high and mostly below Matric are unemployed.

Women Employment

Female's population constitute of 48.6% of total population but their share in labor market is not proportion to their share in total population. Only 11 million (21.2%) women are in the labor force as compared to 41.05 million (78.8%) males in the total labor force. In terms of employment only 10.08 million (20.4%) women are employed as compared to 39.3 (79.6%) million men in the employment. Total unemployed labor force is 2.7 million, while female unemployed are 0.9 million which constitute 34.6% of total unemployed. Female unemployment is 8.5%. However, female participation rate has increased by 4.1% points and unemployment has decreased 8% points from 2001-02 to 2007-08. This indicates that female participation in economic activities is increasing and economy is moving towards reducing gender gap.

Youth Employment

According to available labor statistics, youth population is estimated at 33.08 million. Youth labor force is estimated at 14.5 million and out of total youth labor force 13.3 million are employed while 1.1 million unemployed. Presently Youth unemployment rate is 7.7% and ratio of youth unemployment rate to total unemployment rate is 1.5. Share of youth unemployment in total unemployment is 0.4 and share of youth unemployment in total youth population is 0.03.

Unemployment among the youth has not only a social dimension but also shows wastage of trained and young population of the country. Government is aware of unemployment of youth and trying to invest in education and vocational training for enhancement of youth labor force skill which is helpful in seeking productive employment. Numbers of projects are being implemented in the field of education and vocational training. Government also believes in equal opportunity for young women and men and trying to eliminate discrimination if any. Small Medium Enterprise Development Authority (SMEDA) is providing all guidance and facilities to the youth for starting and running the enterprise. Micro Credit facility is also available for youth to set up their own business.

Employment Projection

The MTFDF envisaged that growth rate of labor demand on the basis of given labor intensity in different sector and projected GDP growth rate would be 3.2% but actual figure is 1.7% in 2008-09. The growth rate of labor supply was projected to grow by 2.4% but actual is 1.7%, assuming no change in participation rate. The reason behind of this is that envisaged GDP growth rate was not achieved due to supply shock, political turbulences, increasing commodity prices and the turmoil in the global financial markets. This clearly manifests that labor demand not only depends on economic growth but also its composition or it may take time to affect the labor market. For next financial year, it is anticipated that with envisaged GDP growth rate of 3.3% along with employment elasticity of 0.45 employment demand will increase by 1.5%. Unemployment would be near to same level of 5.2%, provided no change in participation rate.

Review PSDP 2008-09

Ministries of Labor, Manpower and Overseas Pakistanis

Financial: An allocation of Rs 126.8 million including Rs 3 million for Overseas Pakistanis Division was allocated in PSDP 2008-09 for 12 ongoing projects. An

estimated amount of Rs 63.7 million would be utilized by June 2009. Physical achievements for the year 2008-09 are presented in Table 17.2.

Table 17.2 Employment: Physical Achievements 2008-09

S#	Name of Project	Target	Achievement	%Ach
1	Establishment of Workers Education Centres at Sialkot and Gujranwala.	324 courses/workshops	399 courses with 15552 participants.	123%
2	Establishment of Policy Planning Cell.	Policies formulations	Policy formulated, labor laws simplified, pension fund EOBI	100%
3	Visit of Expatriate Pakistani Consultants for Short Duration Assignment in Pakistan.	Invitation of 20-25 expatriate Pakistani consultants	60 consultants visited since inception.	45%
4	Labor Market Information System & Analysis (LMIS).	Publication of 3 analytical reports, website, 4 surveys.	6 reports published.	90%
5	Training of Trainers for skill development.	11 courses with participants of 770 in one to six months duration.	8 courses with participants of 387.	60%
6	Establishment of Vocational Training Center School in Kashmore, Sindh.	Civil works, equipment, furniture & fixture for centre	Structure constructed, equipment partially acquired, vehicle purchased.	70%
7	Technical Training Institute for Construction Trades, Mandra (Punjab).	Training, trade testing & certification of 4000 trainees in 10 construction trades in 3 months courses.	5132 trained through 8 batches, 800 trained	110%
8	Trade Testing & Certification of Training Trainees & Skilled workers.	To train 6000 trainees.	3155 formal sector trainees and 174 informal sector trainees.	70%
9	Green Man Certificate Coures on Gardening.	To train 1800 gardeners in 6 months.	119 gardeners trained.	10%
10	Construction of Hostel Building for 100 persons in NTB Complex.	Construction of hostel building	Work in progress.	30%
11	Computerization of the data of outgoing emigrants and returning migrants.	IT operations, maintenance of server regional offices computerization.	1200 licensed overseas employment promoters have been computerized.	100%

Skill Development Program

Human Resource Development plays a key role for sustainable economic development and in meeting the challenges of global competitiveness. In this context technical and vocational education and training (TVET) is very important for Pakistan's economy. This sector remained neglected not only in terms of financial allocations but also in terms of policy action resulting in serious skill gap to meet the growing needs of the economy at home and abroad.

To address this problem the National Vocational and Technical Education Commission (NAVTEC) was established. This Commission was entrusted with a broad mandate to reform the existing TVET, to create training program/courses relevant to the industry and market demand to assure quality, and improve access, equity and employability. It was supported by a significant increase in financial allocation by the government amounting to Rs 7.9 billion in the medium term development plan (2005-2010).

To address the technical and vocational education and training needs and facilities in the country, NAVTEC conducted a nation-wide survey in the year 2006. This survey covered both the public sector institutions and the private sector institutions. According to this survey some 1,522 institutes are working in Pakistan with enrolment of 314,188 trainees and a faculty of 17,409 teachers.

Out of Rs 2 billion allocated for PSDP 2008-09, an amount of Rs 729.8 million is expected to be utilized up to June 2009. With the cooperation of public/private sector training providers, 64,880 persons have been trained and 31,228 are still under training since inception of the NACTEC.

Annual Plan 2009-10

Ministry of Labor and Manpower

Financial: The development Program has been prepared in line with the MTFD objective of improving the overall employment situation in the country. Rs135.4 million has been allocated to eight ongoing projects of Labor & Manpower Division for PSDP 2009-10.

Physical

Physical targets set for the year are presented in Table 17.3.

Table 17.3 Employment: Physical Targets

S#	Name of Project	Target
1	Visit of Expatriate Pakistani Consultants for Short Duration Assignment in Pakistan.	To invite 20-25 expatriate Pakistani consultants
2	Labour Market Information System & Analysis (LMIS).	4 surveys at Karachi, Hyderabad, Sialkot & Faisalabad and upgradation work will be done.
3	Training of Trainers for skill development.	To train 250 instructional staff.
4	Establishment of Vocational Training Center School in Kashmore, Sindh.	Civil works, equipment for 7 trades.
5	Technical Training Institute for Construction Trades, Mandra (Punjab).	To train 1262 trainees.
6	Trade Testing & Certification of Training Trainees & Skilled workers.	Trade testing & certification of 5000 skilled workers in formal & informal sector.
7	Green Man Certificate Courses on Gardening.	To train 600 gardeners in 6 months courses.
8	Construction of Hostel Building for 100 persons in NTB Complex.	Continuous civil works.

Skill Development Program

Financial: Rs 1.5 billion has been allocated to the National Vocational and Technical Education Commission (NAVTEC) in PSDP 2009-10 for funding to the 110 development projects costing Rs 8.8 billion.

Physical: Under the program 60,000 unemployed youths will be trained in 216 courses of high demand technologies.

