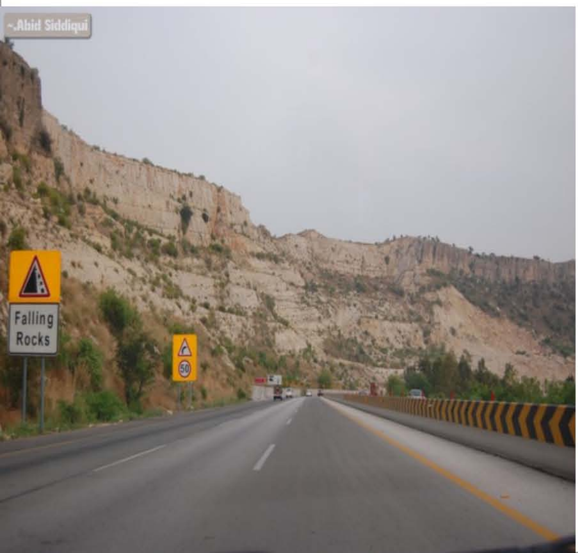

Annual Plan
2012-13

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
PLANNING & DEVELOPMENT DIVISION
June, 2012

Annual Plan 2012-13

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Abbreviation and Acronyms

BISP	Benazir Income Support Program
EFA	Education for All
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GRAP	Gender Reform Action Program
GSP	Geological Survey of Pakistan
GST	General Sales Tax
HEC	Higher Education Commission
ICT	Information and Communications Technology
LPG	Liquid Petroleum Gas
MAF	Million Acre Feet
MDGs	Millennium Development Goals
MOC	Ministry of Commerce
MTBF	Medium-Term Budget Framework
NPDEW	National Policy for Development and Empowerment of Women
NFC	National Finance Commission
NGO	Non-Governmental Organization
NIP	National Internship Program
NIPS	National Institute of Population Studies
NTC	National Tariff Commission
NTCIP	National Trade Corridor Improvement Program
NAVTEC	National Vocational and Technical Education Commission
OFWM	On-Farm Water Management
PARC	Pakistan Agriculture Research Council
PASDEC	Pakistan Stone Development Corporation
PERN	Pakistan Education and Research Network
PRSP	Poverty Reduction Strategy Paper
PSDP	Public Sector Development Program
PSEs	Public Sector Enterprises
PSLM	Pakistan Social and Living Standards Measurement Survey
RGST	Reformed General Sales Tax
SMEs	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SPS	Sanitary and Phyto-Sanitary
SROs	Statutory Regulatory Orders
TFP	Total Factor Productivity
WAPDA	Water and Power Development Authority
WTO	World Trade Organization

Foreword

The Framework for Economic Growth (FEG), a new approach to achieve high, inclusive and sustainable growth was developed by the Planning Commission and approved by the NEC in May, 2011. The FEG recognizes that in order to accelerate and sustain growth, generate jobs and reduce poverty, sound policies and reforms are required to enhance productivity and competitiveness. The Annual Plan provides operational guidelines towards realization of goals of fostering markets and reforming economic governance set in the FEG.

The National Economic Council (NEC) in its meeting held on 24th May, 2012 under the Chairmanship of Prime Minister, reviewed performance of economy during 2011-12 and approved the Annual Plan 2012-13. The economy has shown sign of recovery during 2011-12 with GDP growth at 3.7% in comparison with 3.0% achieved last year. The growth is contributed by agriculture 3.1%, industry 3.4% and services 4.0%. However, it fell short of the target of 4.2% mainly due to flood damages to crops, energy outages and weaker global demand for exports. Livestock (4.0%), large scale manufacturing (1.8%), construction (6.5%), commerce (3.6%) and financial sectors (6.5%) are main sources of growth. In spite of energy crisis, the growth of LSM is encouraging. Public finance and external sector remained under pressure and twin deficits widened on account of slow growth of non-tax revenue and exports. Positive development has been observed on the front of money supply, inflation, tax collection and worker remittances. Money supply on account of large draw-down of foreign assets is likely to grow by 12%; inflation to be 11% against target of 12.0% and 13.7% experienced previous year; revenue collections will be closed to a target Rs 1952 million and worker remittances will reach to level of $13 billion against $ 11.2 billion achieved last year. Income support program such as BISP has also contributed significantly to protect the interest of poor and vulnerable.

The Annual Plan 2012-13 has been prepared focusing on issues of energy, water, food and internal security, human development, software to growth, PSEs & civil service reforms and provision of critical infrastructure. The Plan highlights growth, macroeconomic & price stability, balance development, social protection for the poor and implementation of PSDP through Result Based Management.

The Annual Plan 2012-13 targets growth of GDP at 4.3% with contribution of agriculture at 4.0%, manufacturing at 4.1% and services sector at 4.6%. Fiscal and external accounts would be improved that would also enhance savings and investment. Energy situation will be eased to utilize the ideal capacity especially of the manufacturing sector. Inflation is pitched at 9.5% supported by prudent monetary and fiscal policies.

National development outlays have been set at Rs 873 billion for 2012-13 against Rs 730 billion allocation and Rs 693 billion expected utilization in 2011-12. In spite of shortage of resources, the federal PSDP has been increased this year to Rs 360 billion, 20% higher than likely utilization of Rs 300 billion in 2011-12. In resource allocation priority is accorded to projects near completion, supporting balance development and lends support to implement the reform agenda of FEG, the Implementation Plan of which has also been approved by the NEC.

Dr. Nadeem ul Haq
Deputy Chairman

Planning Commission
Islamabad, June 1, 2012

Executive Summary

Economic Performance and Prospects

The Annual Plan for 2011-12 envisaged real GDP to grow by 4.2 % based upon the underlying assumptions of global recovery, better fiscal management, improved energy availability and conducive business environment. However, not only energy shortages continued with increased burden of circular debt, floods 2011 also inflicted heavy losses to agriculture in Sindh. The GDP grew by 3.7% against the target of 4.2% and 3% achieved last year. The lower growth this year compare to target is partly contributed by upward adjustment of last year's growth from 2.4% to 3%. This year growth is attributed to bumper crops in Punjab and improved value addition in LSM, construction and finance sectors.

Moreover, the inflationary pressures remained tamed and slightly on downward trajectory. This year experienced a widening current account deficit. Exports could not sustain pressure of falling global demand and domestic supply side constraints. Global higher commodity prices neutralized some of losses in exports in quantum terms; however, it impacted POL imports bill. The vulnerabilities of external current account position are further compounded by lower capital and financing account inflows as well as IMF repayments.

Higher growth prospects are expected in 2012-13 even without injecting fresh investment because industry is running at below 50 % of capacity. This idle capacity could be used for boosting growth in the short-run but in the long-run key reforms need to be pursued. The Implementation Plan of Framework for Economic Growth (FEG) has been approved by the National Economic Council (NEC). The impetus to growth will emanate from the reform agenda enshrined in the Implementation Plan. Fiscal management remained challenging and critical for keeping inflation in the single digit. The external sector weaknesses and global environment are posing threat to external outlook. Fortunately, cross-currency movement has impacted favourably to external debt situation for Pakistan. The falling external debt to GDP ratio is not adequately complemented by domestic debt.

Review of Annual Plan 2011-12

Real GDP Growth: Pakistan's economy is estimated to grow by 3.7% against the target of 4.2% set for the year 2011-12 and actual growth of 3% in 2010-11. Agriculture sector is estimated to grow by 3.1 % as against the target of 3.4 %. The rains damaged agriculture sector badly in lower Sindh but good harvest in Punjab has more than off-set the damages to the major crops. The losses of trading activities and minor crops due to delayed water receding could not be fully compensated. Industrial sector remained confronted with gas and electricity outages and expected to grow by 3.4 %. The service sector grew by 4.0 % which is below the targeted growth of 5% and actual growth of 4.5% last year.

National saving is estimated to fall from 13.2 % of GDP to 10.8 % in 2011-12 as against the target of 13.2 %. Real private and public investment both fell by 13.0% and 8.4%. respectively

Fiscal Developments: The government took various measures in budget 2011-12 to boost economic activity and achieve fiscal consolidation. The fiscal strategy was aimed at expanding the resource envelope by tapping “tax buoyancy” and by containing the current expenditure. The consolidated revenues during 2011-12 had been budgeted at Rs. 2,870 billion with tax revenues at Rs 2,151 billion and non-tax revenues at Rs. 719 billion. Similarly, consolidated expenditure has been budgeted at Rs 3721 billion with current expenditure of Rs 2,976 billion and development expenditure including net lending at Rs. 745 billion. On the expenditure side, stringent expenditure controls worked effectively. However, some slippages were witnessed on account of subsidies.

On the development side, the government set the PSDP target of Rs.300 billion. Notwithstanding expenditure control measures, some revenue slippages are anticipated. FBR tax collection stood at Rs 1,426 billion during July-April 2011-12 as against Rs 1150 billion collected in the comparable period of last year. This implies that net tax collection is up by 24% and it has achieved 73% of full year target. In next two months FBR has to collect taxes equivalent to more than one-fourth of its annual target. The fiscal deficit has reached 4.3 % of GDP during July-March 2011-12 after excluding one-off debt consolidation worth Rs 391 billion. Overall fiscal deficit is expected to surpass the target.

Monetary Developments: The SBP reduced its policy rate by 200 basis points (bps) from 14% to 12% in first half of 2011-12 (a reduction of 50 bps in July 2011 and 150 bps in October 2011). The decision was taken for not letting real interest rate to go up to suffocate the growth. In order to enhance operational independence of SBP, the State Bank of Pakistan (Amendment) Act (2012) was passed by the parliament in which important decisions were taken regarding putting restraint on the government borrowing and encourage private savings.

The main impetus for ***monetary expansion*** of 8.7 % came from extraordinary surge in government borrowing from the banking sector during July-April 2011-12. Contraction of Rs 261 billion in Net Foreign Assets (NFA) of the banking system is witnessed in the first ten months of the current fiscal year as against expansion of Rs.174 billion in the comparable period of last year. The contraction was mainly due to lower external inflows and higher current account deficit. NDA grew by 14.3 %. However despite moderate aggregate demand, pressure on rupees liquidity is likely to continue due to uncertain foreign inflows and substantial government borrowing to finance the fiscal deficit. SBP kept a vigil on liquidity situation and through open market operations provided liquidity which is evident from rise in credit to the private sector. Credit to private sector has increased to Rs.252 billion in this period compared to Rs.113 billion in the same period of last year.

Inflation: CPI inflation was targeted at 12 % for 2011-12 and it has increased by 10.8 % during July-April 2011-12, compared to 13.8 % in the comparable period of last year. Contrary to easing of pressure from food inflation, the core inflation has increased by 10.4 % as against 9.3 % in the comparable period of last year.

Balance of Payments: Annual Plan 2011-12 was prepared in an upbeat external environment and the current account deficit was targeted at $1.4 billion or 0.6 % of GDP. The current account deficit has widened to $3 billion during July-March 2011-12. The entire contribution to this surge came from trade imbalance which stood at $12.8 billion as against $8.2 billion in the corresponding period of last year. Net contribution of services was in the deficit to the tune of $2.1 billion. Exports inched up fractionally to

$18.3 billion and imports increased to $30 billion mainly on account of higher POL imports. The buoyancy in workers' remittances continued to keep current account balance in sustainable limit. Remittances grew by 21% to $9.7 billion with average monthly remittance inflow increased to $1.1 billion as against $870 million last year. The upswing in remittances for some years is mainly driven by formalization of informal flows through incentivizing formal channels through Pakistan Remittance Initiatives (PRI). The current account deficit for the whole year is expected to be $4.2 billion, 1.8% of GDP whereas trade deficit will be $15.5 billion.

Provision of adequate level of ***social safety net*** remained the overarching objective of the government's economic policy. Back to back natural calamities in the shape of flood and torrential rains in 2011 created additional demand for resources. The government has allocated sufficient funds to provide initial cash compensation to affected households for reconstruction of damaged houses and revive livelihoods. BISP, Zakat, bait-ul-mal and micro credit provided to the poor. The outreach and effectiveness of BISP has been enhanced. The poor have also benefited from additional transfer of resources to the rural areas because of higher prices of agricultural output.

Annual Plan 2012-13

The weak macroeconomic environment, political uncertainty and natural disasters are impeding economic recovery. The growth outlook depends on industrial revival which in turn hinges upon energy sector reforms. The affordable and uninterrupted energy supply can kick-start much needed momentum in the economy. The progress on resolution of war on terror could have offered support to economic growth in 2011-12, but at the beginning of the current fiscal year, natural calamity struck. Growth in 2012-13 will largely depend upon recovery in the large-scale manufacturing sector which can capitalize upon its existing idle capacity. Agriculture sector also needs to sustain the existing growth momentum with wheat and rice having great potential. Additionally, adequate resource availability to finance development framework would be critical for growth sustainability

The **Strategy** of the Annual Plan 2012-13 flows from the Framework of Economic Growth. Acceleration in the growth is envisaged through improvement in productivity and competitiveness. Public investment through conditional cash grant will be directed towards improvement of skills and entrepreneurship through Entrepreneur & Youth Development Fund. Cities will be better managed through inclusive zoning and Urban Challenge Fund to create space for private investment and construction, foster domestic commerce, regional clusters and generate jobs. Markets will be reformed through strengthening legal and regulatory framework to foster competition. Connectivity to people and place will be improved starting from reforming Railways supported by PSDP through contingent cash grant. On the front of governance and delivery of public service, the capacity of the civil service will be enhanced through robust training and leadership and performance enhancing skills and performance based remuneration and career advancement. Result Based Management (RBM) will be introduced gradually in public institutions, where funds are to be allocated on the basis of performance and results.

The ***real GDP growth*** for 2012-13 is targeted at 4.3% with contributions from agriculture, manufacturing and services of 4.1%, 4.4% and 4.6%, respectively.

Savings and Investment: The investment is targeted to improve from current level of 12.5% of GDP to 13.1%. Both public and private investment are likely to contribute to this improvement. Fixed investment will inch up from 10.9 to 11.5% of GDP. National savings are likely to improve slightly from 10.8% of GDP in 2011-12 to 11.2% in 2012-13.

Fiscal Development: Going forward, Pakistan needs substantial resources to augment its development efforts and improve quality of life. In the post-18th Amendment scenario, onus of fiscal adjustment fell on the provincial governments and they need to be motivated for adhering to sound principles of fiscal prudence. The provincial governments can generate their own revenues through areas such as agriculture income tax and property tax. FBR collections are supported by higher oil prices in 2011-12 but the momentum needs to be augmented by focusing on rationalization of exemptions, broadening of tax base, plugging loopholes, tax administration reforms and greater transparency in tax incidence. On the expenditure side, fiscal bailouts to PSEs are no more sustainable and their restructuring became unavoidable. The government will expedite on-going restructuring work to make an impact on Budget 2012-13. Phasing out of un-targeted subsidies will be fast tracked.

Public Sector Development Program (PSDP): The size of the national development outlay is Rs 873 billion (3.7% of GDP) higher by 19.6% than the budget allocation of Rs 730 billion of last year. Out of the national development outlay, federal program is Rs 360 billion inclusive of ERRA. The provincial development program is Rs.513 billion. The federal PSDP is aligned to overarching objectives of “Framework for Economic Growth” where the clear focus on completion of on-going projects, maximum utilization of foreign loans, and balanced regional development. In the Federal PSDP, highest allocation is provided to energy (Rs 184 billion), followed by roads (Rs 59 billion) and water (Rs 48 billion).

Monetary Developments: Monetary expansion for the year 2012-13 will be determined by emerging domestic and external demand. The outlook for balance of payments is not supportive of considerable improvement in the net foreign assets (NFA) and thus monetary expansion will come from net domestic assets (NDA). The private sector credit needs to be enhanced from its existing low level to provide support to the investment driven growth. The government will release more resources for the private sector by lowering its financial needs. The SBP Amendment Act of 2012 also put restraint on government’s borrowing, especially from the SBP. A fiscal adjustment to lower fiscal deficit will help to limit financing needs of the government.

Inflation: The target of CPI inflation is set at 9.5 % for 2012-13 as against expected inflation of 11 % for 2011-12. The price stability will remain overarching goal of economic policy making in 2012-13. The considerable improvement in supply of essential items in 2011-12 offers room for optimism in 2012-13. The government’s efforts for fiscal stringency, rational monetary policy and vigilance on supply constraints are some of the underlying assumptions of this inflation forecast.