Employment Promotion Policies

The policy focus of present government is on creation of decent employment, and human resource development. The importance of the fact can be gauged by the initiatives taken by the present government such as National Internship Program, President's Rozgar Program; credit is being provided for self employment by National Bank of Pakistan (NBP), enhancement of residential facilities by construction of one million housing units, doubling of lady health workers to cover Kachi Abadis, raising of minimum wage from Rs 4600 to Rs 6000 and pension of workers, restoration of Trade Unions. These steps will be helpful in employment generation and human resource development. Cross sectoral specific initiatives are given as under:

- Accelerating Investment and Economic Growth
- Investing in Increasing Water Resources
- Setting Up SME Bank
- Micro Credit Facilities through Khushhali Bank
- President's Rozgar Scheme by National Bank of Pakistan (NBP)
- Pakistan Skilling Program
- Skill Development Councils
- Overseas Employment
- Information Technology
- Labor Market Information System and Analysis
- Benazir Income Support Program
- National Internship Program

Chapter 18

Women Development and Social Welfare

18.1 Women Development

Eliminating gender inequality and achieving women's empowerment is necessary for national development, agenda of the Government and international commitment for achievements of all Millennium Development Goals (MDGs). Beside recognition of gender equality as human right and a social justice issue, empirical evidence demonstrates its centrality for the achievements of equitable and sustainable development as well as poverty reduction in the country.

Given the range of challenges the overall goal of Women Development remains socio-economic and political empowerment of all Pakistani women through eradication of extreme poverty, and achievements of MDGs. Specific objective of women development is gender mainstreaming to remove inequalities and imbalances in socio-economic development across sectors, ensure opportunity for equal access and benefits of development to women, ensure participation of women in national development and decision-making processes at the community level. Therefore, overall gender development remains a cross sectoral initiatives encompassing, social, legal and economic reforms.

The planned strategy for women's development is to focus on mainstreaming through an integrated approach, to be taken up collectively by all Ministries and Departments. The Ministry of Women Development (MoWD) acting as an advocate and catalyst.

Review of 2008-09

The Ministry of Women Development has been implemented 20 schemes with total cost of Rs 878.8 million and allocation of Rs 184.6 million for the year 2008-09. The Ministry utilized Rs 117.1 million against the PSDP allocation in reforms, Micro Credit, Protection & Rehabilitation, Women Crisis Centers (Re-naming as Shaheed Benazir Bhutto Women Centers), Health, Transport Support, Awareness Raising and Training & Skill Development. Implementation of Gender Reform Action Plan (GRAP) is the major reform initiatives of the Ministry. The Ministry extended the project up to June 2009-10. Brief of the achievements and programs implement during 2008-09 are given as follow:

Reforms

The Government has launched a major project the National Gender Reform Action Plan (GRAP), to promote a coherent gender reform agenda to align policies, structures, programs and projects for enabling the government to implement its national and international commitments on gender equality. It specifically aims at introducing reforms to engender government machinery at the federal level with a positive bias for women and influence to provinces. The project is being implemented since 2005 at a cost of Rs 418.5 million. The program established 5 gender development sections in five of stakeholders/ministries against the target of 13. These sections have been instrumental in actions leading to reforms.

Convention on the Elimination of all Forms of Discrimination against Women (CEDAW) is being implemented by the Ministry of Women Development at a cost of Rs 34.8 million. The project collects and compiles information for reporting and follow up sharing recommendation with the stakeholders. The 4th Report on CEDAW implementation is being prepared for submission to the UN Committee.

Micro Credit

Four programs were piloted in the provinces in collaboration with NGOs and Banking Institution under the National Fund for Advancement of women. These programs are mentioned as under:

- Patti Development Project, Chitral being executed in partnership with Agha Khan Rural Support Program (AKRSP) at cost of Rs 32.7 million
- Skill and Micro Enterprise Development amongst Gwadar Women in collaboration with Khushhali Bank. at cost of Rs 26.8 million
- Economic Empowerment of Rural Women in collaboration with First Women Bank. at cost of Rs 24.5 million
- Economic Empowerment of Women in Tharparkar District with collaboration with Thardeep Rural Development Program (TRDP). at cost of Rs 8.7 million

Family Protection, Rehabilitation and Crisis Centers

Protection, Rehabilitation of Women through Crisis Centers is the regular program of the Ministry. These Centers are initiated as part of the development program and are then shifted to regular budget of the Ministry. These Centers provide following services:

- To provide medical/first aid.
- To provide free legal assistance aid.
- To liaison with agencies competent to redress grievance of women at individual and collective levels, especially those concerned with combating violence against women.
- To protect women against violence of all kind.
- To eliminate all forms of discrimination against women.

The Ministry by June 2008-09 has established 25 Centers at District level.

Training and Skill Development

Multi dimension programs have been implemented with cumulative approved cost of Rs 23.8 million for training and skill development to women especially in rural areas, computer literacy and numerous market based.

Awareness Raising

Awareness raising campaign on legal rights of women was launched in district Larkana at a cost of Rs 3.5 million. The activities included printing and distribution of brochures/

banners on women rights, mobilization of communities with a special focus on rural women.

Physical Targets and Achievements 2008-09

Physical targets and achievements of the major program of the Ministry are given in Table 18.1.1.

Table 18.1.1 Physical Targets and Achievements 2008-09

Sub-Sectors	No of Projects	Targets	Achievement
Reforms	2	13 (Establishment of Gender Development Section)	5
Micro Credit	2	Micro-credits beneficiaries to 2500 women. Training of 2000 women	76 beneficiaries of Rs. 1.5 million disbursed. 1561 women trained.
Family Protection, Rehabilitation & Crisis Centers	4	8000 (beneficiaries)	4421
Health Care	1	Construction of 10 Bashalanis in Kalash Valley	2 Bashalanis have been completed).
Mobility Support	4	9 (Buses)	-----
Training & Skill Development	6	2000	853
Awareness Raising	1	Awareness Raising Seminar at Tehsil level about 600 participants.	More than 550 participants have been attended Seminars.

Program for 2009-10

An amount of Rs 173.7 million in PSDP 2008-09 has been allocated for 17 on-going projects. The Women Development will initiate four new integrated schemes in women protection and economic empowerment, with an allocation of Rs 190 million. The total development outlay of the Ministry for 2009-10 is Rs 363.7 million. PSDP allocation for the projects of women development are presented in Table 18.1.2.

Table 18.1.2 PSDP Allocation for Women Development 2009-10

(Rs Million)

S.NO	Sub-Sectors	No. of Projects	Allocation for 2009-10
On-going			
1	Reforms	2	69.5
2	Economic Empowerment	8	24.2
3	Protection & Rehabilitation Centers	4	60.2
4	Health Care	1	9.3
5	Mobility Support	1	8.0
6	Awareness Raising	1	2.2
Total		17	173.7
New			
1	Protection & Crisis Centers	2	65.0
2	Economic Empowerment	4	125.0
Total		6	190.0
Total (Ongoing & New)		23	363.7

Programs for 2009-10**Establishment of Women Crisis Center (Renaming as Shaheed Benazir Bhutto Women Centers)**

The Ministry of Women Development will increase network of crisis centers across country, to 64 from present network of 25 centers. The crisis centers provide temporary shelter and protection to women in crisis besides providing basic legal, medical and counseling services. First Women Center was established in Vehari in 1999, with 25 women center in various districts established by June 2008. New 39 women crisis center will be established at District level. Each centers is planned to serve on average about 1000-1500 cases annually. The planned centers also include 9 women centers to be established in earthquake affected districts with collaboration of ERRA.

IT Training for Elected Lady Representatives:

A nation wide project "IT Training of the Elected Lady Representatives" is being implemented across the country for elected Nazim, Naib Nazim and Councilors. The project will train lady councilors in computer literacy and basic technique, for information gathering, internet surfing and local connectivity.

Economic Empowerment of Women

The Ministry has planned three new initiatives for extending micro credit to individual and female entrepreneurs. These will be implemented in the four provinces.

18.2 Social Welfare

Social Welfare provides support to poor and needy people to enhance their capabilities to mitigate vulnerability. The Social Welfare Programs target poor children, women, elderly, disabled persons and people socially excluded. The programs mainly focus translation of National Social Welfare Policy 1994, National Policy for Persons with Disabilities 2002 and National Social Protection Strategy 2007 into Action.

Sectoral Policy

The overall policy for social welfare has two main strategic interventions: (i) social protection and (ii) social mitigation. This strategy focuses on the protection, welfare, rehabilitation and empowerment of poor and vulnerable segment of society through new initiatives and expansion of existing social welfare services to target beneficiaries. The social mitigation is part of the overall social protection strategy and other measures taken by the Government.

Achievement 2008-09

During the year 2008-09, seventy five schemes of social welfare with PSDP allocation of Rs381.2 million remained in progress and Rs362.2 million have been estimated to be utilized. These schemes mainly focused on provision of education services, training and rehabilitation of special children, community development, patient's welfare, child protection, staff welfare and fiscal incentives to NGOs operating at grass root level. The Ministry of Social Welfare through its constituent organizations is implementing seventy five projects as part of its development programs. Allocation and utilization for the different projects for the year 2008-09 are given in Table 18.1.1

Table 18.1.1 Allocation & Utilization of the Projects

(Rs Million)

Categories	No. of Projects	Allocation 2008-09	Expenditure Up to June 2009
Special Education	49	243.3	243.3
Special Welfare	20	94.3	94.3
NGOs' Support	03	16.6	16.6
Staff Welfare	03	27.0	8.0
Total	75	381.2	362.2

The physical achievements of major programs are summarized in the following paragraphs.

Special Education

Various type of special education centers provide education, training and rehabilitation to children with disabilities. About fifty five such centers are operating across the country, of which twenty centers have been upgraded from primary to secondary level during the year 2008-09 in addition to establishment of twenty new centers. These additional centers will increase enrollment of students from 4400 to 6640. Three new centers are for physically handicapped children, two for mentally retarded children, four for hearing impaired children and one for visually impaired children. Some centers are also upgraded: seven for hearing impaired children, five for physically handicapped children and eight are for visually handicapped children. During the year, five vocational training centers and one rehabilitation center were also established. Provision of hostel facilities and computerization of centers have also been started.

Social Welfare

Ministry of Social Welfare has implemented twenty community development, medical, child labor and NGO management projects. Eleven schemes of Community Development have also been implemented. The child welfare and rehabilitation projects were planned to conduct a situation analysis of vulnerable children and to identify separated, exploited and abused children.

National Council of Social Welfare (NCSW)

The NCSW is an apex organization of the Ministry of Social Welfare and Special Education fostering growth and development of NGOs and other institutions providing humanitarian services across the country

The NCSW implemented three projects during the year at a total cost of Rs. 84.4 million with allocation of Rs. 16.6 million and estimated expenditure of Rs. 18.3 million for 2008-09.

The NCSW extended support to NGOs operating at community level providing financial support of Rs.8.3 million, enacted certification to eighty four NGOs.

The social welfare related projects mainly have focused on community mobilization, support in Maternal and Child Health (MCH) services and vocational trainings. The Ministry of Social Welfare and Special Education has been operating twenty two such centers, providing services to about ten thousand beneficiaries.

The consolidated summary of the physical achievements are given in the table below:

Table 2: Physical Achievements up to 2008-09

Projects Categories	Unit	No. of Projects / Centers	Beneficiaries
Special Education & Rehabilitation	No. of centers	56	2240
Community Development	No. of centers	22	10009
Social Services Medical Centers	No. of centers	12	16691
NGOs Grant for Welfare of the Needy and Vulnerable People.	No. of schemes	03	1080 NGOs
Non Profit Organization Certification Program	No. of schemes	01	84 NGOs
Staff Welfare Services	No. of schemes	03	1050

PSDP for the Year 2009-10

All the fifty five ongoing schemes will be completed during the year at a cost of Rs.329.2 million while twelve new schemes will also be initiated at an estimated allocation of Rs.151.8 million. The total development outlay of the Ministry is estimated at Rs. 481.1 million. The PSDP 2009-10 details given as under:

Table 3: Ongoing & New PSDP Projects

S. No	Nature of Project	Number of Projects	Allocation (million)
Ongoing			
1	Special Education	36	174.15
2	Social Welfare	19	126.16
3	NCSW	3	28.96
Total		55	329.28
New			
1	Special Education	10	142.28
2	Social Welfare	2	9.51
Total (SW &SE)		12	151.8
Total (Ongoing & New)		67	481.09

Special education would complete one integrated centers for visually, mentally and physically handicapped children at Gilgit and one for physically and mentally retarded children at Okara will be established with provision of hostel facilities at three places. Computerization of National Braille Press will be started at a cost of Rs. 27 million and will be completed next year. A special education center at Dadu will be established during the year 2009-10.

Social welfare will initiate two new projects at a cost of Rs. 16.8 million and allocation of Rs. 9.5 million during 2009-10 which will include establishment of twelve Vocational Dastkari schools for women and establishment of three National Centers for Rehabilitation of Child Labour.

Chapter 19

Rural Development, Special Area and Drought Recovery Program

19.1 Rural Development

The rural sector is the backbone of Pakistan's economy. The performance of agriculture is tied up with the well being of rural population. Rural poverty remains high, with low level of quality of life indicators. The positive features include the emergence of empowered local governance and greater funds availability under Peoples 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.

Policy

Rural Development is a multi-sectoral approach for development of physical and social infrastructure with a view to realize full productive potential of rural areas and spread benefits of development to the rural population, which currently forms about 64 % of total population. A broad policy needs to be focused for the development and uplift of rural areas. The main features of the policy are:

- Improving the rural infrastructure.
- Provision of social amenities of life (education, health, water supply, sanitation and rural electrification).
- Undertaking such productive projects that will satisfy the felt needs people.
- Enhancing opportunities for gainful work to combat unemployment and under-employment in rural areas.
- Mobilizing local resources, creating spirit of self-help and motivating people for participation in rural uplift programs.
- Meaningfully integrating rural development with the national socio economic development efforts and further developing existing infrastructure.

Strategy

For development of rural areas, a holistic approach will be adopted for rural development with local governments in the lead role, supported by the provincial and federal governments, with focus on the followings:

- Rural development institutions.

Review of 2008-09

During the financial year 2008-09 an amount of Rs 5.6 billion including Rs 173.9 million of foreign aid was allocated for rural development sector. Against, this allocation Rs 5,041 million including Rs 173.9 million foreign grant would be utilized upto June 2009, showing utilization of 90 %. Narcotics Control Division and Interior Division could not utilize the whole allocation due to poor law and order conditions in their respective areas. Details of allocation and utilization may be seen in Table 19.1.1

Table 19.1.1 Agency-wise Allocations and Utilization 2008-09

(Rs million)

Agency/Division	2008-09		
	Allocation	Utilization	% Utilized
Local Government & Rural Development	4472.0	4472.0	99
Narcotics Control Division	384.7	136.0	36
Finance Division	10.0	10.0	100
Interior Division (ICT)	746.4	423.0	50
Total	5613.1	5041.2	90

* Including Rs 173.9 million as foreign aid

Physical Achievements:

During the period, total 970 schemes were approved under PWP 117 km of rural roads were rehabilitated/constructed, electricity was extended to around 60,000 house holds through 800 schemes, gas was supply to 20,000 house-holds through 20 schemes, provision of potable drinking water supply was supplied through 50 schemes, total 9 Dug well and 2 Hydel power stations were constructed in Mahmand, Bajour & Khyber tribal agencies, 1.9 million sft streets are pavement and 300 women were provided training in different fields through Peoples Works Program, Area development program and Islamabad Development Package. Detail of achievement may be seen in Annex-19.1.1.