Sectoral Programs

Enhancing Productivity

Higher Education: The thrust of higher education plan is to enable academic and research institutions to come forward for development of innovation and entrepreneurship with scientists, engineers and students as stakeholders. An amount of Rs 15.0 billion has been allocated in PSDP 2012-13 for the projects of higher education for 2012-13 mostly for completion of ongoing projects and a few new initiatives like establishment of Shaheed Benazir Bhutto Medical University Larkana, Abdul Wali Kahn University Mardan, University of Gujrat, National Textile University Faisalabad, University at Swat, National Defence University Islamabad, Pakistan Institute of Fashion & Design Lahore and Peoples University of Medical and Health Sciences for Women Nawabshah (Shaheed Benazirabad).

Science and Technology: FEG emphasizes on scientific research to be able to drive the production by introducing value added technologies and innovative ideas. Principal focus of the Annual Plan is to make science and technology at the service of peoples in all spheres of life, eventually leading to economic growth and prosperity. An amount of Rs 2.9 million has been allocated in PSDP 2012-13 for the projects of Ministry of Science and Technology for various projects of its attached organizations such as Pakistan Council for Scientific & Industrial Research, Pakistan Science Foundation, Pakistan Council of Research in Water Resources, Pakistan Council for Science and Technology, Pakistan Council for Renewable Energy Technologies and National University of Sciences & Technology

Skill Development: Skill development plays a vital role in enhancing skills and productivity for employability, promotion of investment for maximization of employment leading to sustainable economic growth. Federal as well as provincial governments are actively engaged in HRD activities and providing needed training and skills to the labor force for enhancing their productivity and employability. An amount of Rs 2.9 billion has been allocated to fund 5 projects of Ministry of Professional and Technical Training for PSDP 2012-13 including Rs 300 million allocated to National Vocational &Technical Training Commission (NAVTTC) to fund 134 development projects including 90 ongoing programs at estimated cost of Rs 4 billion. Youth development fund will also be created to drive the benefit of youth bulge and demographic transition.

Commodity Producing Sectors

Agriculture: An allocation of Rs. 405 million for 2012-13 has been made for projects of various research organizations attached with the Ministry of National Food Security and Research. These include National Institute of Genomic and Advanced B io-Technology (Rs 150 million), Pak-China Cooperation for Agriculture Research and Development. Rs 20 million, Indigenization of Hybrid Seed Production for Enhanced Crop Production (Rs 20 mill), National Bio Saline Agriculture Programme (Rs. 30 million), strengthening SPS Facilities and Quality Inspection Services in Compliance with WTO-Establishment of Integrated National Animal and Plant Health Inspection Services (Rs. 70 million).

Manufacturing and Commerce: Strategic focus of manufacturing sector would be on the Innovation and efficiency; capacity building; technological up-gradation; infra-structure development and Research and development activities. An amount of Rs 2 billion has been allocated to manufacturing sector including Rs. 806 million for M/o Industries, Rs 1 billion for M/o Production and Rs 145 million for Ministry of Textile.

Strategy in Mining and Quarrying sector is to encouraging foreign capital and technology and develop innovative exploration guidelines, techniques and technologies. During 2012-13, apart from ongoing geological and geophysical mapping exercise, focus would be on putting in use the 175 billion tons of lignite coal in Thar Desert under Coal Gasification Project for power generation.

Key strategies to promote markets include eliminating of tariff and non-tariff trade barriers and deregulation of prices, promote information technology and support an efficient transportation system

Physical Infrastructure

Energy: National Energy Conference 2012 at Lahore achieved a national consensus on energy policy to overcome energy crisis. Power sector reforms covering governance, pricing and legal areas are necessary for sustainable, affordable and reliable power supply. The installed power generating capacity is planned to increase from 23,718 MW in June 2012 to 24,822 MW in June 2013 through addition of 1,104 MW in PEPCO system. An allocation of Rs 192 billion has been made for the Energy Sector for 2012-13 against expected utilization of 147 billion.

Water Resource Development: The main strategies and policies adopted for development in water sector are to operationlize public investment already made and integrated water resource development. An amount of Rs 38.2 billion has been earmarked for irrigation projects including small/medium dams, check & delay action dams, canals & improvement of existing irrigation system while for lining of irrigation channels in saline zones in Punjab, Sindh and Khyber Pakhtunkhwa Rs 3 billion has been allocated

Urban Development: Major programs include economic development of cities and Prime Minister's One Million Housing Program for Low Income Groups. Priority is accorded to the reconstruction and rehabilitation of infrastructure damaged by the floods 2011. Urban challenge fund will be created to make cities creative.

Environment: To mainstream climate change, the Climate Change Policy has been formulated that emphasis the sustained economic growth by appropriately addressing the challenges of climate change. An amount of Rs 150 million has been allocated for the Ministry of Climatic Change for capacity building of the environment related institutions and human resource development

Poverty Reduction and Human Resource Development

Poverty Reduction: BISP has been evolved into country's largest social safety net. BISP is providing much needed relief to over 4 million recipients including IDPs, flood affectees and bomb blast victims all over Pakistan and disbursed Rs 108 billion to its recipients till March 2012. The number of recipients is expected to rise to 7 million once the nation-wide poverty scorecard targeting survey completes. Investment in human capital development and skill development will enhance capability of the people to generate income and to be gainfully employed. Focus will be on better delivery of public service and better regulations to boost economic activity. Besides, provincial programs of social safety net. Pro-poor budgetary expenditures in 2012-13 are expected to increase to Rs 1,615 billion, 8% of GDP.

Basic and College Education: In the post 18th Amendment scenario, provinces are in the driving seat for providing education facilities to the youth. However, an allocation of Rs 4.4 billion has been made in Federal PSDP for expansion and development of basic and college education by the Federal programs including Capacity Building of Teachers, Basic education and NCHD and establishment of new schools.

Health and Population: In Health Sector, strategic thrust will be on strengthening of primary health care facilities particularly in improvement of mother and child health through institutionalization of 24/7 Basic EmONC initially at ICT and later to be replicated at provincial level. An amount of Rs 14.3 billion has been earmarked for health sector for preventative and curative programs for achievement of health related MDGs. With regard to population stabilization, the strategy would be to integrate health and population sectors and improve availability of RH services at First Level Care Facility with a view to reduce fertility level to 3 births per woman.

Area Development: The policy for development of special areas development is designed to improve standard of living of the people through reinvigorating area development, raising agricultural productivity, alleviating poverty and providing employment opportunities to landless labors, promoting a sustainable environment for the uplift of rural community and providing help, in accessing basic necessities and management of the rural commons.For accelerated development for less developed regions an amount of Rs 39.4 billion is provided. Out of this, an amount of Rs 5 billion has been provided to People's Works Program.

Employment: FEG assigns high importance to youth population and suggests innovative and entrepreneurial education for youth to solve the problem of youth unemployment in the country. Competency based training of marketable skills is the focus of National Skills Strategy. President's *Fanni Maharat* Program and Prime Minister's *Hunarmand Pakistan* Program aim at training of around 35 thousand youth in marketable skills in all four provinces and federal areas of Pakistan. Establishment of Industry Advisory Group and Accreditation of TEVT institutions are key features of employment generation programs during the next year.

Connectivity

Transport and Logistics: Improving T&L facilities is a pre-requisite for reducing cost of doing business and accelerating growth. An allocation of Rs 75.2 billion has been earmarked for Transport and Logistics, including Rs 27.2 billion for the budgetary program and Rs 48 billion for NHA under the budgetary corporations program. Most sub-sectoral allocations are for ongoing works. An allocation of Rs 21 billion has been allocated for Railways and Rs 750 million for Ports and Shipping. NHA will continue work on projects such as Faisalabad-Khanewal Expressway E-4 (184 km), Gwadar-Turbat-Hoshab (200 km) of Gwadar-Ratodero (M-8) [650 km], Hoshab-Nag-Basima-Surab Road (N-85) [459], Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (883 Km) - revised, Lowari Tunnel project. Railways will continue to focus on track rehabilitation, doubling of track from Khanewal to Raiwind, procurement/manufacture of 150 Diesel Electric (DE) locomotives, procurement/manufacture/up gradation of 602 (400+202) passenger coaches, and replacement of old signaling gear system from Lodhran to Shahdara Section. etc.

Information and Communication Technology: ICT services are necessary for delivering solutions for provision of economic and social services to achieve sustained growth. Strategic objectives of the ITC Sector include developing human resource for universities, research institutions, industry and agriculture sectors to bring about significant improvement in these sectors, effectively produce high quality software and enhance the software export of Pakistan and to provide access to information through internet to the remotest corners of the country, so that world knowledge can bring value addition in all sectors of the society. To achieve these goals, a set of policy reforms has been devised which have been discussed in the relevant chapter in detail. In the PSDP 2012-13 an amount of Rs 2.2 billion has been earmarked for IT and Rs 1.4 billion for telecom (SUPARCO, SCO and NTC). Ministry of Information and Broadcasting's allocation is Rs 36 million for PID Karachi.

Better Governance

Governance: Improving governance, strengthening institutions and fostering markets are the key pillars of the Framework for Economic Growth. With the objective to improve overall corporate governance, restructuring of PSEs has been initiated for attaining improved economic governance. An overall framework for restructuring of PIA, PSM, PEPCO, Railways, NHA, PASSCO, TCP and USCs has been devised. An amount of Rs 4.8 billion has been allocated for the governance sector in 2012-13.

Planning Commission has proposed revised procedures for the approval and financing of development projects. Salient features of the revised system are that the DDWP forum will cease to exist, while infrastructure and social sector projects respectively costing up to Rs 2 billion and Rs 0.5 billion will need to be supported by in-house feasibility study and those costing above these limits will have to be supported by professional feasibility studies. All PSDP funded projects will be considered by CDWP/ECNEC while it has been made mandatory for signing loan agreement for projects to ensure land availability and approval of PC-I before signing the loan agreement. The revised procedures will be adopted after approval of ECNEC/NEC.

Part – I

Growth Framework

Chapter 1 Growth Investment and Savings

1.1 Policy and Strategy

Pakistan's economy is passing through a period of slow growth, mainly on account of security challenges, natural disasters, weak global economy and energy crisis. This year 2011-12 some signs of recovery are visible where growth surged to 3.7% against 3% achieved during 2010-11. Improvement in growth is contributed by better performance of major crops, large scale manufacturing, construction and finance sectors. Industrial sector is working below 50% of capacity mainly on account of energy shortages. Ample space is available to augment its growth.

To steer the economy back to the trajectory of 6-7% growth, impeding factors like energy, investment, regulatory regime, tariff and economic governance needs a serious review and reform. Pakistan's slide on human index and competitiveness and governance account could be regained through implementation of reform agenda reflected in the "Framework for Economic Growth". Creative potential of cities and youth is to be harnessed. Restrictive regulations impeding commercial activities in major urban areas need to be done away with. And youth bulge to be exploited by providing them with skills and gainful employment.

Governance reforms are crucial for changing face of the government from impeder to facilitator of economic activities. Regulatory reforms across different levels of the government are necessary to ensure consistent and transparent application of regulations and clear standards for regulatory quality. Macroeconomic policies such as fiscal, monetary, exchange rate and trade are to be reshaped to lower administrative burden of regulations on economic growth.

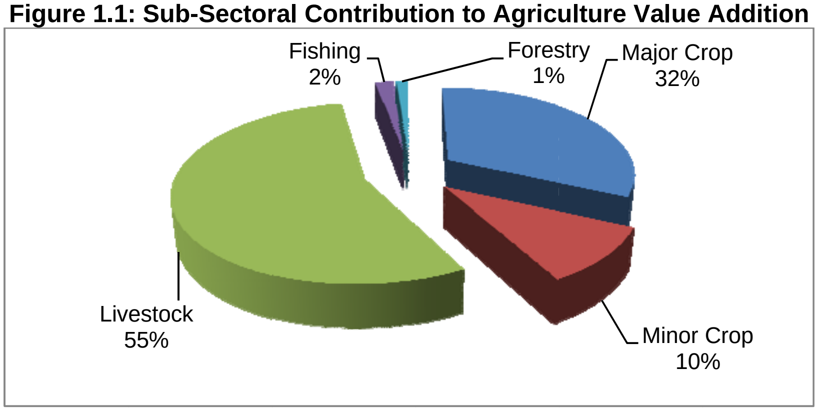
1.2 Review of Annual Plan 2011-12

The Annual Plan for 2011-12 envisaged real GDP to grow by 4.2%; expecting agriculture, industry, and services sectors to grow by 3.4%, 3.1%, and 5%~~,~~ respectively. The growth target was based upon the underlying assumptions of global recovery, better fiscal management, improved energy availability and conducive business environment. However, during the first nine months (July-March 2011) the economy remained confronted with internal and external problems like acute energy shortages, inter-corporate circular debt, loss making public sector enterprises (PSEs) and weak security environment. Above all, unprecedented rains and resulting floods in Sindh changed the growth dynamics particularly in the agriculture sector. Considering the possible impact of floods, in particular the potential damages to major and minor crops and trading activity, GDP growth was estimated to fell short of the target. Standing crops were badly affected especially cotton in Sindh. The flood also impeded timely wheat cultivation in flood affected areas, and as a result wheat production couldn't achieve the target. On the external front, high international oil prices, European debt crisis complicated the global recovery and Pakistan's export destinations were badly affected. In spite of these problems, the real GDP growth of 3.7% with broad based contribution of all major sectors seems reasonable.

1.2.1 Agriculture

The importance of the agriculture sector increases manifold because of its strong influence over demand for industrial goods and services. Despite devastating floods for two consecutive years, agriculture bounced-back with 3.1% growth which is still fractionally short of 3.4% envisaged in the Annual Plan 2011-12. All sub-sectors except for minor crops have positively contributed to agriculture growth rate. Growth depicted by them is: major crops (3.2%), minor crops (-1.3%), livestock (4.0%), fishing (1.8%) and forestry (0.95%). Contribution of sub-sectors of agriculture to total agriculture is reflected in Figure 1.1 and their growth in 2011-12 in Annexure 1.1.

Figure 1.1: Sub-Sectoral Contribution to Agriculture Value Addition



Major crops with 32% share in agriculture value addition registered a growth of 3.2% and surpassed the target of 3% envisaged in the Annual Plan 2011-12. This is mainly due to the plenteous production of cotton, rice, maize and sugarcane crops. Although, cotton crop was hit badly by the torrential rains in lower Sindh, yet the bumper crop in Punjab more than off-set the damage and the cotton crop witnessed growth of 18.6% as compared with last year. In Punjab the Cob-Web phenomenon (attractive prices of previous year) played its roll and area and production both increased significantly. Wheat is the staple food crop of Pakistan and accounts for more than 37.2% of the total cropped area, 42.3% of the value added by major crops and 73.5% of the total production of food grains. During 2011-12, despite increase in the support price of wheat by Rs. 100 per 40kg, the area under wheat went down by 2.6%. Wheat output fell short of the target (25 million tons) by 6.7%, due to delayed announcement of support price and unfavorable weather.

Rice crop benefitted from the soil moisture high international prices in the sowing season that guided the farmers increase the area under rice crop by 8.7% and better water availability. All these resulted in 27.7% increase in production of rice. The production of maize crop also posted 15.2% growth over last year production, while sugarcane production grew by 4.9%. Notwithstanding the fact that the area under *gram* remained more or less the same level of the previous year, *gram* and *bajra* production declined by 41.4% and 12.3%, respectively. Important impediments faced by the crop sector during 2011-12 were high input prices (due to imposition of sales tax), high cost of agriculture credit, adverse impact of torrential rains and low international commodity prices. Moreover, 54% decline in tractor manufacturing and decline in investment in agriculture also added to the worries of the farming community. Area under cultivation and production of major crops are shown in Table 1.1.