Programs for 2009-10**Financial**

Under the financial year 2009-10 an amount of Rs 6254.283 million including Rs 315.5 million of foreign grant have been proposed for the Rural Development in Public Sector Development Program 2009-10. This allocation is 24% over and above the utilization of the current financial year. 2008-09. Higher allocation is proposed in wake of provision of better additional facilities of life at the doorsteps to the rural poor. An amount of Rs 5.2 billion has been allocated to Local Government & Rural Development for the People's Works Program and other ongoing projects. Rs 377.279 million include foreign grant of Rs 315.5 million would be provided to Narcotics Control Division, Rs 6.80 million for the Finance Division to complete on-going on TA2 Gender & Governance Mainstreaming under Decentralization Support Program and Rs 630.704 million including Rs 351 million for Islamabad Development Package to Interior Division. Agency wise allocation for the year 2009-10, Table 19.1.2 is referred.

Table 19.1.2 Agency-wise Allocations (2009-10)

(Rs million)

Agency/Division	Allocation
Local Government & Rural Development	5239.5
Narcotics Control Division	377.279*
Finance Division	6.800
Interior Division (ICT)	630.704
Total	6254.283

* including Rs 315.48 million foreign grant

Physical

During the financial year 2009-10 the details of the physical targets for the activities under Area Development Projects are to construct black topped roads, dug wells, small hydel power stations in tribal agencies, water resource development schemes, agriculture extension related activities etc under Area Development Program. It proposed that 180 km of rural roads and 6 street pavement schemes in the rural areas of Islamabad Capital Territory (ICT) (Interior Division). Under People's Works Program-I different schemes would be identified by the public representatives keeping in view the needs of the communities. Proposed schemes are forwarded to Executing Agencies for proper feasibility report, cost estimates and administrative approval.

People's Works Program-I

The People's Works Programmed –I (PWP-I) was launched from 1st July 2008 under PM Directives. Under PWP-I an amount of Rs 4.4 billion was allocated to be released for small development schemes identified by 442 Parliamentarians. Each Parliamentarian can identify schemes in predetermined nine sectors to the tune of Rs 10 million.

The objective of PWP-I is to supplement Government's development efforts by execution of local development schemes proposed by Parliamentarians in the sectors of Construction/Improvement of Roads, Provision of Electricity, Gas and Telephone Facilities, Sanitation and Drinking Water Supply Amenities, Street Pavement, Drains and Street Lights, Works and Equipment regarding Health, Education and Veterinary Health Care Facilities, Small Irrigation and Land Protection Works and Land Development through Bulldozers Hours.

Schemes are funded and executed from PWP-I based on prioritized list of projects identified by the parliamentarians in their respective constituencies within the overall parameters of the approved policy and budgetary ceilings fixed by the Government. The stipulation of "respective constituency" shall however, not apply to project sponsored by Senators and MNAs elected on reserved seats.

During current financial year 2008-09, as on 11th May, 2008 a total amount of Rs 2.2 billion have been released for a total number of 2568 schemes in favor of 271 Parliamentarians which include a total of 165 MNAs, 66 Senators and 34 MNAs on Women Reserves seats. Out of total 2568 schemes, there are 970 Road schemes,

800 Electricity schemes, 20 Gas schemes, 01 Telephone scheme, 133 Education schemes, 61 Health schemes, 463 Water supply schemes, 111 Sanitation schemes and 9 Bulldozers Hours schemes have been completed. Furthermore an amount of Rs 51.5 million has also been released for completion of incomplete/ongoing schemes as carried over/committed liability.

19.2 Drought Recovery Assistance Program

Drought Situation

The water availability in the Indus River System remained quite serious as the river withdrawals during Rabi 2007-08 was 23% less than the crop requirement. It had further aggravated to 31% less than water required for crops in 2008-09. The rainfall during winter (January - March) 2008 was 30% less than normal rainfall. However, on Pakistan basis it was 10.3% above normal during the winter 2009. The Punjab, which is the main wheat growing province, received 8.7% low rainfall during the corresponding period. The rainfall in Kharif 2008 was 9.1% less in Balochistan and 29.1% less in Sindh. The river withdrawal, however, during Kharif 2008 was just equal to the crops' requirement. The IRSA has forecasted adequate flow of river water for Kharif 2009 due to high temperature in the snow-belt of Northern Areas.

Objectives of DRAPP/DERA-II

- Reviving the agrarian economy.
- Employment generation.
- Capacity building
- Environment improvement

Scope

The scope of DRAPP/DERA-II has been extended to the drought-prone districts/areas and agencies of all the Provinces, FATA, FANA, AJ&K and ICT. The key areas being covered under the Program are as follows:

- Water management and conservation
- Rural water supply
- Agriculture development
- Livestock and veterinary development
- Forestry, watershed and range management
- Construction and rehabilitation of small rural roads in drought-affected areas.

Policy and Strategy

The program is based on community identified demand-driven schemes; labor intensive in nature; simple procedure for preparation and approval of schemes; upfront release of funds; close coordination and effective monitoring of the program project by the Federal DERA Unit (FDU), which has already been established in the P&D Division.

The Role and Functions of the Stakeholders

The federal government is playing an active role in (i) scrutinizing the schemes (ii) overall monitoring and supervision of the Program project including random spot checks and, (iii) ensuring funds flow to the provinces and timely reconciliation of expenditure. The provinces have the Project Coordination Units within the Planning and Development Departments (P&D) for coordinating development activities to be carried out under the program. The Provincial Finance Departments guides the district governments. The district governments are responsible for (i) identification, prioritization and selection of portfolio of schemes; (ii) planning (design, bidding document preparation, tendering and selection of contractors), awarding contracts, supervision and commissioning of sub-projects, in collaboration with communities and, (iii) managing the funds making payments to contractors and preparing financial management reports for submission to the Provincial Coordination Unit and Federal DERA Unit (FDU).

Impact Assessment and Sustainability of DERA-I

The Impact Assessment and Sustainability Report on DERA-I program was evaluated by the eminent scholars/institutions on honorary basis. They have recommended continuity of the program under the existing framework.

Financial and Physical Progress 2008-09

An allocation of Rs 1.5 billion was provided in 2008-09, which was distributed among the stakeholders according to ECNEC's approved formula based on severity of drought. It is estimated that 100% budgetary allocation would be utilized by June, 2009. The Federal Steering Committee (FSC) which is an apex body to review the performance of the program has approved 1037 schemes costing Rs 2.8 billion. Highest priority has so far been accorded to Water Management both for drinking and irrigation (68%) followed by Roads (16%), Agriculture (14%) and others (1%). The sector as well as the stakeholder-wise distribution of approved schemes during FY 2008-09 is given in Annex 19.2.1. By end March, 2009, 463 schemes have since been completed at the cost of Rs 871 million (Annex 19.2.2) and 274 schemes are at various stages of its implementation. Tenders for 269 schemes costing Rs 879 million are being processed. The implementation of 31 schemes has been stopped due to dispute, court stay orders or other technical reasons. During the year, 1104 tube wells were installed; 260 irrigation channels/Karezes were improved; 428 small dams/reservoirs and 570 community tanks were constructed. It is estimated, that the crop yield has increased by 70-80% in rain-fed and 25-30% in the irrigated areas of the project. In addition 337 hand pumps were installed; 54 wind mills as an alternate source of energy were built in Balochistan. The veterinary centers (47) have been constructed to provide health and artificial insemination facilities to the animals. The program has generated 24,600 man-month jobs for the local skilled and unskilled population, especially at the time when poverty and un-employment was rampant due to persistent drought. Under the rural access roads, 257 Kms roads were constructed which provided links to markets, schools and health facilities to the population.

Targets for 2009-10

Due to resource constraints, an allocation of Rs 1.5 billion has been provided for the program for the 2009-10, which is 22% of the approved phasing of the PC-I. Therefore, the meager resource allocations for DRAPP/DERA-II will severely affect the development tempo achieved during its 1st phase. However, efforts will continue to arrange additional resources. The Federal DERA Unit will continue to pursue the

stakeholders to submit portfolio of their demand driven schemes against upfront releases available with them, indicating input, output and outcome targets in quantifiable form. The FDU will monitor 85 schemes. The sectoral priority will be accorded for management and conservation of water for drinking and irrigation purposes, followed by agriculture, roads and other sectors. The physical targets envisaged for 2009-10 are given in Table 19.2.1.

Table 19.2.1 DRAP/DERA-2 Physical Achievements 2008-09 and Targets 2009-10

Items	(Number)	
	Achievements 2008-09	Targets 2009-10
Tube-wells Installation	1104	600
Irrigation channels/Karezes improvement	260	140
Construction of Small Dams/Reservoirs	428	235
Construction of Community Tanks	570	310
Wind Mills	54	30
Hand Pumps	337	180
Construction /Rehabilitation of Roads (km)	257	140
Construction of Veterinary Centers	47	25
Employment generation (Man-months)	24,600	33,800

19.3 Special Areas

The Special Areas include Azad Jammu & Kashmir (AJ&K), Northern Areas (NA) and Federally Administrative Tribal Areas (FATA). These areas lag far behind the national, provincial and rural indicators in terms of incomes, pattern of land ownership and availability of public infrastructure. They are economically poor due to their remote location and inadequate linkages with more developed areas. The demographic features of these areas are presented in Table 19.3.1.

Table 19.3.1 Special Areas: Demographic Features

Indicator	National	AJ&K	NA	FATA	Total
Population (million)	161.7 (2008)	4.1	0.9	3.7	8.6
Area (sq. km)	796,096	13,297	72,496	2,722	88,515
% of Pakistan (Pop)		2.2	0.5	2.3	5.3
% of Pakistan (Area)		1.6	9	3.3	11

Policy

The essential policy measure for the socio-economic uplift of special areas is to ensure a stable and peaceful environment, with emphasis on improving law and order situation in FATA and provision of social and physical infrastructure including rural

roads, drinking water and sanitation, education and health facilities. Similarly, employment opportunities and income generating activities are being enhanced through sustainable development measures.

Strategy

The strategy proposed for the development of special areas includes:

- Provision of basic infrastructure including rural roads, clean drinking water supply and sanitation, education and health facilities and village electrification.
- Private sector's participation and measures to ensure effective implementation of the development policies in special areas of Pakistan.
- Empowering women economically and politically through better education, skill development, reduction of gender gaps in literacy and wage rates and health facilities.
- Addressing the problems of acute poverty, lack of access to economic and social services and absence of adequate rural infrastructure through community mobilization and access to micro-finance.
- Raising the quality of life and the environment through promotion of sustainable economic growth and to create a vibrant society with confident people/communities taking advantage of the increased economic and social opportunities.
- Identifying projects which can be launched under PPP (Public Private Partnership) modality in order to relieve the burden on public sector particularly in infrastructure projects.
- Promoting skill development, technical education and expanding vocational schools in collaboration with the private sector to make a country rich, prosperous, resourceful and to save a lot of foreign exchange.

Review of 2008-09

During financial year 2008-09 an amount of Rs 25.9 billion (Table 19.3.2) including Rs 0.8 billion as foreign aid was allocated for the development of Special Areas (AJ&K, NA & FATA) under block allocation. The sponsors were allowed to provide allocation as per their priority. Due to great emphases for development of these areas the proposed financial cut was not applicable on special areas. Out of total allocation of Rs 25.9 billion, the entire would be utilized.

Programs for 2009-10

For the development of Special Areas, Rs 38.4 billion including foreign aid of Rs 2.5 billion has been proposed in PSDP 2009-10, showing an increase of 47% over and above the PSDP 2008-09. Out of this allocation an amount of Rs 30.1 billion including Foreign Aid of Rs 2.5 billion has been provided as a block allocation for the special areas which includes Rs 12.9 billion for FATA, Rs 10.8 billion for AJ&K and Rs 6.5 billion for Northern Areas as shown in the Table 19.3.2. While an amount of Rs 8.3 billion over and above the block allocations has been reflected in the respective sector (i.e Energy, Health, and Rural Development Projects).

Table 19.3.2 Special Areas: Allocations 2008-09 and 2009-10

(Rs Billion)

Agency	Allocation 2008-09	Allocation 2009-10	% change
Azad Jammu & Kashmir			
Block allocation	9.3	10.7	46
Other projects	2.3	6.4	
Sub-Total	11.7	17.1	
Northern Areas			
Block allocation	5.4	6.5	48
Other projects	0.2	1.8	
Sub-Total	5.6	8.3	
Federally Administrative Tribal Area			
Block allocation	8.5	12.9	48
Other projects	0.2	0.005	
Sub-Total	8.7	12.9	
G- Total (Spl. Area)	25.9	38.4	47

The block allocations are given in Table 19.3.3. shows a consistent increase during the past 10 years for the development of special areas.

Table 19.3.3 Special Areas: Allocations 2008-09 and 2009-10

(Rs Billion)

YEAR	AJ&K	FATA	NA	TOTAL
2001-02	2.6	1.0	1.2	4.8
2002-03	3.3	1.9	2.2	7.5
2003-04	4.0	3.2	2.4	9.6
2004-05	4.5	4.0	2.8	11.2
2005-06	5.1	5.1	3.4	13.7
2006-07	6.0	6.2	4.0	16.2
2007-08	7.8	7.2	4.5	19.3
2008-09	11.7	8.7	5.6	25.9
2009-10	17.1	12.9	8.3	38.4

Federally Administrated Tribal Areas (FATA)

FATA consists of seven Agencies namely Bajaur, Mohmand, Khyber, Orakzai, Kurram, North Waziristan and South Waziristan and six Frontier Regions (FRs) close to Peshawar, Kohat, Bannu, D.I. Khan, Tank and Lakki Murwat Districts of NWFP. These areas have population of 3.7 million, and an area of 27,220 square kilometers, which lies along the 1500 kilometers long border with Afghanistan. The law and order condition is very poor and development indicators are also low. To bring the region at par with rest of country, allocation for FATA has been increased from Rs 1 billion in 2001-02 to Rs 12.9 billion in 2009-10. This significant rise in the total block allocation is meant for improvement of socio-economic conditions.

Azad Jammu and Kashmir (AJK)

Azad Jammu and Kashmir is the southernmost political entity of Pakistani-controlled part with a total area of 13,297 Sq KM and a population of 4.1 million is predominantly rural (rural urban ratio of 88:12). AJ&K consist of 8 Districts Bhimber, Kotli, Mirpur, Bagh, Muzaffarabad, Neelum, Poonch and Sudhnati.

The total block allocation for AJK has increased from Rs 2.6 billion in 2001-02 to Rs 17.1 billion in 2009-10. This significant rise in the total block allocation is meant to improve socio-economic conditions of the people. Following the devastating earthquake of October 8th 2005, the reconstruction and rehabilitation process in the quake-affected areas was taken-up in right earnest. Significant amounts have been earmarked for the reconstruction of infrastructure and rehabilitation of quake victims.

Northern Areas (NA)

The Northern Areas of Pakistan are spread over 72,496 sq km, with a population of 0.9 million. A large part of the population (80%) is engaged in agriculture. Only 2% of the land is cultivable, 4% is natural forest and 52% rangeland. The cultivation of fruit trees is important, particularly in the valleys, and fruits, such as apricots, almonds, pomegranate, grapes, peaches and mulberry, are not only a source of food but also earn cash. There is a growing service sector particularly in transportation, tourism and trading. The major potential for development in the Northern Areas is in the hydel power generation from River Indus and its tributaries. Minerals cross border trade and tourism are also important. The total block allocation for Northern Areas has increased from Rs 1.2 billion in 2001-02 to Rs 8.3 billion in 2009-10.