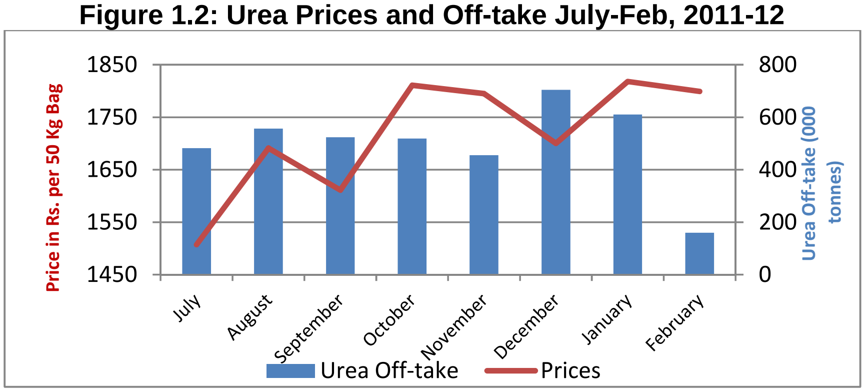
Table 1.1: Growth in Area and Production of Major Crops

Crop	Area '000' hectares		Percentage Change	Production '000' tonnes		Percentage Change
	2010-11	2011-12		2010-11	2011-12	
Cotton	2689.1	2834.5	5.4	5848.0	6937.1	18.6
Rice	2365.1	2571.2	8.7	4823.3	6160.4	27.7
Wheat	8900.7	8665.7	-2.6	25213.8	23516.7	-6.7
Sugarcane	987.7	1046.0	5.9	55308.5	58038.2	4.9
Maize	974.2	1083.1	11.2	3706.9	4271.0	15.2

Source: National Accounts, Pakistan Bureau of Statistics, 2012

Fertilizer prices almost doubled as compared with the average price levels of Rabi 2010-11. This was partly due to the interrupted gas supplies, imposition of sales tax and increased transportation cost up country. The prices of urea went up by 81.4% during the first nine months (July-March 2011-12) as compared to the same period of the last fiscal year. The prices of DAP, CAN and NP also increased by 38.8 %, 75.5 % and 45.7% respectively over the same period last year. The fertilizer off-take decreased by 4.9% in the first nine-months.

Figure 1.2: Urea Prices and Off-take July-Feb, 2011-12



Minor crops showed mixed performance during 2011-12 and output remained well short of the targeted growth rate of 2%. Minor crops of Sindh affected the most, where chilies posted negative growth of 78.4%, onion 15.4%, oilseed 26.9%, pulses 3.5%, while soyabeen and ginger were almost completely wiped out by the devastating floods (Box 1.1). However, in Punjab province, minor crops witnessed significant growth of 10%.

Livestock is the most important sub-sector of agriculture in terms of value addition. It contributes 55% to agriculture value added. Livestock was envisaged to grow by 4% in Annual Plan 2011-12 and is estimated to meet the target. In Sindh, this sector received severe blow from floods and rains (Box 1.1) but the green pastures available in rest of the country due to last year's flood compensated the current flood losses in Sindh. The 2011 flood is expected to create short-term insecurities but over the long term, land fertility is expected to have increased.

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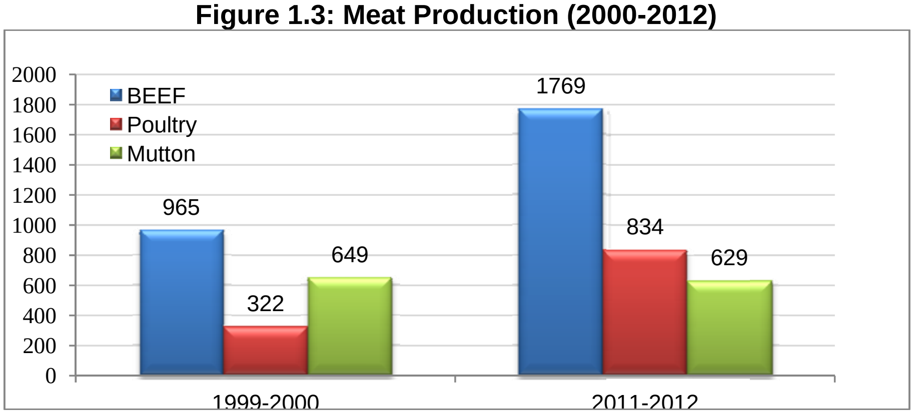
In the livestock sub-sector milk and meat production significantly contribute to value addition. Pakistan is fourth largest milk producer in the world but due to the lack of effective cool chain and processing facilities, its share in global market is negligible. Meat production witnessed marginal increase in beef (1.8 million tons) and mutton (629 thousand tons), while poultry meat production, having great export potential, registered significant growth of 8.8% in terms of quantity. Moreover, per capita domestic consumption is still very low as compared with other countries. Poultry sector offers great prospects for export sector. The Figure 1.3 indicates that over the last decade, beef and poultry production has increased, while the production of mutton has decreased marginally.

Figure 1.3: Meat Production (2000-2012)



Fishery sub-sector also sustained losses of almost $3.4 million due to floods in lower Sindh and some parts of Balochistan. Marine and Inland fish catch grew by 1.3% and 2%, respectively. Fishery sector is estimated to manage the envisaged growth of 1.8% in 2011-12 mainly due to the initiatives taken by Balochistan Fisheries Department.

1.2.2 Industry

The industrial sector has shown some improvement over the previous year and is estimated to grow by 3.4% compared to the target of 3.1% during 2011-12. The industrial sector showed impressive growth during the current fiscal year in the face of difficult economic circumstances.

Manufacturing

During 2011-12, the manufacturing sector is estimated to grow by 3.6% compared to the target of 3.1%. According to the latest data of Pakistan Bureau of Statistics (PBS), large-scale manufacturing (LSM) sector (52.3% of the overall industry) has posted a growth of 1.8% against the target of 2%. Energy shortages, low foreign investment, rising cost of doing business due to severe hike in petroleum and electricity prices, security issues and , political situation are responsible for the sluggish LSM growth during the period under review.

The major contribution towards the positive growth in the LSM performance in the period under review came from food beverages and tobacco (10.2%), paper and board (10.3%), pharmaceuticals (11.1%), wood products (8.2%), leather products (4.0%), non-metallic mineral products (2.9%) and textile (0.9%). but some sectors recorded negative growth such as automobiles (-0.6%), coke and petroleum products (-3.9), iron and steel products (-29.5%), chemicals (-5.9%) and electronics (-7.2%). Demand for pharmaceutical items increased manifold after the outbreak of dengue fever in Punjab. The industry is expected to upgrade its capacity further keeping in view the positive growth trend coupled with recently-announced increase in the prices of medicines.

Textile industry has been going through one of the toughest periods in recent years. Despite severe energy crisis, low international demand, textile sector has managed to post a positive growth of 0.9%, thanks to bumper production of cotton. It is expected that the sector will gain growth momentum if the government implements the decision taken in Second Energy Conference in letter and spirit for uninterrupted power supply to the industrial sector.

Automobile sector's performance has not been up to the mark as it has recorded a negative growth of 0.6% compared to an impressive growth of 11.5% last year. Notwithstanding positive contributions from jeeps & cars (11.3%), motorcycles (4.0%), LCVs (7.4%) and buses (25.0%), the negative growth of tractors (54.9%) and trucks (8.3%) dragged the overall growth of automobile sector to negative. The sales of passenger cars and LCVs have maintained their sales trend on the back of local demand despite prices were increased several times in recent years. The Punjab government's yellow cab scheme is one of the major contributors of growth in locally-manufactured cars in current fiscal year. Moreover, the 21% increase in workers' remittances and renewed interest in auto finance also impacted the demand in the auto sector during the period under review.

Cement industry has exhibited a growth of 2.9% as against contraction by 10% in the comparable period of last year. Cement exports to Afghanistan has shown healthy growth of 7% during July-February, 2011-12.

The energy intensive industries faced the backlash of energy shortages. The steel industry, including ailing Pakistan Steel Mills, faced many problems including; low economies of scale, insufficient investment and the loopholes in the tax system. In the electronic goods, production of deep freezers showed a negative growth of 49.5%, electric fans 11.0%, electric motors 7.9%, electric meters 17.5%, switch gears 42.1%, TV sets 22.2%, storage batteries 22.3% during the first eight months this year over the previous fiscal year. However, electric transformers recorded a tremendous growth of 27.7%, air-conditioners 1.3%, refrigerators 7.6%, electric bulbs 15%, and electric tubes 18.5%.

Small and Medium manufacturing posted 7.5% growth in line with its historical growth rate.

Mining and quarrying sector has surpassed the target of 1% by posting an impressive growth of 4.4% growth.

The value addition in ***construction sector*** grew by 6.5% against the target of 2.5%. The main reasons for robust performance include; post-flood reconstruction activities and growing housing demand for the increasing population as well as PSDP spending by the government. Despite declining production of steel, wood, paints and glass as well as high inflation in building materials, the growth of the construction sector seems quite encouraging.

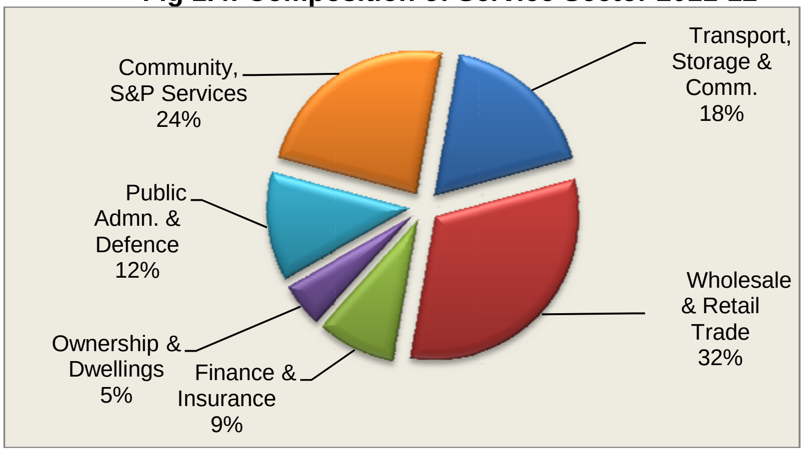
Value addition in ***electricity generation and gas distribution*** is estimated to contract by 1.6% during 2011-12. The energy challenge is still there because of the widening demand-supply gap. The situation is worsening due to the issue of circular debt. Despite some adjustments in the prices of electricity and gas, the big issue of energy shortages remains unresolved. Pakistan has huge electricity-producing potential in the shape of hydel and coal. So far, Pakistan has been successful in utilizing only 15% of the potential in hydropower generation. Some clean energy sources such as wind and solar can also be utilised for meeting energy shortages. Finally, as proposed in the Planning Commission's Framework for Economic Growth, development and implementation of national integrated energy policy followed by an integrated energy plan is dire need of the hour.

1.2.3 Services Sector

Sustained growth in services Sector is an important driver of overall economic growth of an economy. The development experiences of BRICs and ASEANs manifest that the services sector not only engenders growth in agricultural and manufacturing sectors but also results into greater economic integration with the developed world. Therefore, it is now widely believed that in the long run, economic growth and well being in developing world can be achieved only when its economic structure is transformed and larger share of output comes from a vibrant and productive services sector.

The services sector in Pakistan has also posited considerable growth episodes over the last decade and now claims the largest share in GDP. wholesale & retail trade, community and S & P services and transport, storage & communication; with 32%, 24% and 18% share respectively, are major components of services sector output in 2011-12 (See Fig 1.4). Comparing with the previous year's growth of 4.5%, the overall growth in services sector was 4% in 2011-12. The relative stagnation in its performance in comparison to the previous trends was mainly caused by stagnation in wholesale and retail trade community, S&P services. Finance & insurance and transport & communication sectors posted positive growth of 6.5% and 1.25% as compared to -1.4% and 0.87% in the previous period respectively. This helped services sector sustain its growth trajectory around 4% (Table 1.2).

Fig 1.4: Composition of Service Sector 2011-12



Source: Pakistan Bureau of Statistics

Table 1.2: Sectoral Growth Performances 2007-08 to 2011-12

(%)

Sector	2008-09	2009-10	2010-11	2011-12 (T)	2011-12 (P)
Real GDP	**1.7**	**3.1**	**3.0**	**4.2**	**3.7**
i) Agriculture Sector	**0.4**	**0.6**	**2.4**	**3.4**	**3.1**
ii) Industrial Sector	**-0.1**	**6.1**	**0.7**	**3.1**	**3.4**
iii) Services Sector	**1.7**	**2.6**	**4.5**	**5.0**	**4.0**
• Transport, Storage & Comm.	3.6	2.7	0.0	4.5	1.3
• Wholesale & Retail Trade	-1.4	4.4	3.5	5.0	3.6
• Finance & Insurance	-7.6	-12.1	-1.4	0.2	6.5
• Ownership & Dwellings	3.5	3.5	1.8	3.5	3.6
• Public Admn. & Defence	3.7	2.5	14.1	6.0	2.6
• Community, S&P Services	8.9	7.8	6.9	7.0	6.8

Source: National Accounts of various years, Pakistan Bureau of Statistics

Wholesale & retail trade, community, S&P services and ownership and dwellings are estimated to grow by 5.0%, 7.0% and 3.5% against the previous year's performances of 3.5%, 6.9% and 1.8% respectively. Flood related social activities caused a positive growth in community and social services in 2011-12. The impact of floods on the economy was multi-faceted. On one hand, they severely impacted country's overall economic performance due to deterioration in the performance of commodity producing sector and slackened domestic trade activity; on the other hand, it contributed positively to the growth of services sector through enhanced community and social services.

The unprecedented rise in profits of the financial institutions and extended insurance services helped break the negative growth trends in this sector. Against the targeted growth of 0.2%, the sector is estimated to grow by 6.5% in this year comparing with the previous year's growth of -1.4% (Table 1.2). The phenomenal growth in gross value addition (GVA) by insurance and pension fund (42.4%) and the SBP (18.2%)

compared with the 13.6% and 10.0% in the previous year respectively resulted into positive growth in the financial sector..

With the growth of 1.3%, transport, storage and communication sector remained below its targeted growth of 4.5% in 2011-12. There is a definite shift of commercial traffic from railways and the PIA to roads' transport which warranted higher investment in roads and infrastructure. This shift was primarily responsible for offsetting the negative impact of rail and air transport services in Pakistan. Nevertheless, in long run, the financial, administrative and operational challenges with which both the PIA and Pakistan Railways are confronted with at present, remain to be the greatest threats to achieve a balanced growth in transport sector of the economy (Table-1.2).

Furthermore, vulnerability of services sector *viz-a-viz* other economic sectors is substantiated by making inter-regional structural comparisons. Like Financial and Insurances services in India appear to have a dominant share in increasing growth over the last few years, the same segment of services sector has been struggling to fuel the economy with necessary capital investment in Pakistan. Lack of entrepreneurial initiatives in banking sector, low diversification and priority to private investment, high public sector investment in infrastructure; particularly roads projects, are the predominant factors responsible for these structural challenges to domestic services sector in Pakistan (Table 1.3).

Table 1.3: Inter-regional Disaggregated Comparison

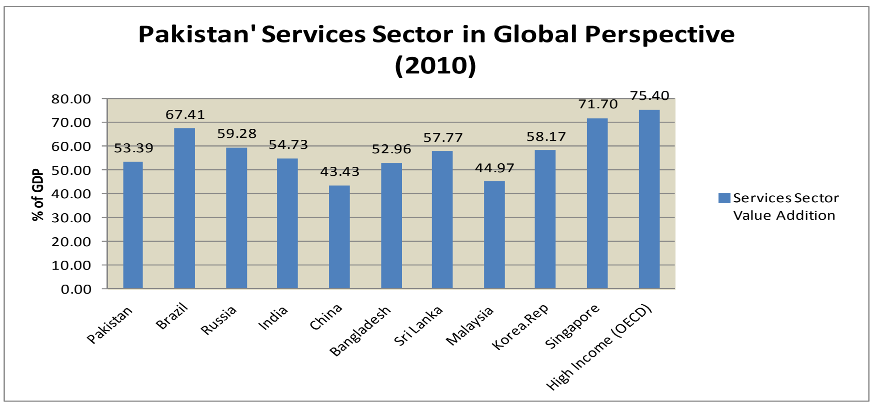
(% of total services sector GVA)

Composition of Services Sector	Pakistan				India		
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11
Transport, Storage & Comm.	18.9	19.3	19.3	18.5	14.8	15.6	16.0
Wholesale & Retail Trade	32.8	31.8	32.4	32.1	25.9	25.2	25.2
Finance & Insurance	11.9	10.8	9.2	8.7	26.5	26.4	26.5
Ownership & Dwellings	5.1	5.2	5.2	5.1	12.5	12.1	12.0
Public Admn. & Defence	11.3	11.5	11.5	12.5	-	-	-
Community, S&P Services	20.0	21.4	22.5	23.0	20.4	20.9	20.4

Source: Pakistan Bureau of Statistics (PBS) and The Central Statistics Office, India

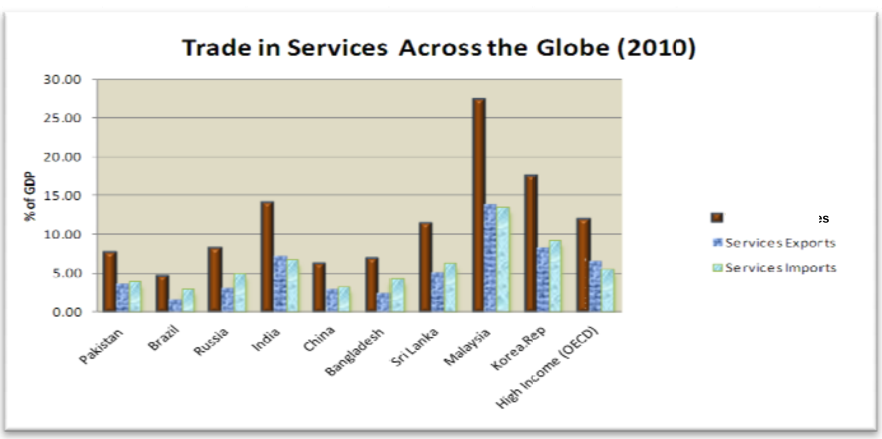
Globally, the volume of trade in services sector is assumed to have positive correlation with over-all economic well being of a society. On average 15% of GDP is produced through trade in services sector by emerging Asia and OECD economies. In case of Pakistan, however, the volume of trade in services sector is 7% of GDP, which is far below than the BRICs, SEANs and OECD countries. One reason could be the present financial crisis in Europe and USA, which has shrunk the volume of global trade by reducing the demand of goods and services. Nevertheless, the analysis of Services sector reveals that, unlike Pakistan, as the size of services sector grow, the sector not only produces traceable surpluses but also becomes more diversified in the emerging economies and developed world (Box 1.2).

Fig 1.2A: Pakistan's Service Sector in Global Perspective 2010



Source: World Development Indicators 2011

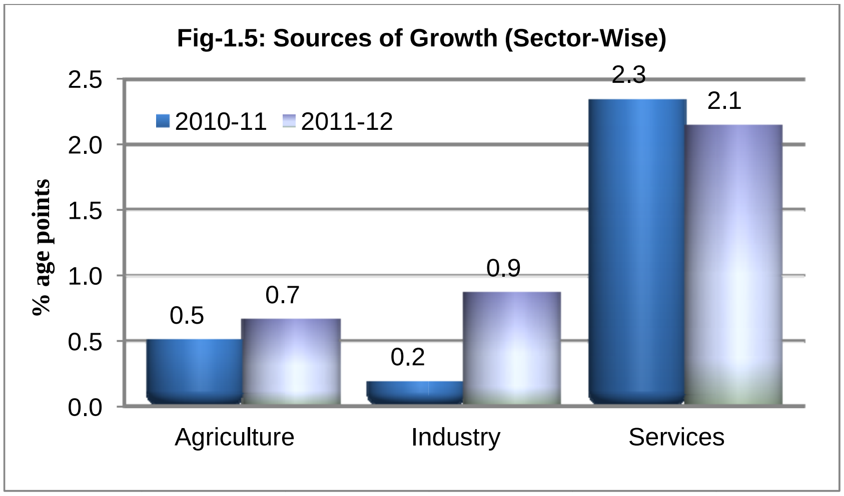
Figure 1.2B: Trade in Services across the Global 2010



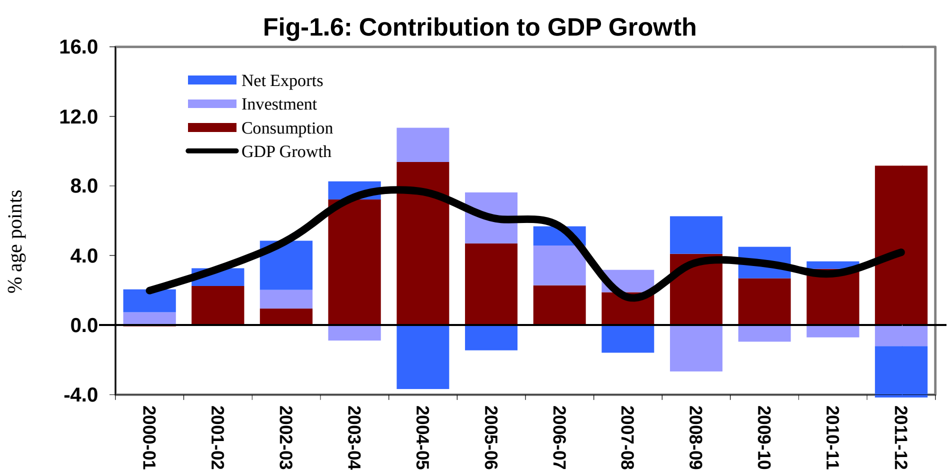
Source: World Development Indicators 2011

Sources of Growth

The real GDP growth is contributed primarily by the services sector with 2.1 percentage points with 0.9 percentage points and 0.7 percentages points originated from industry and agriculture respectively. The commodity producing sector contributed 41 percent of GDP growth and services sector accounted for 59 percent stake in the growth. The sectoral contribution in 2011-12 showed significant improvement as against 77 percent contribution to growth originated from services sector in 2010-11 [See Fig-1.5].



As far as demand side is concerned, the entire growth in 2011-12 is contributed by the consumption with negative contributions from investment and net exports. The negative contribution from net exports is highest ever in the last two decade, thereby reflecting severity of terms of trade shock. Investment is contributing negatively for the last four years, thereby implying shrinking productive capacity in the economy. The consumption boom needs adequate support from net exports and investment for sustainable and equitable distribution of growth [See Fig-1.6].



1.3 Savings and Investment

National saving is estimated to fall from 13.2% of GDP to 10.8% in 2011-12 as against the target of 13.2%. Real private investment fell by 13% and public investment fell by 8.4%. The investment is already at its lowest ebb and further reduction in investment level will impede growth prospects of the economy. During July-Feb, 2011-12, private sector borrowed Rs 57 billion, of which Rs 52 billion were borrowed for working capital requirements and only Rs 5 billion were directed to the fixed investment sector (Annexure 1.2).

Foreign Direct Investment (FDI)

FDI fell by 48.2% during July-March 2011-12 and stood at $ 599 million as against $ 1157 million during the comparable period of last year. The portfolio investment decreased by 148.5% as it turned to outflow of $ 83 million against inflow of $ 305 million in the corresponding period of last year. Major sectors attracting FDI include oil and gas exploration ($ 428.9 million), chemicals ($ 66.9 million), financial business ($ 45.6 million) and construction ($ 53.3 million)

1.4 Annual Plan 2012-13

The macroeconomic and political instability combined with natural disasters are impeding economic recovery. The progress on implementations of economic reforms outlined in the “Framework for Economic Growth” is slow and steady. The economy offers room for optimism especially when lot of idle capacity is lying in the economy which means only small injection of investment could reinvigorate growth momentum. The growth outlook depends on industrial revival which in turn hinges upon energy sector reforms. The affordable and uninterrupted energy supply can kick-start much needed momentum in the economy. The progress on pacification of backlash of war on terror could offer support to economic growth in 2011-12, but at the beginning of the fiscal year the natural calamity struck the economic activity. Growth in 2012-13 will critically hinge upon recovery in the large-scale manufacturing sector which can capitalize upon its existing idle capacity. The agriculture sector also needs to sustain the existing growth momentum and prospective candidate to steer the growth are wheat and rice in the major crops and many minor crops like fruits and chilly. These two crops have performed below par in 2011-12 mainly because of impact of natural calamity. The adequate resource availability to finance development framework rests on success of additional resource mobilization efforts.

The strategy of the Annual Plan 2012-13 flows from the Framework of Economic Growth. Acceleration in the growth is envisaged through improvement in productivity and competitiveness. Public investment though conditional cash grants will be directed towards improvement of skills and entrepreneurship through Entrepreneur and Youth Development Fund. Cities will be better managed through inclusive zoning and Urban Challenge Fund to create space for private investment and construction, foster domestic commerce, regional clusters and generate jobs. Markets will be reformed through strengthening legal and regulatory framework to foster competition. Connectivity to people and place will be improved starting from reforming railways supported by PSDP through cash contingent grant. On the front of governance and delivery of public service, the capacity of civil service will be enhanced through robust training and leadership & performance enhancement skills, performance based remuneration and carried advancement. Result Based Management (RBM) will be introduced gradually in public institutions where funds are to be allocated on the basis of performance and results.

The growth of GDP for 2012-13 is targeted at 4.3% with contributions from agriculture, manufacturing and services of 4.0%, 4.1% and 4.6%, respectively. Nominal GDP is targeted to grow by 15.3% and GNP per capita is projected at Rs.136,885 [Annexure 1.2]. The growth is subject to risks like deterioration in energy availability, extreme weather fluctuations, and fiscal profligacy. The underlying assumption for inflation is 9.5% which is consistent to fiscal prudence and tightening. The sectoral detail of targets is given in the following paragraphs.

1.4.1 Agriculture

The last year's floods have helped in reaping short-term productivity gains in the agriculture sector which spearheaded the growth in the sector. The sustainability of these gains in the medium-term is challenging and need extraordinary policy efforts. The agriculture is targeted to grow by 4% in 2012-13 on the basis of expected contributions of major crops (3.8%), minor crops (4.5%), livestock (4.2%), fishery (2%) and forestry (2%). The projection for major crops assumes wheat and rice to reach their potential level achieved in the past under normal circumstances, and no drastic fall in cotton and sugarcane output. The underlying assumption for minor crops growth is revival of chilies, edible oil and gram for convergence to their normal production, and recovery in production of pulses. The moisture content in the air and soil owing to heavy showers and floods of last two years will continue to help productivity and yield.

Low productivity and yield in the crop sector and indiscriminate use of fertilizer are impeding factors for growth in the agriculture sector. Substantial yield gaps offer enormous opportunities to increase production through improved soil and water management, use of quality and certified seeds, balanced and optimal use of fertilizers and proper plant protection measures. The improvement in agriculture extension services may also incentivize farmers to produce more.

The most important impediments being faced by the farmer community are: market inefficiencies of both input and output markets, lack of financial resources at the time of sowing/ credit availability, high cost of inputs, issues of availability of quality seed and pesticides, non-availability of storage and cool chain facility for perishable crops and mal-practices in public sector procurement of crops (Box1.3). Moreover, resistance to adopt innovative cultivation methods and non-traditional crops is also adding to the financial worries of the farm sector.

In agriculture sector few neglected avenues, if explored, can provide impetus to the agriculture growth and in turn can boost farm incomes. Floriculture, horticulture and edible oilseeds are some of the examples. Edible oil seeds production and oil extraction is an area which has been neglected for many years. Pakistan presently imports more than 2 million tons edible oil annually (Worth over US $ 1.9 billion) against 2.2 million tons of local production. The country presently produces only about one fourth of domestic demand. As such there is a large scope for edible oilseeds production. In Sindh sunflower cultivation has been successful and the support price of Rs 2220 per mound is also an incentive for small farmers to diversify their cropping patterns. In Punjab and Khyber Pakhtunkhwa, special initiatives for cultivation of olive are steps in the right direction. Particularly, Punjab Agriculture and Meat Company's (PAMCO) project of declaring Potohar region as olive valley can be a significant development. In this regard, PAMCO has taken initiative to develop certified nurseries through private sector starting from Potohar including Attock, Rawalpindi, Chakwal, Jehlum and Khushab districts. Investments in such avenues will boost long run agriculture growth and save foreign exchange by reducing edible oil imports.

Box 1.3: Presence of Government in Wheat Market

Public Sector is playing an active role in the wheat market since 1959-60, when for the first time government announced wheat support price. Afterwards, procurement and inter-provincial and inter-district bans on wheat movement also appeared as tools of government intervention in wheat market. Presence of government in the market is creating negative externalities for the agriculture and GDP growth and inflicting huge financial burdens to the national exchequer. Wheat Target and procurement from period 2008-09 to 2011-12 is shown in Table 1.3A.

In the current crop year government has announced support price of Rs 1050 per 40 Kg on 23rd Nov. 2011, which was after the completion of sowing season in most parts of the country. This delayed announcement debarred support price to yield desired results (to increase area under cultivation) and area under wheat decreased by 2.6%. Now Wheat procurement target has been fixed at 7.7 million tons for the current crop. Currently the public sector wheat stock level is 4.5 million tons, which will be 3.4 million tons by the end of food year (from 1-05-11 to 30-04-12). Moreover, the composition of inventory also shows more than two years old reserves (Table 1.3B).

In the presence of such huge stocks and declining international prices, the target of 7.7 million tons seems high. The finances required for such huge procurement will exert the burden of Rs 209.5 billion. Moreover, the storage cost of Rs 200 per 40Kg and storage related losses will add to the financial worries. If private sector is allowed to enter the market and private silos are used for storage in line with international practices, these financial costs can be avoided. Wheat procurement also involves much discrimination and the main objective of support price and public procurement i.e. safeguarding the interest of small growers is not being met while only influential farmers can manage to sell their produce to public procurement agencies and small farmer gets the open market price which is far below the support price. In the light of current fiscal problems and the guiding principles defined by Framework for Economic Growth public sector should gradually restrict its role to functions of regulator and leave the space for private sector.

Table 1.3A: Wheat Target and Procurement 2008-09 to 2011-12

(Million Tons)

Province / Agency	2008-09		2009-10		2010-11		2011-12
	Target	Proc.	Target	Proc.	Target	Proc.	Target
Punjab	3.5	5.8	4	3.7	3.5	3.2	4.0
Sindh	1.2	1.2	1.5	1.5	1.3	1.4	1.3
KPK	0.3	0.1	0.3	0.3	0.4	0.2	0.3
Balochistan	0.1	-	0.1	0.1	0.1	0.1	0.1
PASSCO	1.5	2.1	1.6	1.1	1.3	1.3	2.0
Total	6.6	9.2	7.5	6.7	6.6	6.2	7.7

Table 1.3B: Wheat Stock Situation Food Year 2011

	Quantity (Million Tons)
Carry forward (2010)	3.2
Procurement (2011)	6.2
Wheat Stocks (2010-11)	9.4
Estimated Releases for 2011	6.0
Stocks at the end of food year 2011	3.4

Livestock subsector is projected to grow by 4.2% in 2012-13. Pakistan's performance in this sector has been relatively better over the past decade, yet there is a huge potential for growth both in dairy development and meat production. The most attractive arenas in this regard are value added milk and meat products. Moreover, Pakistan being one of the largest Islamic states can tap a huge share of international Halal food market (Box 1.4). Worth of $632 billion halal food market offers an opportunity to Pakistan and governments at sub-national level have started focusing this opening and International Conference on Halal Food in Lahore was a beginning in right direction.

Pakistan's poultry sector is also very progressive and is contributing high percentage in livestock sector's growth. In Pakistan almost 66% of the population is protein deficient (daily protein requirement of a human body is 102.7grams, while in Pakistan average intake is 69.61gm) and poultry meat provides an economical solution to this issue. This dietary requirement gap, exportability of processed chicken products and increasing trend of controlled sheds are leading indicators of poultry growth in coming years.

Fishery and forestry subsectors are expected to grow by 2% in 2012-13. In a nutshell, thanks to post flood moisture availability, revival of minor crops and increased productivity of livestock, agriculture sector is well placed to achieve the envisaged growth of 3.8% in 2012-13. Nevertheless, uncertain weather conditions, energy constraints, input supply and price issues, declining international commodity prices and government presence in agriculture markets are few threats to agriculture sector growth.

Box 1.4: Global Halal Food Market

The research by World Halal Forum quoted in TIME Magazine shows~~,~~ that total size of Global Halal food market is worth about $632 billion. The 10 biggest exporters of Halal Products are Non-Muslim countries: USA, Brazil, Argentina, France, New Zealand, Australia, Thailand, Philippines, Singapore and India enjoy almost 85% share of Global Halal Market. (Indian Halal Food Trade was over $21 billion last year) Malaysia and Indonesia are the only Muslim countries with almost 15% share in the Global Halal market.