Annex 19.1.1

Physical Achievement During 2008-09

(Number)

Program/Schemes	Peoples Works Program	Area Development Program	Islamabad Capital Territory	Islamabad Development Package
Rural Roads (Schemes/km)	970	23 Km	58 Km	30 Km
Sui Gas Supply	20	-	-	-
Drinking Water Supply	463	13	15	12
Electricity	800	-	-	-
Dug well	158	9	-	-
Hydel Powers stations	-	2	-	-
Street Pavements (Million Sq ft)	-	-	1.90	-
Training of Women in different fields.	-	-	300	-
Education	133			
Health	61			
Sanitation	111			
Bulldozer Hours	9			

Sectoral Distribution of Approved Schemes Under DRAPP/DERA-II

(2008 - 09)

(Rs Million)

Province/ Sector	Drinking Water Supply		Irrigation/Water Management		Road		Agriculture/ Livestock/ Veterinary Services/ Fisheries/ Forestry		Others		Total	
	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost
Balochistan	215	355.9	115	113.3	60	91.7	44	67.6	-	-	434	628.5
Sindh	146	213.9	-	-	20	108.2	4	9.6	-	-	170	331.6
Punjab	52	409.9	27	152.9	38	219.3	53	302.1	3	3.8	173	1,087.9
NWFP	106	259.2	78	246.3	17	33.5	-	-	-	-	201	539.0
FATA	9	16.0	7	21.7	-	-	-	-	1	4.4	17	42.0
FANA	4	7.3	10	25.0	1	0.3	2	0.6	1	8.7	18	42.0
AJ&K	8	15.5	5	25.1	-	-	1	3.3	1	20.8	15	64.7
ICT	-	-	9	26.5	-	-	-	-	-	-	9	26.5
Total	540	1,277.6	251	610.9	136	453.0	104	383.2	6	37.6	1037	2,762.3
%age Share	52	46.0	24	22	13	16	10	14	1	1	100	100

**Sectoral Distribution of Completed Schemes Under DRAPP/ DERA-II
(2008 - 09*)**

Rs. in million

PROVINCE / SECTOR	Drinking Water Supply		Irrigation/ Water Management		Road		Agriculture/ Livestock/ Veterinary Services/ Fisheries/ Forestry		Others		Total	
	No.	Exp.	No.	Exp.	No.	Exp.	No.	Exp.	No.	Exp.	No.	Exp.
BALUCHISTAN	85	165.2	75	72.4	40	64.0	28	38.6	-	-	228	340.2
SINDH	116	131.9	-	-	11	63.1	1	4.8	-	-	128	199.8
PUNJAB	12	41.2	7	28.8	18	73.3	9	38.1	1	0.4	47	181.8
NWFP	8	20.8	7	15.6	2	5.0	-	-	-	-	17	41.4
FATA	8	13.0	7	24.1	-	-	-	-	-	-	15	37.0
FANA	4	7.7	10	25.8	1	0.3	2	1.1	-	-	17	34.9
AJK	2	3.8	4	17.7	-	-	-	-	-	-	6	21.5
ICT	-	-	5	14.7	-	-	-	-	-	-	5	14.7
TOTAL	235	383.4	115	199.1	72	205.7	40	82.6	1	0.4	463	871.2

* Upto March 2009

Chapter 20

Environment and Sustainable Development

The degradation of environment and depletion of natural resources have resulted in ecological imbalance. The current situation has its roots in high population growth rate, deficiencies in management of natural resources and unplanned urban and industrial expansions. It is estimated that environmental degradation costs Rs 1 billion per day to the national economy; still the socio-economic costs of replenishment of ecology are not fully appreciated.

The economic growth continues to put pressure over the already depleting resources. The degradation of environment continues affecting livelihoods and health as well as increasing vulnerability of the poor to disasters and environment-related conflicts. However, the environmental awareness and realization of impact of environmental degradation to the national economy is increasing at all levels. The link between environment and poverty, livelihood and role it plays for sustainable development is strengthening. Although Special attention has been given to the development of environmental institutions and raising awareness, action plans to effectively implement environmental policy and strengthening of regulatory framework need continued support. Main environment challenges faced by the economy are briefly presented in Box 20.1.

Energy use efficiency needs particular consideration through energy conservation along with increased generation of energy through renewable forms. Global change is impacting the lives of all inhabitants. Strategic environment assessment of policies programs and plans needs to be practiced for integration of social and environmental considerations into development processes of crosscutting sectors of economy. Climate change impacts; and measures required for adaptation and mitigation need careful and in-depth assessment.

The time is right to pay serious attention towards sustainable natural resource management and development based on the integration of biophysical and socioeconomic approaches. Careful research studies to understand the nature and the extent of climatic change and develop adaptation strategies and plans to minimize adverse impacts and effects on the natural resources and lives of human being are needed. Water storage capacities (on ground, underground) needs to be enhanced to capture water yield expected through enhanced glaciers melting due to impact of global warming.

Box 20.1 Environment Challenges

- Controlling pollution of air and water, deforestation, land degradation.
- Integrated waste management (solid, liquid and hazardous).
- Preparedness for adaptation /mitigation due to climate change and be abler to avail opportunities under CDM.
- Access to safe drinking water and sanitation to the masses.
- Enhancing implementation capacity of relevant institutions to effectively and efficiently implement the environmental programs
- Integration of environment in all the development efforts needs up-scaling.
- Environmental awareness, participatory and community-involved management of natural resources, water resources management, planned urban and industrial expansions with minimum pollutions/emissions.

Review of PSDP 2008-09

During the period, some 69 projects with a total cost of Rs 44.6 billion were under implementation in the Environment Sector under different ministries with a total allocation of Rs 5.2 billion. Salient features of the major areas of concentration are given below:

- a) **Capacity Building:** Due to lack of capacity, Environment Sector is unable to utilize the allocated funds in an effective manner and on-ground implementation is weak. Although, some efforts are made to enhance the institutional capacity at federal and provincial levels, however, the same needs up gradation and continued efforts.
- b) **Clean Drinking Water for All Program:** The revised project for clean drinking water initiative was approved by the ECNEC (one water filtration plant each in 409 Tehsils) in April 2009. Under Clean Drinking Water for All, Rs 2 billion were allocated (one water filtration plant each in 6624 union councils). Progress on this project is slow due to various reasons like non-award of contract for Punjab packet, faulty and slow installation of filtration plants in other packets. An amount of Rs 2.2 billion likely to be spent on the program.
- c) **Forestry, Biodiversity and Watershed Management:** The on-going projects for watershed management, forestry resources development and mountain areas conservation remained under implementation, focusing on conservation and development of natural resources. However, the implementation was slow due to financial crunch faced by the country.
- d) **Air Pollution:** The revised project for Establishment of Environmental Monitoring System is under implementation after approval from the ECNEC in April 2009, and Rs 580 million have been spent to establish fixed and mobile laboratories for monitoring and installation of equipments. Besides, the up-gradation/strengthening of seismic network projects are under execution by the Pakistan Meteorological Department.

During the period under review, the utilization of funds under the Environment Sector has been low due to the financial crisis and slow release of funds. It is estimated that around Rs 3.0 billion would be spent during the financial year 2008-09.

Programs for 2009-10

An estimated allocation of Rs 6.0 billion is being made in the PSDP 2009-10 for Environment Sector projects. In addition, allocation of at least Rs 1.2 billion would be made in the Provincial ADPs. The sectoral activities during 2009-10 will contribute towards achievement of the MTFD 2005-10/MDGs targets. The implementation program and details of the major components are discussed as follows.