Halal Certification is a must to declare any product as Halal. Halal Certification allows you to use the HALAL Logo on your product to inform consumers that they are buying HALAL products. There are more than 300 Halal certification agencies in around 25 countries this huge market offers an opportunity to Livestock & Dairy sub-sector of Pakistan.

1.4.2 Industry

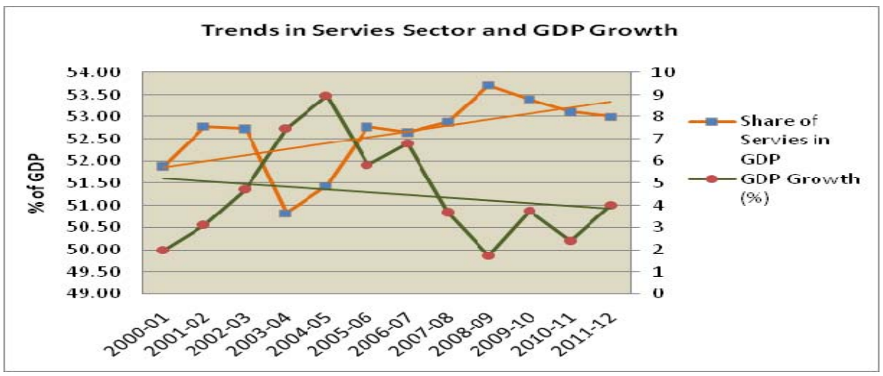
The industrial sector has exhibited some signs of recovery during the current fiscal year by surpassing the target of 3.1%. It is expected that it would sustain its growth and will grow by 4.1% during 2012-13. The mining and quarrying sector is projected to grow by 3%.

The manufacturing sector is expected to grow by 4.1% based on the growth rate of large-scale manufacturing sector (2.5%), small & household manufacturing (7.5%) and slaughtering (4.5%). The likely growth of the large-scale manufacturing is based on the assumption of relatively better energy supply. Secondly, the impressive production of major crops would support agro-based industries which will result in higher industrial production during 2012-13. The expected rise in foreign remittances and rural class income would enable people to buy consumer durables and automobiles. Growth of construction sector would help grow allied industries such as cement, steel, glass, paints and varnishes.

The construction sector is targeted to grow by long-term sustainable rate of 4.5% during the fiscal year 2012-13. Rising demand for housing would keep the pace of the sector going well. Electricity, gas and water supply sector is expected to post a growth of 2.2% during 2012-13. Due to completion of Mangla Dam Raising Project, it is expected that the storage of additional water will result in much-needed hydel power in the coming days. In the short run, choosing alternative energy sources like solar and wind would help in meeting the energy shortages. It is also expected that the government would try to help resolve the circular debt issue for the development of energy sector in the country.

Box 1.5 Is Growth in Services Sector both Necessary and Sufficient for Development?

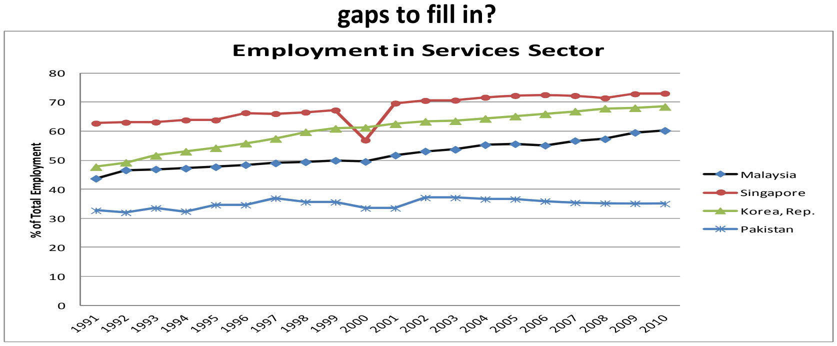
A copious amount of economic literature has been produced to enrich debate on the role of services sector in growth and development. The *Classical* economists assuming labor with diminishing returns assumed services to contract long run growth of an economy. They rather emphasize upon productive capacity of an economy which crucially depends upon manufacturing. Contrarily, the *Structuralists* view services sector as a catalyst for structural change in an economy. Basing their argument on Petty's law, they view growth in services as a cause of change in economic structure which *inter alia* demands and supply side factors will make contracting out services more efficient than producing them through manufacturing. The underlying software for the said change is both specialization and diversification in an economy (Banga. R 2005). In case of Pakistan, the Figure 1.5A depicts that both GDP and services sector have opposite growth trends. Hence depicting that growth in services sector is neither necessary nor sufficient for overall economic growth. Such a non responsive nature of services sector to economic growth unleashes some critical structural problems within the services sector of Pakistan.



Source: Pakistan Bureau of Statistics (PBS) & Planning Commission

The experiences of emerging economies of SEANs, shown in the Figure 1.5B, depicts that the growth in their respective services sectors was equally matched by a constant increase in services sector employment. Contrarily, Pakistan's services sector growth on the one hand has failed to generate employment during the last two decades and increase productivity of the employed labor force on the other. The stagnation may be due to either high growth in labor force or increase in disguised unemployment in the commodity producing sector of the economy. All in all, the country's services sector though has expanded in quantum terms yet remains cuffed with low productivity and incapacity to employ the unemployed labor force.

Fig: 1.3A Employment or Employability in Services Sector-Are There Some Potential gaps to fill in?



Source: World Development Indicators 2011

Savings and Investment

The investment is targeted to improve from current level of 12.5% of GDP to 13.1%. Both public and private investment is likely to contribute in this improvement. Fixed investment will inch up from 10.9% to 11.5% of GDP. Foreign direct investment (FDI) has decreased substantially during the last four years. The peculiar security environment was impeding factor. With gradual improvement in the security environment, the FDI will improve. The current downslide is likely to stop in the short-run. The domestic entrepreneurship and innovation are important pillars of Framework for Economic Growth (FEG) and they are likely to boost private investment in the country. With gradual minimization of role of the government, more room will be available for the private sector under FEG. Inadequacy of national savings to finance investment has always paved the way to borrow foreigners' savings. National savings are likely to improve slightly from 10.8% of GDP in 2011-12 to 11.2% in 2012-13. The widening external imbalances however, will adversely affect savings.

1.5 Way Forward

Despite respectable growth in services sector over the years, it has neither been able to engender sufficient productivity growth nor to generate employment in the economy (Box 1.5). Resultantly, the growth trajectory in GDP appears to be nonresponsive to positive growth in services in Pakistan. Still the realization of next year's growth target, 4.6%**,** in services stands crucial for achieving growth targets in the commodity producing sector of the economy (4% both in agriculture and industrial).

Table 1.4: Prospective and Growth Targets in Services Sector

Sector	2011-12 (Target)	2011-12 (P)	2012-13 (Target)
Real GDP	**4.2**	**3.7**	**4.3**
▪ **Agriculture Sector**	**3.4**	**3.1**	**4.1**
▪ **Industrial Sector**	**3.1**	**3.4**	**4.0**
▪ **Services Sector**	**5.0**	**4.0**	**4.6**
• Transport, Storage & Comm.	4.5	1.3	2.5
• Wholesale & Retail Trade	5.0	3.6	4.1
• Finance & Insurance	0.2	6.5	4.5
• Ownership & Dwellings	3.5	3.6	3.5
• Public Admn. & Defence	6.0	2.6	5.5
• Community, S&P Services	7.0	6.8	6.8

Higher growth in public administration and defense 5.5%, is expected on the pretext of increased of higher salary and pensions by the public sector employees. Furthermore, the consistently precarious security situation and cuts on US military aid will put extra burden on public exchequer to finance War on Terror through domestic sources, hence causing a rise in defense expenditures (Table 1.4).

Again the recent trend in financial sector growth is expected to subside next year assuming: i) government will expand its tax net by making services sector (the largest contributor to GDP) taxable by having say services' profits like inter-city transport, real estate and lawyers, doctors incomes tax, ii) borrowing from the private sector and domestic FIs will be curtailed to help augment private sector capital accumulation in the economy.

In view of expansionary fiscal stance by the government in election year 2012-13, it is estimated that national government development spending will increase by 16.4%. This is likely to have a positive impact on the next year's targeted growth of 4.6% in services sector. If the sector remains concentrated largely to wholesale cum retail trade, community services and transport and communication, the government has to finance its deficit largely through private savings pooled in national savings schemes. Resultantly, less will be available with the national saving for banking sector private credit and hence investment in Pakistan is likely to suffer.

To get a net gain out of this paradox, the current plan juxtaposes more realistic growth targets with some urgent structural interventions during the next year 2012-13. In current scenario, the targeted growth of 4.6% in services sector is quite contingent to performance in other sectors of the economy, which in turn crucially depends upon the prospective energy supply and credit to the private sector. However, by revamping the financial and insurance services, generating alternate income sources such as progressive taxation, making PSEs like Railways and PIA competitive and producing tradable services sector output through specialization and diversification, the government can reduce the vulnerability of services sector to the shocks in commodity producing sector of the economy and achieve next year growth targets in the services.

To account for diminishing returns and low employment in the services sector, institutions like NEVTEC should focus on targeting both the employed and employable labor force in the services sector and equip them with necessary trainings and skills. On broader front, liberalizing labor market seems as important as it is for the goods market. The labor markets in emerging economies like China, Singapore and Malaysia must be explored to export need based and skilled labor force abroad.

Again, while treading the development paths of emerging economies like India, sectoral share of finance and insurance in the services will have to be increased. Lowering interest spread and revitalizing their role as institutions responsible for providing development finance are needs of the hour.

Annexure:1.1

Gross Domestic Product (1999-2000 Prices)

Items	(Rs Billion)				% Change		
	2010-11	2011-12		2012-13	2011-12		2012-13
	Revised	Target	Prov.	Target	Target	Prov.	Target
I. Commodity Sectors	**2,712**	**2,803**	**2,801**	**2,911**	**3.2**	**3.3**	**3.9**
A) Agriculture	**1,231**	**1,258**	**1,269**	**1,321**	**3.4**	**3.1**	**4.0**
Major Crops	392	388	405	420	3.0	3.2	3.8
Minor Crops	130	135	128	134	2.0	-1.3	4.5
Livestock	672	698	700	729	4.0	4.0	4.2
Fishery	22	22	22	23	2.0	1.8	2.0
Forestry	14	14	14	15	-1.0	0.9	2.0
B) Industry	**1,481**	**1,545**	**1,531**	**1,590**	**3.1**	**3.4**	**3.8**
Mining & Quarrying	139	142	145	149	1.0	4.4	3.0
Manufacturing (I+II+III)	**1,086**	**1,125**	**1,124**	**1,170**	**3.1**	**3.6**	**4.1**
i) Large-Scale Manufacturing	705	719	718	736	2.0	1.8	2.5
ii) Small & Household	298	321	321	345	7.5	7.5	7.5
iii)Others*	82	85	86	90	4.0	4.5	4.5
Construction	122	150	130	136	2.5	6.5	4.5
Electricity, Gas & Water Supply	134	128	132	135	1.0	-1.6	2.2
II) Services	**3,103**	**3,257**	**3,228**	**3,377**	**5.0**	**4.0**	**4.6**
Transport, Storage & Communications	574	608	581	596	4.5	1.3	2.5
Wholesale & Retail Trade	997	1,051	1,032	1,075	5.0	3.6	4.1
Finance and Insurance	271	261	289	302	0.2	6.5	4.5
Ownership of Dwellings	159	164	164	170	3.5	3.5	3.5
Public Administration & Defence	389	409	399	421	6.0	2.6	5.5
Social, Community & Personal Service	714	765	762	814	7.0	6.8	6.8
GDP(fc)	**5,815**	**6,060**	**6,029**	**6,288**	**4.2**	**3.7**	**4.3**

*covers slaughtering of animals in accordance with Islamic Sharia Zabiha)

Source: PBS & Planning & Development Division

Annexure:1.2

Macroeconomic Framework
(Current Market Prices)

Items		(Rs Billion)			% Growth	
	2010-11	2011-12		2012-13	2011-12 P	2012-13 T
	Revised	Target	Prov.	Target	2010-11 R	2011-12 P
GDP (fc)	**17,093**	**20,050**	**19,437**	**22,200**	**13.7**	**14.2**
Indirect Taxes (Net)	**940**	**1,123**	**1,217**	**1,455**	**29.5**	**19.6**
GDP (mp)	18,033	21,173	20,654	23,655	14.5	14.5
Net Factor Income from Abroad	820	800	1,025	1,115	25.0	8.8
GNP (mp)	18,853	21,973	21,679	24,770	15.0	14.3
External Resources Inflow (net)	-18	119	356	444	-	25.0
Total Resources / Uses	18,835	22,092	22,034	25,214	17.0	14.4
Total Consumption	16,477	19,173	19,448	22,117	18.0	13.7
Total Investment	2,358	2,919	2,586	3,097	9.7	19.7
Fixed Investment	2,069	2,580	2,256	2,718	9.0	20.5
Public incl. General Govt.	520	790	616	766	18.6	24.3
Private	1,549	1,790	1,640	1,952	5.8	19.0
Changes in Stocks	289	339	330	378	14.5	14.5
National Savings	2,376	2,800	2,231	2,652	-6.1	1,819
	As % of GDP (mp)					
Total Investment	13.1	13.8	12.5	13.1		
Fixed Investment	11.5	12.2	10.9	11.5		
Public incl. General Govt.	2.9	3.7	3.0	3.2		
Private	3.6	8.5	7.9	8.3		
National Savings	13.2	13.2	10.8	11.2		
External Resources Inflow (net)	-0.1	0.6	1.7	1.9		
Memo Items						
Inflation	18.2	12.0	9.7	9.5		
GNP mp Per Capita (Rs)	107,541	122,816	121,173	135,774		

Source: PBS & Planning Commission

Chapter 2 Balance of Payments

Pakistan is facing a situation of low growth over few years. . The emergence of new technology (internet, mobile) and financial sector exuberance temporarily provided episodes of higher growth in mid-2000. Barring this brief interval, the growth rate remained generally lower than potential for almost two decades now. The experience of East Asian economies illustrates that the export has the potential to serve as an engine of growth and take the economy to higher growth trajectory. Accordingly, a strategy which improves productivity, competitiveness and promotes exports breaks the syndrome of low growth.

2.1 Strategy

The trade strategy is guided by the Framework for Economic Growth and the proposed Strategic Trade Policy Framework 2012-15 (Box 2.1). Central to achieving the objective of export competitiveness is the role of the private sector. However, inconsistency of policies risk of investment and short term planning horizon lead to sub-optimal allocation of resources. To encourage the private sector to export, consistency and continuity of supportive policy framework is required. Internally, two major challenges faced by the country are shortage of energy and security-related issues. Whereas, the former will take some time to fill the gap in energy supply and demand, the latter should be tackled on priority basis so that the export industry does not suffer much and stays competitive internationally.

Pakistan is a member of two regional groupings: South Asian Association for Regional Cooperation (SAARC) and Economic Cooperation Organization (ECO) but has not been successful in promoting the intra-regional trade significantly. Political differences, failure to develop infrastructure and protocols for large scale overland trade and similarities in the trade pattern of the member states, together with absence of comparative advantage in the capital intensive and high value added products (that are normally imported in the region) are some of the reasons for this lack of success.

In the regional context, Pakistan’s exports to neighbors accounts for only 17% and this needs to be expanded through regional trade agreements and identifying prospective areas of cooperation (Box 2.2). The potential of FTAs is also not fully exploited and special access arrangements (GSP plus with EU and Bilateral Investment Treaty with US) are long overdue. The need is to identify right partners to enter into FTA instead of indulging into dialogue with many countries. An encouraging development in this regard is the Currency Swap Arrangements (CSA) that Pakistan has entered into with Peoples Republic of China and Turkey. The objective of these swaps is to promote the use of regional currencies for trade settlement purposes and specifically in the case of China; and enhance the role of the Chinese Yuan in international trade and investment.

Trade with India should flourish since there are several advantages of normalizing trade between the two countries. To begin with, the advantage of geographical proximity – cheaper transportation costs and trade complementarily in goods in which either country has a comparative advantage are overwhelming. The shorter distances will render it unnecessary for industry to carry high levels of inventories of raw material, intermediate goods and parts, thereby reducing cost of operations and the country's overall trade deficit while also improving allocation of scarce resources. (Box 2.2).

Box: 2.1 Draft Strategic Trade Policy Framework 2012-15

Salient Features of Strategic Trade Policy Framework (STPF) are:

- Process of trade policy formulation, implementation and post implementation audit and evaluation has been streamlined. Ministry of Commerce (MoC) will align trade policy with development policies of the Government and Pakistan's Framework for Economic Growth
- Export performance during the period 2009-12 was better than expected despite global recession, energy shortages and security concerns. The target of 23.5 Billion US Dollars set for June 30th 2012 was surpassed a complete year in advance
- STPF is an outward looking policy framework that put emphasis on increasing exports to reduce trade deficit than on reducing imports. The overall objective of the STPF is to achieve export led sustainable high economic growth by engaging Industry, civil society and donors and necessary policy intervention
- STPF aims to reduce twin problems of uncertainty of policy and regulatory rigidity
- STPF place special emphasis on increasing the volume of regional trade. Trade normalization process with India is the most important step taken by the Ministry of Commerce which will open large market for Pakistani goods and services. Moreover, increase in imports from India will reduce cost of our Industrial production and it will also be beneficial to domestic consumer
- MoC is planning to introduce "Principles of Protection Policy" in STPF to provide guiding principles to protect certain industries. This will ensure the right balance between protection and competition for the industry
- STPF aims at facilitating the business community in every possible way. In this regard, MoC have completed an in-house review of regulatory framework on international trade i-e Import policy order and export policy order with a view to introduce regulatory reforms that reduce cost of doing business. Regulations will amended/reformed in consultations with relevant stakeholders to ease the regulatory burden

Source: Ministry of Commerce

Box: 2.2 Regional Cooperation

- The government has declared 2012 as the Year of Regional Cooperation and Economic Activity. In this back drop, the Planning Commission in collaboration with World Bank and the Department for International Development UK has proposed to hold a Conference on “Regional Conference on Economic Cooperation and Trade” during the last quarter of 2012. The Conference will (i) build on the current momentum for greater regional trade, (ii) examine opportunities to take full advantage of emerging economic cooperation, (iii) address three overarching challenges in building greater regional trade: (a) Creating regional markets by removing barriers to trade in goods and services (b) enhancing connectivity between people and economic sector (c) opening access to finance as means to expand opportunities for cross-border investment and financial risk mitigation. The Conference is expected to help build the knowledge and analytical base for these efforts
- The focus countries for this Conference are regional partners that share a border with or have recently announced the intention to signing a free trade commitment with Pakistan. This includes: Afghanistan, China, India, Iran, and Turkey
- Other developments that could enhance trade with Pakistan’s neighbors include, i) Progress in structuring commercial arrangements to underpin the proposed TAPI gas pipeline between Turkmenistan, Afghanistan, Pakistan, and India. ii) High-level commitment to develop the Central Asia-South Asia Regional Electricity Market, including the CASA-1000 regional transmission line between Afghanistan, Pakistan Kyrgyz Republic and Tajikistan; iii) The signing of the Afghanistan-Pakistan Trade and Transit Agreement, iv) The completion of the development of Gwadar Port by China, and its commercial operation by a leading port operator from Singapore (PSI International)

Macroeconomic stability and supportive fiscal, monetary and exchange rate policies provide impetus to trade. The on-going tariff rationalization drive will eliminate many distortions hampering trade and production. Industrial policy framework may be made more realistic and supportive to industrial development.

On the import side balance of payments position can be improved through demand management and cutting the imports of luxury items in the short run. In addition, this can be done by entering into agreements with friendly countries by trading in local currencies and barter trade. In the long run trade deficits can be reduced through bringing down heavy dependence on imported oil for power generation. This can be done by diverting to alternate sources of power generation.

The current account will be driven by the workers’ remittances which have shown remarkable strength. The flow of remittances has been improving over the last few years and has remained a consistent source of inflows to the country. However, it would be unrealistic to solely depend on this source of financing external account. For this purpose, we are to enhance non- debt creating inflows that are stable, sustainable and have positive impact on economic growth.

2.2 Review of 2011-12

The Annual Plan 2011-12 was prepared in the backdrop of energy and power shortages coupled with weak law & order situation and global uncertainty. Export target was, therefore, set at $ 25.8 billion for 2011-12 as compared to US$ 25.3 billion recorded during 2010-11, depicting an increase of about 2.0%. The current account deficit was targeted to be 0.6% of GDP in 2011-12, against current surplus of 0.1% of GDP actually recorded in 2010-11 (Annexure 2.3).

Pakistan's external sector showed strength in the previous year but could not maintain it in the current financial year. External account during July-March of 12 remained in deficit to the tune of $ 2.6 billion as compared to a surplus of $ 1.8 billion recorded during the same period of previous year. Deterioration in the country's external accounts largely owes to higher trade deficit, that widened by 42.4%. The increase in the services account deficit also contributed to the deteriorated current account balance.

The most encouraging development during Jul-March of 2011-12 was 21.5% growth in remittances that reached to a level of $ 9.7 billion as compared to about $ 8 billion recorded during the corresponding period of last year. The growth in remittances is the result of Pakistan Remittance Initiative (PRI) jointly launched by State Bank of Pakistan, Ministry of Finance and Ministry of Overseas Pakistanis. However, it would be unrealistic to solely depend on this source of financing external account.

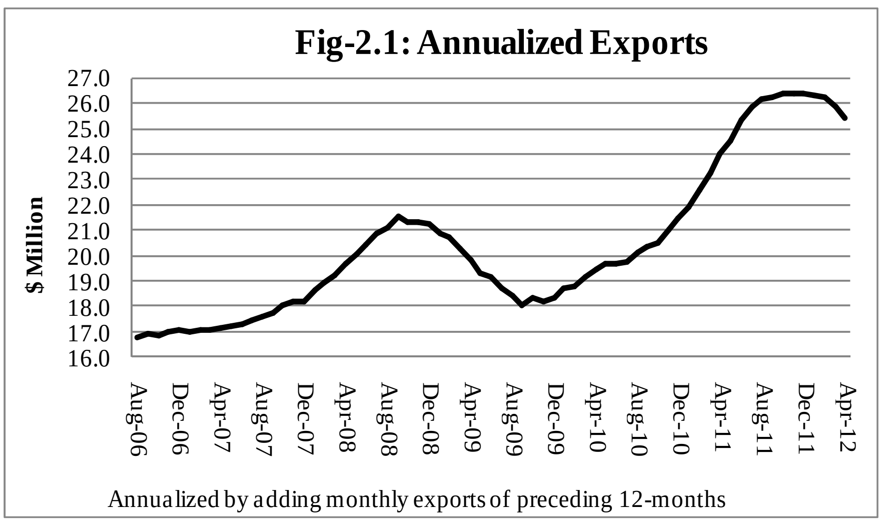
With a gradually rising current account deficit and consistently declining foreign inflows, the SBP foreign exchange reserves are on declining path. Total liquid foreign exchange reserves stood at $ 16.5 billion as on 6th April 2012. The decline in reserves was primarily because of scheduled repayments to International Monetary Fund (IMF), decline in external official inflows and decline in foreign direct investment because of power shortages and deteriorating law and order situation. These developments exerted downward pressure on rupee strength. Consequently, the Rupee during Jul-Mar 2012 depreciated by 3.0% as compared to 2.4% in the same period of previous year. The average exchange rate for the month of March 2012 was Rs 90.71/$.

Balance of Trade: Trade deficit in the Annual Plan 2011-12 was targeted at $ 12.2 billion (5.2% of GDP). Due to higher growth in imports as compared to exports, trade deficit widened by 42.4% during the first nine months of 2011-12 and touched the level of $ 11.6 billion (Annexure 2.3). This deterioration in trade account is mainly due to an increase of $ 3.9 billion in the imports payment which more than offset the impact of rise of about $ 431 million in the exports earning. Trade deficit remained 6.4% of GDP during July-March 2012.

Exports: Exports during July-March of 2011-12 stood at $ 18.3 billion against $ 17.9 billion in the corresponding period of previous year showing an increase of 2.4%. Component-wise analysis of export items during July-March of 2011-12 shows positive growth in other manufactures group and all other items groups while other groups have depicted a negative growth. The available data of about 76.3% of total export items, on both volume and prices, shows a negative growth of 9.7%.If this trend in exports continues, targets of Annual Plan 2011-12 are likely to be missed. . Exports (fob) for the full year of 2011-12 are estimated to be around $ 24.8 billion against the Annual Plan target of $ 25.8 billion (Annexure 2.1). The weak performance of exports may be attributed to the following factors:

- High export base of the previous year as a result of high export receipts due to export prices. The windfall gains to export receipts due to abnormally high cotton prices in 11 have dissipated faster than anticipated
- Instable law and order situation, energy shortages and increase in the cost of doing business in the country
- Crises in the Euro zone and stiff competition in textile products from China, India and Bangladesh in the international market
- India has allowed the export of Basmati rice after 4 years that has augmented the world supply. India is offering non-basmati rice at much lower price due to both large carryover stocks and recent depreciation of the Indian currency

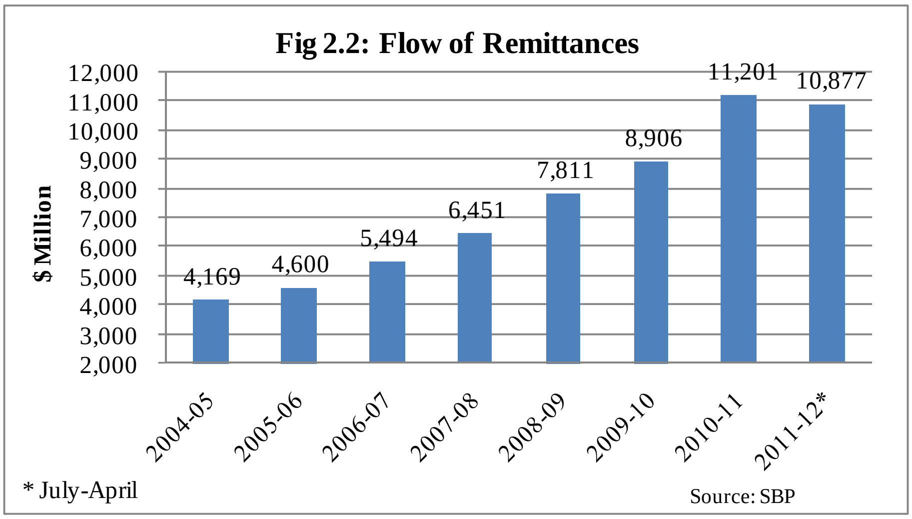
To increase exports, improvement in quality of export products, product and market diversification, exploring untapped markets, promoting local R&D and ensuring uninterrupted supply of energy are required. At the moment if we look into annualized exports (by adding exports of past 12 months till respective month, the exports potential has declined since August 2011. This is partially because of weaker demand in export destinations like EU and partly because of supply side disruptions Figure 2.1:



Imports: Imports during July-March 2011-12 increased by 14.9% to $ 29.9 billion over the corresponding period of previous year i.e. $ 26 billion. Group-wise analysis of imports during July-March 2011-12 showed that all import groups indicated positive growth except food, transport and textile groups, which have witnessed negative growth rates.

Imports bill surged mainly on account of higher prices of import of crude and edible oil. The rise in international oil prices severely impacted the import bill of the country. Price of Brent crude had almost touched $ 125 a barrel due to tensions in the Middle East and fell only recently eased below $100 a barrel. It is estimated that imports (fob) for 2011-12 will be about $ 40.2 billion compared to the Annual Plan target of $ 38.0 billion (Annexure 2.2).

Workers' Remittances: Workers' remittances have continuously witnessed an increasing trend during the last few years. Remittances during July-March of 2011-12 reached a level of $ 9.7 billion as against $ 8 billion in the corresponding period of previous year (Annexure 2.3), registering an increase of 21.4%. Monthly average remittances during this period stood at $ 1,081 million as compared to $ 890 million during the same period of previous year. Keeping this trend in view, remittances are expected to surpass the annual plan targets of $ 12.0 billion and will be around $13 billion. Remittances have shown an upward trend due to various factors, particularly the measures taken under the Pakistan Remittance Initiative (PRI) leading to increased inflow through official channels. Increasing trend of worker's remittance is reflected in Figure 2.2.



Current Account Balance: The current account deficit was targeted at $ 1.4 billion (0.6% of GDP) in the Annual Plan 2011-12 as against a surplus of $ 214 million (0.1% of GDP) recorded in 2010-11 (Annexure 2.3). This was largely based on the assumption of higher level of workers' remittances. With estimated trade deficit at $ 15.3 billion and remittances of $ 13.2 billion, the current account for 2011-12 is estimated to be in deficit by $ 4.0 billion against a surplus of $ 0.2 billion recorded during 2010-11.

Capital Account: Gross aid disbursements during 2011-12 are expected to decrease marginally to $ 2.3 billion as compared to $ 2.4 billion recorded previous year. (Annexure 2.3)

Overall Balance: The overall balance is likely to be in deficit by $ 2.6 billion in 2011-12 compared to a surplus of $ 2.5 billion recorded in 2010-11 (Annexure 2.3).

2.3 Outlook for 2012-13

The Annual Plan 2012-13 aims at maintaining a sustainable balance of payments position to ensure macroeconomic stability. Pakistan has a high degree of dependence on oil imports, essential industrial raw materials & machinery and equipment. To meet the requirements without excessive reliance on external borrowing needs a robust export growth strategy. The current account balance would also need to be improved by attracting private transfers, especially workers' remittances. The capital account would be strengthened by attracting various sources of financing with greater recourse to non-debt creating, stable and sustainable sources of financing such as foreign direct investment.

Trade Account: On account of the energy shortages and security situation, exports (fob) for 2012-13 are projected to grow by 4% to $ 25.8 billion from $ 24.8 billion estimated for 2011-12. Imports during 2012-13 are projected to increase by 6.8% to $ 42.9 billion from $ 40.2 billion estimated for 2011-12. Hence, the trade account is projected to be in deficit by $ 17.1 billion in 2012-13 (Annex: 2.3).

Current Account Balance: The current account is targeted to be in deficit by $ 4.8 billion in 2012-13 (1.9% of GDP) as against a deficit of $ 4.0 billion (1.7% of GDP) estimated for 2011-12 (Annex: 2.3).

Capital Account: Gross aid disbursements during 2012-13 are expected to remain at the level of $ 2.7 billion against $ 2.3 billion estimated for 2011-12.