- Capacity Building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement would be continued and will continue to build upon earlier achievements.
- The Clean Drinking Water for All Program has been in the spot light for lagging behind the envisaged time frame. Performance is dismal due to lack of experience of implementing such a grand program. Efficient implementation has to be ensured through provincial/local governments at

the earliest otherwise the benefits of the same may not be realized. Appropriate consideration should be paid to its sustainability aspects. An amount of Rs 2.7 billion is being allocated for the program.

- Forestry, biodiversity, watershed and water bodies projects for soil conservation, natural resources management, pollution control of rivers would be continued with an estimated allocation of Rs 1.8 billion.
- Air pollution, climate change: Studies would be carried out for analysis of climate change impacts for Pakistan and to identify mitigation/adaptation measures. Early Warning System and Establishment of Seismic Network in Pakistan would be strengthened and activities started would be furthered for better preparedness to meet the challenges of natural calamities. Damage Control through environmental improvement of polluted rivers and other water bodies pursued to reduce pollution impacting lives of the people living nearby and contaminating downstream water and agricultural resources. Environment rehabilitation of affected areas due to tanneries effluents through water supply and drainage as well as rehabilitation of existing projects will be carried out. An amount of Rs 1.5 billion is being allocated for different projects.
- The environmental indicators in relation to targets and achievements for various years are presented in Table 20.1

Table 20.1 The Environmental Indicators (Target and Achievements)

Name of Sector/Sub-Sector	Physical Targets			Achievements (Estd) 2008-9
	2004-05	2009-10 (MTDF)	2015 (MDG)	
Forest cover including state and private forests/ farmlands (%age of total land area)	4.9	5.2	6.0	5.2
Area protected for conservation of wildlife (%age of total area)	11.3	11.6	12.0	11.3
GDP (at constant factor cost) per unit of energy as a proxy for energy efficiency	27,000	27,600	28,000	N.A
No. of petrol & diesel vehicles using CNG fuel	380,000	800,000	920,000	>2,000,000
Access to sanitation (national)%	42	50	90	50
Access to clean water (national)%	65	76	93	76
Number of continuous air pollution monitoring stations	0	4	--	7
Number of regional offices of Environmental Protection Agencies	0	8	16	8
Functional Environmental Tribunals	2	4	--	4

Way Ahead

The priority focus will be on such projects under brown and green environment, human resource development and clean drinking water for all, which will have direct and instant impact on improving the living standards of common people. Capacity building of the environment related institutions and other functionaries involved in the policy making, planning and law enforcement is much limited to a few institutions and far less than needed. Hence, the effort needs major up-scaling if we are to achieve some plausible targets in the environment sector by the year 2015. Formulation of projects with innovative approaches, on pilot basis for replication such as effluent treatment plants and waste management plants; and linking it to power generation need more focus as part of urban development, sanitation and an overall environmental improvement.

**Chapter
21****Good Governance****21.1 Governance Reform Programs**

Governance is the process of decision-making and the implementation process of these decisions. The concept of governance relates to the quality of relationship between government and citizens whom it exists to serve and protect. Governance is concerned directly with the management of development process, involving both the public and private sectors. Good governance relates to a pluralistic and holistic view where responsibility is jointly shared by players in public sector, the corporate private sector, and civil society by addressing the issues of accountability, transparency, participation, openness, rule of law and predictability. It is an important link between growth and reduction of poverty and inequality. As growth generates income, good governance trickles this effect down to the masses, particularly the poor. Responsibility of the State is to create conducive political, legal and economic environment for building individual capabilities and encourage private initiatives. While the market is expected to create opportunities for people, the role of civil society is to facilitate mobilization of public opinion and peoples' participation in economic, social and political activities.

The following strategy has been adopted in the Medium Term Development Framework (MTDF) 2005-10:

- Strengthen the process of decentralized service delivery.
- Strengthen participatory approaches through capacity building.
- Reforming legal, judicial and law enforcement institutions.
- Address corporate governance and public private interface, thus protecting public interest while minimizing private transaction costs.
- Strengthen public sector management through streamlining revenue administration, improving public financial administration, and under taking civil service reforms.
- Implement policies, programs, and projects effectively through improved monitoring and evaluation.

The present government has an ambitious and comprehensive program of reforms to accelerate growth and reduce poverty. Under the 9-Point Socio-Economic Reform Agenda of the present democratic government, in relation to governance emphasis is placed on administrative reforms with focus on consolidation, specialization, and devolution.

Development activities under the governance sector revolve around knowledge management, organizational restructuring, institutional reforms, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty.

Review 2008-09

The government has undertaken a number of initiatives in line with the priorities set in MTFD 2005-10. An amount of Rs 12.1 billion has been allocated for the Governance sector during 2008-09 against which Rs 9.7 billion have been spent, thereby showing a utilization of 81 percent. Some of the major initiatives are discussed as under:

Public Sector Management Efficiency

Tax Administration Reforms

A number of initiatives were launched by the government to improve public sector management efficiency. Initiatives under the "Tax Administration Reforms" focus on promoting voluntary tax compliance through enhanced taxpayers facilitation and provision of incentive packages to FBR employees. Consequently, these measures have enhanced tax generation. In the long-run, these administrative reforms will also enable tax administrators to set up an effective system of audit. The project is being implemented at a cost of Rs 9.5 billion including foreign aid of Rs 7.2 billion to achieve infrastructure development, end-to-end automation of business processes, and human resource development.

Tax sector reforms in the following areas have helped in enhancing tax collection:

- Reorganization of CBR and its field offices on functional lines.
- Introduction of a system of self-assessment in income tax, federal excise, and customs.
- Simplification of tax laws and procedures.
- Reduction in litigation cases and introduction of a mechanism of alternate dispute resolution.
- Taxpayers' education and facilitation and
- Setting up of model Custom Collectorates.

With the help of these reform measures the registered persons in sales tax have increased from 100 thousands in 2002-03 to 153 thousands at the end of third quarter of 2008-09, with a growth of around 53%. On income tax side, the return filers have increased from one million in 2002-03 to Rs 2.2 million during 2008-09 with 122% growth. Another marked achievement of FBR has been the disposal of pending appeals related to both direct and indirect taxes. The maximum traffic which was 150% in 1980s has been gradually reduced to 23%. The GST has been rationalized and a single rate at 16% has been introduced.

Improvements in Audit and Accounts

In the area of audit and accounts, the office of the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at a cost of Rs 5.5 billion including foreign assistance of Rs 5 billion. Implementation of the New Accounting Model (NAM) is progressing smoothly. New accounting sites are being automated. Capacity building issues and appropriate training of master trainers has been imparted. So far 114 Financial Accounting and Budgeting System (FABS) out of 127 District Account Office (DAO) sites, two FABS out of 2

Departmentalized Account Offices, and 53 System Application Program (SAP) competency centers out of 60, have been established.

Public Sector Capacity Building

Public sector capacity building is yet another area of focus for increasing efficiency in civil service. A "Public Sector Capacity Building Project" has been launched at a cost of Rs 3.5 billion including foreign assistance of Rs 3.1 billion. The project aims to undertake structural and human resource development reforms in the government. National School of Public Policy (NSPP) has been established. The focus of training has now shifted from public administration to the policy formulation and implementation. Under the component of Public Sector Capacity Building, 4457 officers have been detailed for foreign/ local trainings. 36 consultants have been hired and 28 studies have so far been conducted.

National Commission for Government Reforms was set up in April 2006 to carry out-structural reforms. The Commission was mandated to review government structures, civil service and government processes at all levels of the government i.e. Federal, Provincial, and District, and make recommendations for improving efficiency and effectiveness in the public sector. The Commission is in touch with important stakeholders to evolve changes meant to improve service delivery and encourage professionalism.

Access to Justice

The "Access to Justice Programme (AJP)" launched at a cost of Rs 21 billion (US\$ 350 million) for improvements in judicial and non-judicial legal services, security and equal protection of law to citizens, and ensuring greater transparency and accountability in the performance of judiciary, police and administrative justice institutions. Major efforts have been focused on reduction in backlog of pending cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial courts have been established for quick disposal of litigation as a pro-investment measure.