Overall Balance: Balance of payments will remain under pressure due to external debt repayments including repayments to IMF, declining trend of export quantum, rising international oil prices and weak financial inflows. Allowing for other capital inflows, the overall balance is likely to be in deficit by $ 1.7 billion in 2012-13 compared to an estimated deficit of $ 2.6 billion in 2011-12. Details are given In (Annexure 2.3)

EXPORTS

Annex-2.1
($ Million)

Items	2010-11 Actual	July-March 2011	July-March 2012	2011-12 Target	2011-12 Estimate*	2012-13 Target**
A. Food Group	**5,459.3**	**3,135.2**	**2,976.6**	**4,209.3**	**4,963.8**	**5,212.0**
Rice	**3,123.0**	**1,596.4**	**1,488.4**	**2,229.1**	**2,756.1**	**2,893.9**
a)Basmati	2,160.3	698.5	574.3	940.6	1,776.0	1,864.8
b)Others	962.7	897.9	914.1	1,288.5	980.1	1,029.1
Fish & Fish Preparations	296.2	198.7	222.8	297.9	332.1	348.7
Fruits	292.4	239.2	275.7	274.6	337.0	353.9
Vegetables	268.2	155.1	91.0	259.6	157.4	165.2
Wheat	586.6	350.2	106.5	368.1	178.4	187.3
Meat & Meat Preparations	153.8	108.5	123.6	161.0	175.2	183.9
All other food items	739.1	421.2	588.6	522.9	1,032.9	1,084.5
B. Textile Group	**13,817.5**	**9,955.3**	**9,019.5**	**15,489.9**	**12,564.4**	**13,192.7**
Raw Cotton	364.8	276.6	362.0	251.4	477.4	501.3
Cotton Yarn	2,201.4	1,697.8	1,264.2	2,064.7	1,639.2	1,721.1
Cotton cloth	2,623.2	1,835.7	1,751.2	2,430.0	2,502.4	2,627.5
Knitwear	2,305.6	1,678.2	1,469.7	2,459.5	2,019.1	2,120.0
Bedwear	2,088.9	1,502.4	1,311.1	3,678.0	1,822.8	1,914.0
Towels	762.3	534.4	492.6	844.9	702.7	737.8
Ready-made Garments	1,773.7	1,228.1	1,204.0	1,836.0	1,738.9	1,825.9
Art, Silk & Synthetic Textile	607.8	435.8	414.0	712.9	577.5	606.4
Madeup Articles (exclud. Other Tex)	624.9	454.3	411.4	733.8	566.0	594.3
Other textile materials	464.9	312.0	339.3	478.7	518.4	544.3
C Petroleum Group & Coal	**1,345.4**	**990.4**	**721.9**	**1,239.6**	**969.7**	**1,018.2**
Petroleum Products(Excl. Top Naphta)	895.4	649.6	282.6	695.2	389.5	409.0
Petroleum Top Naphta	449.9	340.7	439.1	544.4	579.9	608.9

EXPORTS

Annex-2.1
($ Million)

Items	2010-11 Actual	July-March 2011	July-March 2012	2011-12 Target	2011-12 Estimate*	2012-13 Target**
D. Other Manufactures Group	**4,041.5**	**2,857.7**	**3,455.6**	**4,706.7**	**4,949.7**	**5,197.2**
Carpets,Rugs & mats	132.4	97.8	92.5	132.7	125.2	131.5
Sports Goods	330.0	231.4	234.1	338.7	333.9	350.6
Leather Tanned	465.0	324.2	313.7	506.3	449.9	472.4
Leather Manufactures	540.6	412.9	400.3	572.7	527.3	553.7
Footwears	109.3	79.4	76.0	108.8	107.5	112.9
Surgical Goods & Medical Instruments	260.6	186.7	222.1	247.1	309.9	325.4
Cutlery	85.5	64.2	59.9	94.7	79.8	83.8
Chemicals And Pharm.Products	923.0	639.3	812.8	933.7	1,178.1	1,237.0
Engineering Goods	255.8	160.5	215.9	676.6	350.2	367.8
Jewellary	403.0	277.2	584.7	565.8	849.9	892.4
Cement	457.4	329.7	339.2	440.6	470.6	494.2
Other Minor items	78.8	54.2	104.4	89.0	167.3	175.6
E. All Others	**146.7**	**788.0**	**1,015.9**	**(27.3)**	**611.0**	**641.6**
Total Exports (A-E)	**24,810.4**	**17,726.7**	**17,189.5**	**25,618.2**	**24,058.7**	**25,261.6**
Exports (fob)	**25,356.0**	**17,892.0**	**16,251.0**	**25,835.2**	**24,840.0**	**25,812.0**

Source: PBS, SBP & Planning Commission Estimates

*** Revised Estimates**
**** Annual Plan**

IMPORTS

Annex-2.2

($ Million)

Item	2010-11	July-March		2011-12		2012-13
	Actual	2011	2012	Target	Estimate*	Target**
A. Food Group	**3,878.1**	**2,948.3**	**2,591.2**	**8,419.6**	**3,356.1**	**3,557.0**
Milk & Cream Including milk for infants	165.8	114.6	121.7	178.3	157.7	167.1
Tea	334.1	260.8	271.7	412.6	351.9	372.9
Spices	104.0	83.3	76.8	118.3	99.5	105.5
Palm Oil	2,020.7	1,378.3	1,718.3	5,824.0	2,225.4	2,358.7
Sugar	684.6	677.1	15.1	1,017.8	19.6	20.8
Pulses	403.1	308.6	282.4	691.6	365.7	387.6
Others	165.9	125.4	105.2	177.0	136.3	144.4
B. Machinery Group	**5,274.9**	**3,938.3**	**4,156.1**	**4,008.0**	**4,028.0**	**4,269.2**
Power Generating Machinery	1,038.3	778.2	826.0	1,062.7	1,069.8	1,133.9
Office Mach. Incl. Data Proc. Equip.	239.4	172.9	211.9	228.1	274.5	290.9
Textile Machinery	456.7	357.2	316.0	502.9	409.3	433.8
Construction & Mining Machinery	115.6	87.0	99.6	139.1	129.0	136.8
Electrical Machinery & Apparatus			618.9			

IMPORTS

Annex-2.2

($ Million)

Item	2010-11	July-March		2011-12		2012-13
	Actual	2011	2012	Target	Estimate*	Target**
	793.4	604.6		806.2	801.6	849.6
Telecom	1,023.6	751.8	943.7	1,158.9	1,222.2	1,295.4
Others	1,607.9	1,186.6	1,139.9	110.1	121.6	128.8
C. Transport Group	**2,068.6**	**1,549.9**	**1,508.8**	**1,974.5**	**1,954.1**	**2,071.1**
Road Motor Vehicles Build Units CKD/SKD	1,314.0	955.4	1,159.6	1,286.0	1,501.9	1,591.8
Aircrafts, Ships and Boats	749.6	590.3	297.7	683.8	385.6	408.7
Other Transport Equipments	5.0	4.2	51.4	4.7	66.6	70.6
D. Petroleum Group	**12,085.5**	**8,088.9**	**11,136.4**	**12,069.3**	**14,423.5**	**15,287.0**
Petroleum Products	7,277.3	4,688.5	7,406.9	6,786.5	9,593.2	10,167.5
Petroleum Crude	4,808.2	3,400.4	3,729.5	5,282.8	4,830.3	5,119.5
E. Textile Group	**2,883.0**	**2,172.4**	**1,802.6**	**2,638.2**	**2,334.6**	**2,474.4**
Raw Cotton	979.9	785.1	340.2	1,232.0	440.6	467.0
Synthetic Fibre	546.6	399.1	397.3	639.8	514.6	545.4
Suynthetic & Artificial SilkYarn	542.8	401.3	456.6	620.2	591.4	626.8

IMPORTS

Annex-2.2

($ Million)

Item	2010-11 Actual	July-March 2011	July-March 2012	2011-12 Target	2011-12 Estimate*	2012-13 Target**
Worn clothing	128.7	92.9	109.5	146.2	141.8	150.3
Other Textile Items	685.1	494.2	499.0		646.3	685.0
F. Agri. & other Chemi. Gr.	**2,892.0**	**4,525.1**	**2,644.7**	**6,423.4**	**3,425.3**	**3,630.3**
Fertilizer Manufactured	537.6	471.7	899.2	596.9	1,164.6	1,234.3
Insecticides	154.2	106.6	96.9	1,586.7	125.5	133.0
Plastic Materials	1,511.5	1,115.7	1,152.4	788.0	1,492.5	1,581.9
Medicinal Products	688.7	501.3	496.2	3,451.8	642.7	681.2
G. Metal Group	**1,972.0**	**1,460.9**	**1,609.9**	**2,158.9**	**2,085.1**	**2,209.9**
Gold	109.7	87.7	119.2	135.1	154.4	163.7
Iron and Steel Scrap	517.8	383.9	412.9	461.1	534.8	566.8
Iron and Steel	1,203.9	886.0	984.4	1,400.0	1,275.0	1,351.3
Aluminium Wrought & Worked	140.7	103.4	93.3	162.7	120.8	128.1
H. Miscellaneous Group	**812.4**	**590.4**	**606.7**	**982.9**	**785.8**	**832.8**
Rubber Crude Incl. Synth/Reclaimed	201.4	142.0	145.7	216.3	188.7	200.0

IMPORTS

Annex-2.2

($ Million)

Item	2010-11	July-March		2011-12		2012-13
	Actual	2011	2012	Target	Estimate*	Target**
Rubber Tyres & Tubes	201.5	148.7	173.5	229.6	224.7	238.1
Paper & Paper Board & Manuf. Thereof	409.5	299.7	287.6	537.0	372.4	394.7
I. All Others	**8,547.1**	**3,742.0**	**7,229.0**	**4,235.3**	**10,717.6**	**11,359.2**
Total Imports(A-I)	**40,413.7**	**29,016.3**	**33,285.4**	**42,910.1**	**43,110.0**	**45,691.0**
Imports (fob)	**35,872.0**	**26,049.0**	**29,941.0**	**38,037.1**	**40,183.0**	**42,938.0**

Source: PBS, SBP &
Planning Commission Estimates *** Revised Estimates** **** Annual Plan**

Balance of Payments

Annex-2.3

US $ Million

ITEM	2010-11	July-March		2011-12		2012-13
	Actual	2011	2012	Target	Estimate*	Target**
Current Account Balance	**214**	**466**	**-3,394**	**-1,401**	**-4,015**	**-4,777**
Balance on Goods	**-10,516**	**-8,499**	**-12,683**	**-12,202**	**-15,343**	**-17,126**
Exports f.o.b	25,356	20,460	20,474	25,835	24,840	25,812
Imports f.o.b	35,872	28,959	33,157	38,037	40,183	42,938
Services Balance	-1,940	-1,225	-2,347	-1,391	-2,664	-2,494
Income (net)	-3,017	-2,465	-2,655	-2,808	-3,075	-3,171
Balance on Goods, Services & Income	**-15,473**	**-12,189**	**-17,685**	**-16,401**	**-21,082**	**-22,791**
Current Transfers (net)	15,687	12,655	14,291	15,000	17,067	18,014
Current Transfers: credit, of which:	15,863	12,798	14,400	15,120	17,189	18,138
Workers Remittances	11,201	9,046	10,877	12,000	13,169	14,091
Capital Account	**161**	**82**	**167**	160	**172**	**128**
Financial Account: of which	**2,101**	**690**	**1,200**	6,946	**1,574**	**3,072**
Direct Investment in Pakistan	1,635	1,293	668	3,500	850	1,800
Portfolio Investment (net)	338	295	-126	950	-152	507
General Government	298	-25	389	1,974	575	573

Balance of Payments

Annex-2.3

US $ Million

ITEM	2010-11	July-March		2011-12		2012-13
	Actual	2011	2012	Target	Estimate*	Target**
Disbursements	2,377	1,674	1,588	3,631	2,284	2,700
Amortization	1,957	1,677	1,184	164	1,709	2,127
Financing gap	16	-29	-515	1,705	-296	-100
Overall Balance	**2,492**	**1,209**	**-2,542**	**7,410**	**-2,565**	**-1,677**
Reserves and Related Items	**-2,492**	**-1,209**	**2,542**	**-7,410**	**2,565**	**1,677**
Reserve Assets	-2,225	-1,635	3,239	-420	4,510	2,653
Foreign Exchange (SBP)	-2,225	-1,635	3,239	-420	4,510	2,653
Use of Fund Credit and Loans	-27	-185	-588	-1,180	-1,197	-2,953
Memorandum Items						
Current Account Balance (% of GDP)	0.1	0	-1.3	-0.6	-1.7	-1.9
Exports f.o.b (growth rate %)	28.9	24.7	2.4	5.0	-2.0	4.1
Imports f.o.b (growth rate %)	14.9	15.6	14.9	6.0	12.0	6.9

Source: SBP & Planning Commission Estimates

* Revised Estimates

** Annual Plan

Chapter 3 Fiscal and Monetary Developments

Pakistan is striving hard to achieve macroeconomic stability in the face of bourgeoning pressure on public finance. The structural problems are: low tax-GDP ratio, increasing recurrent expenditures due to higher untargeted subsidies and inadequate monitoring and evaluation of development expenditures. Moreover, financing of fiscal deficit through bank borrowing has been an area of concern in view of drying-up foreign sources and low domestic savings. Framework for Economic Growth envisages attaining fiscal discipline through broadening the tax net, enhancing the tax compliance, improving the service delivery, minimizing the untargeted subsidies, restructuring of Public Sector Enterprises (PSEs) and result based management of development expenditure. In order to curtail the inflationary pressures and to lay down foundation for sustained economic growth driven by prudent fiscal policy and adherence to recently enacted Amendments in SBP Act 2012.

3.1 Review of 2011-12

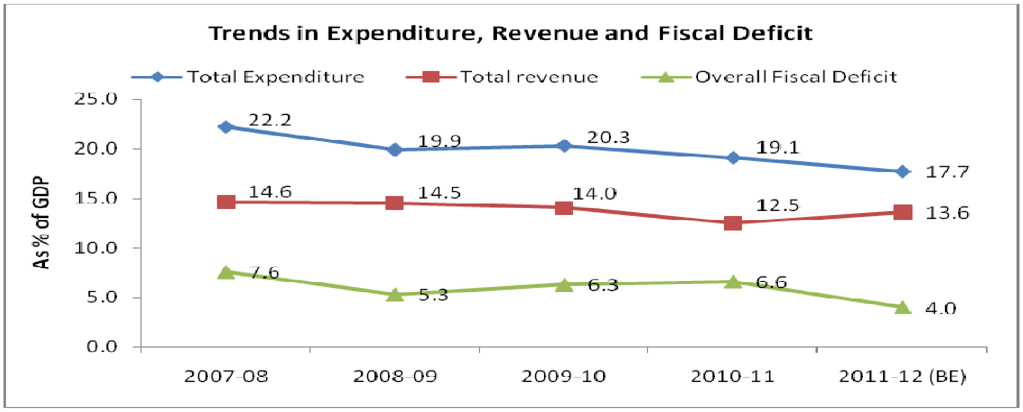
The Budget 2011-12 envisaged a fiscal policy focusing on spurring economic growth and containing the double digit inflation. However, likely slippages on revenue particularly on part of non-tax revenues and higher than the targeted expenditure on subsidies affected the government's efforts to contain the fiscal deficit at the revised targeted level. Furthermore, lesser foreign inflows to finance the fiscal deficit resulted in resorting to bank borrowing both from SBP and scheduled banks. Rising bank borrowing and weaker external account restrained the SBP to further reduce the discount rate since November 2011.

During 2011-12, in view of slowdown in inflation, SBP reduced the policy rate for revival of private sector investment. SBP reduced its policy rate by 200 basis points (bps) from 14 to 12% in first half of FY 2012 (a reduction of 50 bps in July 2011 and 150 bps in October 2011). Thereafter, on account of difficulties in external accounts, higher government borrowing and persistence core-inflation, SBP kept its policy rate unchanged at 12%.

3.1.1 Fiscal Developments

Various measures were taken in Budget 2011-12 to boost economic activities and achieve fiscal consolidation. The fiscal policy aimed at expanding the resource envelope by tapping tax buoyancy (avoidance of tax evasion and broadening of tax net) and by containing the current expenditure. The current expenditure was budgeted at 14.1% of GDP as compared to 16.1% of GDP during last year. In order to provide relief to the general public, government brought down the GST rate from 17 to 16%, abolished special excise duties, reduced federal excises on certain items, abolished regulatory duties on 392 items out of the total 397 items. The revenue foregone on this front has been targeted to be compensated through broadening the tax base and improving tax compliance. The trends in consolidated expenditure, revenue and fiscal deficit as % of GDP during 2007-08 to 2011-12 (BE) are given in Figure 3.1.

Figure 3.1 Trends in Consolidated Expenditure, Revenue and Fiscal Deficit



Review of Fiscal Developments July-March 2011-12

The fiscal position during July-March 2011-12 shows that total revenue amounted to Rs 1,740 billion (tax revenue Rs 1,372 billion and non tax revenue Rs 368 billion), whereas, expenditures turned out to be Rs 2,634 billion. On the expenditure side, stringent expenditure controls worked effectively. However, some slippages were witnessed on account of subsidies. The fiscal deficit has reached Rs 895 billion, 4.3% of GDP after excluding one-off debt consolidation worth Rs 391 billion or 1.9% of GDP. Based on the past trends of fiscal indicators in 4th quarter during the last four years (2008-2011), it is expected that fiscal deficit may miss the revised target of 4.7% of GDP. During the last four years (2008-2011) fiscal deficit on average during the 4th quarter remained at 2.2% of GDP. It is therefore logically safe to assume that fiscal deficit will turn out to be around 6% of GDP owing to lower revenues on account of less tax collection particularly on PDL and meager collection under defense and non-realization of 3-G licenses. Furthermore, total expenditure is assumed to be at budgeted level except subsidies.

FBR Tax Collection Performance July-April 2011-12

FBR tax collection during July-April 2011-12 stood at Rs 1,426 billion, 24% higher than the Rs 1,149.8 billion collections in the same period of last year. This constitutes 73% of full year target of Rs 1,952.3 billion for 2011-12. Details are given in Table 3.1.