In spite of some bottlenecks, significant policy reforms under AJP since 2002 include the following:-

- 786 development schemes have been launched pertaining to infrastructure development and capacity building. Out of which 529 schemes have so far been completed.
- Implementation of delay reduction program, as part of judicial reforms, in 18 Model Districts across the country through case inventories, improved process serving, monitoring & inspection mechanism, and targeted disposals.
- Annual judicial conferences at national, provincial, regional and district levels have culminated in raising the performance of superior courts, since 2003.
- The laws affecting ordinary citizens have been enacted/amended to facilitate justice, in particular the poor and vulnerable segments of the society. These include contempt of court, freedom of information, defamation, habeas corpus, family disputes, operationalization of Anjuman Musahilat Court inspections, ombudsman, and alternate dispute resolution.
- Under police reform, enactment of New Police order includes provision of Public Safety Commissions; functional separation of investigation from watch

and ward; functional separation of prosecution from investigation; internal and external complaints redressal mechanisms; and District Criminal Justice Coordination Committees.

- Institutional strengthening and capacity building measures relate to automation of justice sector institutions including bar councils; training and capacity building; and public awareness campaigns for citizens to learn about their rights and entitlements.
- Payment of judicial allowance (Rs 7000 to the judges of Session Courts and Rs. 6,000 to civil judges) to augment quality of justice. Utility allowance has also been allowed to the judicial officers in Sindh and Balochistan.

Devolution and Police Reforms

The MTRDF recognized the need for a devolved service delivery mechanism to provide basic facilities to the people at the local level, especially in the social sectors like education and health.

For improvement of law and order in Balochistan, the Ministry of Interior had launched three important projects. The "Raising of Balochistan Constabulary" costing Rs 4.1 billion is meant to add 6000 new personnel in the force. The second project relates to Conversion of 'B' Areas into 'A' Areas" costing Rs 5.5 billion. All districts have been converted into 'A' areas in Balochistan under the project. The third project relates to establishment of Nationwide Integrated Truck Radio System for Police: Islamabad/Rawalpindi/Lahore/ Karachi/ Peshawar/Quetta costing Rs 1.9 billion is near to its completion. Another project titled, "Procurement/ Installation of Non-Intrusive Vehicle X-ray Inspection (NVIS)" to improve the capability of the law enforcement agencies to scan high volumes of vehicles and detect contraband and explosive laden cargos in normal flow of traffic has been launched at a cost of Rs1 billion.

Public Information and Statistical Management

The fourth round of 'Pakistan Social and Living Standard Measurement (PSLM)' project has been undertaken. In the first and second round of survey, data on district and provincial level was collected from about 77,000 households on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation and report has been released. The fifth round report for the year 2007-08 is under process in the Federal Bureau of Statistics. Rebasing of National Accounts from for the year 2007-08, 1999-00 to 2006-07 has been launched to collect National Accounts and so far 19 surveys/ studies have been conducted.

Program for 2009-10

An amount of Rs 11.7 billion including foreign aid of Rs 3.7 billion has been allocated for the sectoral programmes in 2009-10. Due to resource constraints, the allocation indicates a decrease of 3.3% over the last year's allocations. Investments are being made mainly in the on-going initiatives of the Government in the areas of institutional changes in the judiciary, FBR, Auditor General's Office, FBS, Police and other law and order agencies, National School of Public Policy, disaster management, drought, and Local Government institutions.

21.2 Monitoring and Evaluation

Monitoring and Evaluation of development projects included in the PSDP is a high priority subject for the government. The Planning Commission has been making

concerted efforts in this regard. An integrated Project Monitoring and Evaluation System (PMES) has been established in the Projects Wing. The electronic reporting system is in place and the data is flowing from the field through computerized system of PMES, which has substantially improved the implementation of projects. The system is facilitating to identify and remove the bottlenecks and expedite actions.

Evaluation looks at the elements of success and failure in the project experience to learn how to plan better for future with regards to achieving the objectives in an efficient and effective manner besides assessment of impact.

Review of 2008-09

Monitoring of Development Projects

In PSDD 2008-09 in all 1894 development projects are included. Out of these 705 projects were originally earmarked for monitoring during the year. However, due to limited staff and delay in recruitment the target was revised downwards to monitoring of 580 projects. Out of this 575 projects have already been monitored till third quarter. This year the priority of monitoring has been towards monitoring of projects and programs institutions/organizations. The releases/expenditure position of the monitored projects during the period July-March 2009 is presented in table 21.2.1.

Table 21.2.1 Project Monitored – 2008-09

(Rs Billion)

Number of Projects		Allocations for 2008-09	Releases Upto March 2009	Expenditure Upto March 2009	Releases as %age of allocation	Exp. As %age of releases
To be Monitored	Monitored					
150	115	104.2	46.5	47.8	44.6	103
250	280	20.8	08.9	11.0	42.5	124
180	180	55.8	11.1	09.6	20.0	86
580	575	180.8	66.5	68.4	36.8	103

Evaluation of Development Projects

Planning Commission, besides monitoring of the on-going projects, undertakes evaluation of completed development projects for assessing their efficiency, effectiveness relevance, impact and sustainability in relation to planned targets, goals and objectives. During 2008-09, seventeen (17) projects of various sectors of the economy have been evaluated up to March 2009 against the evaluation target of twenty (20) projects. The evaluation reports have been forwarded to the concerned ministries/divisions for taking necessary actions and guidance for future project planning and management. The evaluation of the projects has sensitized the implementing agencies towards ensuring completion of projects within the approved cost, scope and time to realize their impacts and delivering benefits to the target groups

Management Information System (MIS)

Management Information System (MIS) in the Projects Wing is responsible for strengthening Project Monitoring and Evaluation System (PMES) for effective implementation through continuous flow of e-information amongst the stakeholders. Following progress has been made in MIS during 2008-09:

- Evaluation, Result Base Monitoring (RBM) and Working Paper modules have been incorporated in the Project Monitoring & Evaluation System (PMES)
- PMES software has been successfully oprationlized in 10 line ministries/divisions (M/o Railways, Education and Higher Education Commission, FBR, Commerce, Law & Justice, Defense, IT&T, NINFAL and Health).
- Database of 1178 PSDP projects has been developed and is available online.
- 330 PDs / Project Officers of PSDP projects were trained on PMES software.
- This year the Projects Wing was made responsible to approve the Cash/Work Plans of the development projects. The progress is presented in the table 21.2.2.

Table 21.2.2 Progress Regarding Cash/Work Plan 2008-09

Approved Projects in PSDP 2008-09	Cash/Work Plan Received	Cash/Work Plan Cleared	No. of Cash/Work Plan Entered in PMES
1708	1472	1458	1210

As a result of the efforts of Planning Commission, the Planning, Monitoring and Evaluation Cells have so far been established in majority of ministries/divisions. The establishment of these cells will not only enhance the capacity of ministries for internal monitoring but also improve the preparation of development projects. In addition, the ministries/divisions are vigorously pursued to appoint Independent Project Director in each project costing Rs100 million and above.

Prospects for 2009-10

- Emphasis of the Projects Wing will be on fine tuning of PMES. Additional ten line ministries of the Federal Government of Pakistan will be brought on the loop.
- Undertake intensive monitoring – Result Based Monitoring.
- Capacity building of the Monitoring Officers with respect to submission of cash/work plan and data for PMES.
- Evaluation Strategy will be gradually shifted from project to program and to the institutional evaluation approach.

- RBM Framework incorporated in revised PC-I Performa will be operationalized in ten line ministries 2008-09.
- On-line cash/work plan and automated working paper module for all new PC-1s will be operationalized in the Technical Sections of Planning and Development Division.