Table 3.1: FBR Tax Collection

Rs Billion

Revenue Head	Target 2011-12	July-April			% of Full Year Target
		2010-11	2011-12	% Growth	
• **Direct Taxes**	**744**	**431.3**	**528.9**	**22.6**	**71.1**
• **Indirect Taxes**	**1,209**	**719**	**897**	**24.8**	**74.2**
– **Sales Tax**	**837**	**475.0**	**635.1**	**33.7**	**75.9**
o ST on Import	-	237.3	350.4	47.6	-
o ST on Domestic	-	237.7	284.7	19.8	-
– **Federal Excise**	**166**	**102.2**	**95.6**	**-6.5**	**57.6**
– **Customs Duty**	**206**	**141.4**	**166.5**	**17.7**	**80.8**
Total Taxes	**1,952.3**	**1,149.8**	**1,426.0**	**24.0**	**73.0**

Source: Federal Board of Revenue

Sales tax grew by 33.7%, mainly based on 47.6% increase in sales tax at import stage. An analysis of imports of selected items during July-April 2011-12 reveals that growth in import related taxes is mainly driven by the greater increase in their prices as compared to increase in quantity.

In view of the current progress, the total FBR tax collection after showing a growth of 24% is likely to stand around Rs 1,921 billion by the end year of 2011-12, thus recording a shortfall of 1.6% of the target of Rs 1,952.3 billion.

The higher fiscal deficit is adding to public debt and pre-empting a major chunk of revenues to service it. Box 3.1 shows that public debt to GDP ratio is hovering around 60% but public debt to revenues ratio is on the rise which is a major concern for its sustainability. Moreover, fluctuations in external debt and liabilities servicing (EDL) to foreign exchange earnings (FEE) reflect vulnerabilities in the external sector.

Box:3.1 Debt Sustainability

Public debt is on the rise owing to fiscal and external imbalances. Debt is not considered a bad thing as long as it is being utilized for productive sectors improving social conditions and providing critical infrastructure. Such kind of debt in fact increases the growth capacity and enhances revenue generation ability of the economy.

- The level of debt hinges on debt servicing capacity of the economy such as revenues and foreign exchange earnings (export earnings). In order to, sustain the debt in long term, primary balance should be brought to zero or surplus i.e. government must collect revenues to meet at least its non-interest expenditure. External debt sustainability is linked with foreign exchange earnings capacity of the economy. Debt sustainability indicators are given in the Table 3.1.A:-

Table 3.1.A Debt Sustainability

Indicator	2007	2008	2009	2010	2011
Public Debt/GDP	55.4	59.0	60.0	60.1	59.3
Public Debt/Revenue	370.0	403.1	412.1	429	474.3
Debt Service/Revenue	33.8	37.2	46.6	40.4	37.7
EDL/GDP	28.1	28.3	32.4	31.5	28.5
EDL Servicing/FEE	12.6	11.7	18.0	16.5	11.4

EDL=External debt and liabilities FEE= Foreign Exchange Earnings
Source:- Debt Policy Statement 2011-12

In the last four years, Public Debt-to-GDP ratio is hovering around 60% while public debt to revenue ratio is consistently rising and stood at 474% in 2011. To make public debt sustainable government needs to contain primary deficit (it stood at 1.9% of GDP per annum during 2008-11) through enhancing revenues & rationalization of current expenditure particularly untargeted subsidies and to improve the external debt sustainability, foreign exchange earnings needs to be enhanced through focusing on exports, workers' remittances and attracting foreign investment.

3.2 Monetary Policy

SBP in its Monetary Policy Statement July 2011 projected M2 to grow by 15.5% during 2011- 2012. On account of developments in external account resulted into contraction of NFA, SBP revised the projection of M2 growth falling in the range of

12-13%. SBP reduced its policy rate by 200 basis points (bps) from 14 to 12% in first half of 2012; a reduction of 50 bps in July 2011 and 150 bps in October 2011. Box 3.2 describes the reforms/initiatives undertaken during 2011-12 to enhance autonomy of SBP in implementing monetary policy and encourage private savings.

Box 3.2: Monetary Policy Reforms

The following reforms have been initiated to enhance the effectiveness of monetary policy

- In order to ensure autonomy of SBP, Parliament has enacted the State Bank of Pakistan (Amendment) Act (2012), the salient reforms are given below:
  - In accordance with newly inserted 9C Section in the above said Act, limitation on Federal Government borrowing has been imposed. According to which Federal Government borrowing from SBP will such that at the end of each quarter they shall be brought down to zero barring ways and means limit that shall be determined by the Central Bank from time to time
  - The debt of the federal government owed to SBP as on 30th April 2011, shall be retired not later than eight years from that date
  - If any of the provisions of the sub-sections (1) and (2) are not observed by the Federal Government, the Finance Minister shall place before the parliament giving detailed justification for said failure

- According to SBP (Amendment) Act (2012), Section 46B has been amended by addition of sub-section 2 that described The Bank, the members of Central Bank or the staff of the Bank shall not take instructions from any other person or entity, including government or quasi-government entities. The autonomy of the Bank shall be respected at all times and no person or entity shall seek to influence the members of the Central Board and Members of Monetary Policy Committee or the staff of the Bank in the performance of their functions or interfere in the activities of the Bank.
- State of Pakistan in its Monetary Policy Statement announced on 13th April 2012, increased the minimum deposit rate wherein banks are required to pay a minimum profit rate of 6.0% to encourage small savers and to improve the savings-investment ratio of the economy.
- Amendments in the Banking Company Ordinance (BCO)
- Rationalization of SBP refinances facilities

During July-April 2010-11, M2 expanded by Rs 547 billion showing a growth of 8.2% against an expansion of Rs 569 billion, an increase of 9.8% during the corresponding period of previous year. Net Foreign Assets (NFA) contracted by 31.5% during this period. However, Net Domestic Assets (NDA) of the Banking Sector has contributed to the expansion in M2 which grew by 13.4%. NFA thus dampened the impact of higher increase in money supply through NDA. Profile of Monetary Assets for the period under review is given in Table 3.2 and Figure 3.2.

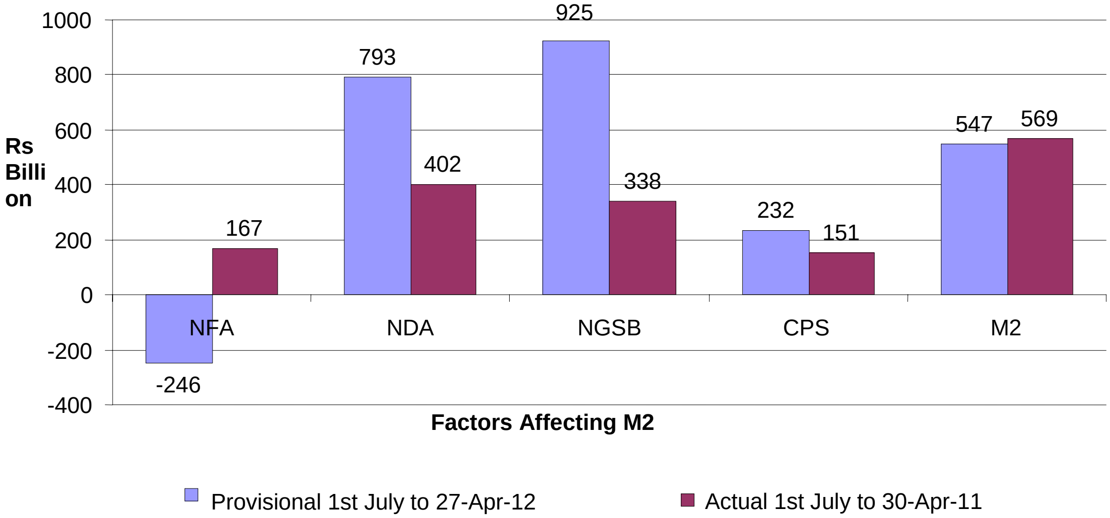
- Credit to private sector has shown positive growth by 7.4% to Rs 232 billion during first ten months of current fiscal year (July to April) compared to increase by 5% to Rs 151 billion during the corresponding period of previous year. However despite moderate aggregate demand, pressure on rupees liquidity is likely to continue due to uncertain foreign inflows and substantial government borrowing to finance the fiscal deficit. SBP kept a vigil on liquidity situation and through open market operations provided liquidity which is evident from rise in credit to the private sector.
- Government borrowing for budgetary support at Rs 1019 billion indicated an increase of 39.2% against Rs 468 billion (23.3% higher) during the corresponding period of previous year.

Table 3.2: Profile of Monetary Assets

(Rs Billion)

Factors Affecting Broad Money Growth	Stocks at End-June 2011	Change Since 1st July to	
		27-Apr-12	30-Apr-11
Net Foreign Assets of the Banking System (NFA)	**780**	**-246**	**167**
Growth		*-31.5%*	*29.5%*
Net Domestic Assets of the Banking System(NDA)	**5915**	**793**	**402**
Growth		*13.4%*	*7.0%*
Net Government Sector Borrowings (NGSB)	3021	925	338
Borrowings for Budgetary Support	2602	1019	468
From State Bank of Pakistan	1201	365	196
From Schedule Banks	1401	654	272
Commodity Operations	397	-94	-134
Others	21	1	4
Credit to Non-Government Sector	3547	91	175
Credit to Private Sector (CPS)	3141	232	151
Credit to Public Sector Enterprises (PSEs)	412	-141	23
Other Items (net)	-653	-224	-111
Broad Money (M2)	**6695**	**547**	**569**
Growth		*8.2%*	*9.8%*

Figure 3.2 Trend in Monetary Assets



Financial inclusion is important in providing credit at market rate to alleviate poverty instead of exorbitant rates charged by the informal sector. Box 3.3 gives the financial inclusion in Pakistan.

Box 3.3: Financial Inclusion in Pakistan

In Pakistan, 50.5% of Pakistanis are using financial services from both formal and non-formal sources while In India, this figure is 48%. Following are the observations of the study titled “Bringing finance to Pakistan’s poor” which is carried out by World Bank in Pakistan.

- Over half of the population saves, but only 8% entrust their money to formal financial institutions.
- One-third of the population borrows, but only 3% use formal financial institutions to do so
- Microfinance has grown at 40 percent per year since 1999 - yet microfinance access extends to only 1.7 million out of an adult population of about 80 million
- International remittances have grown at 29% since 2001 - yet only 2.3% of Pakistanis send or receive remittances
- Agricultural disbursement grew by 44 percent in 2003-07 - yet rural credit demand remains unmet, the financial system reaches only 15% of farmers
- Life insurance is the most used insurance product, and demand is high for crop insurance products - yet only 1.9 percent is insured

Source: Bringing Finance to Pakistan’s Poor. (World Bank 2008)

3.3 Inflation

CPI inflation for 2011-12 has been targeted at 12%. During July-April 2011-12, it has registered an increase of 10.8% against an increase of 13.8% during July-April 2010-11. The WPI and SPI recorded an increase of 11.2% and 6.7% respectively during July-April 2011-12 against 21.0% and 17.2% during the corresponding period of previous year. Table 3.3 and Figure 3.3 highlight the details.

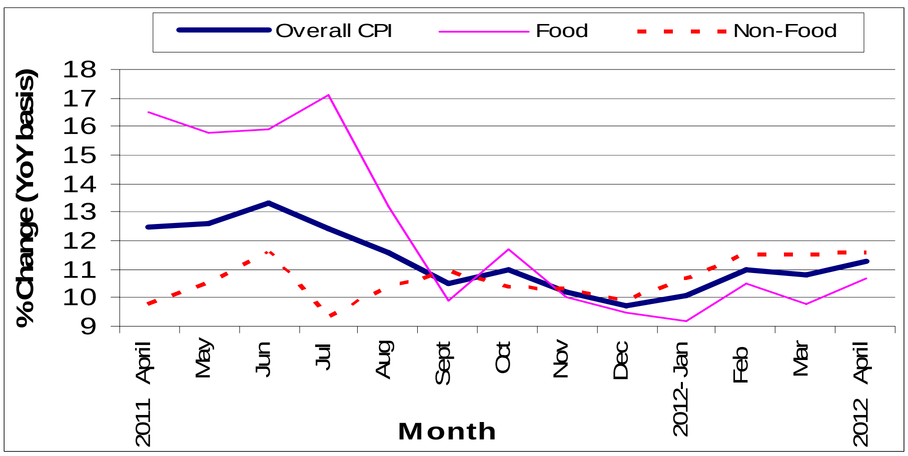
Table 3.3: Changes in Price Indices (Base year 2007-08)

(%)

Indices	July-April		
	2009-10	2010-11	2011-12
CPI	**9.7**	**13.8**	**10.8**
- Food	12.3	18.5	11.1
- Non-food	8.0	10.6	10.7
- Core	7.1	9.3	10.4
WPI	**12.8**	**21.0**	**11.2**
SPI	**12.6**	**17.2**	**6.7**

Source: Pakistan Bureau of Statistics (PBS)

Figure 3.3 Trends in Overall CPI, Food & Non-Food Inflation (April 2011 to April 2012)



CPI inflation has started resurging in the second half of 2011-12 on account of increase in energy prices, rupee depreciation, higher government borrowing for budgetary support from banking sector and low base effect. In April 2012, MoM inflation increased by 1.8 percentage points over March 2012 and YoY inflation decreased by 1.2 percentage point from 12.5% in April 2011 to 11.3% in April 2012. Factors contributing towards increasing inflationary trend are: spurt in prices of commodities specially of crude oil and palm oil in international market, rupee depreciation against US $, higher government borrowing (Rs 1019 billion during July-April 2011-12) from banking sector for budgetary support and high liquidity injection by SBP in money market. In view of the current developments, it is concluded that CPI inflation for the current financial year is likely to be around 11%.

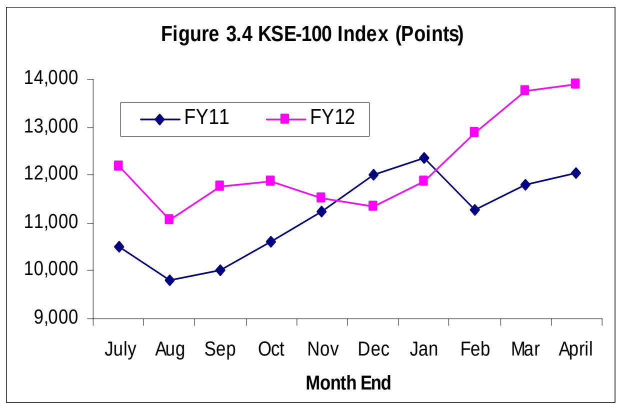
3.4 Capital Market

Stock Market demonstrated fluctuations during the period from July 2011 to December 2011, however, the KSE – 100 index resumed momentum during the 3rd quarter. The uneven movement of stock market statistics was consequent to various challenges faced by the country including uncertainty due to worsening law and order situation as well as on economic front such as slow down in external resources, Pak Rupee depreciation and increasing fiscal deficit.

At the outset of 2011-12, a total of 640 companies were listed at KSE which have been reduced to 591 companies as of March 30, 2012, with total listed capital of Rs. 1058.46 billion. The reduction in the number of listed companies is due to non-compliance of listing regulations of Karachi Stock Exchange and winding up orders issued by courts. The benchmark KSE-100 index showed a rising trend in the 3rd quarter of the 2011-12 mainly owing to Finance Minister's approval to SECP's proposal regarding Capital Gains Tax which among other clauses will allow investors to inject money in the stock market without declaring the source of income till 2014. The KSE–100 index on April 30, 2012 stood at 13,900 points registering a growth of 11.2% as compared to June 30, 2011 where index stood at 12,496 points. It touched highest level of 13,761.76 points on March 30, 2012 and lowest level of 10,842.26 points on August 23, 2011. The investment by foreign investors in the capital markets during the period from July 2011 to March 2012 depicted a net outflow of $141.270 million. Month-end trends in KSE-100 index are given in Table 3.4 and Figure 3.4.

Table 3.4: KSE-100 Index (Points)

Month End	FY11	FY12
July	10,519	12,190
Aug	9,813	11,071
Sep	10,013	11,762
Oct	10,598	11,869
Nov	11,235	11,533
Dec	12,022	11,348
Jan	12,359	11,875
Feb	11,289	12,878
Mar	11,810	13,762
April	12,058	13,900

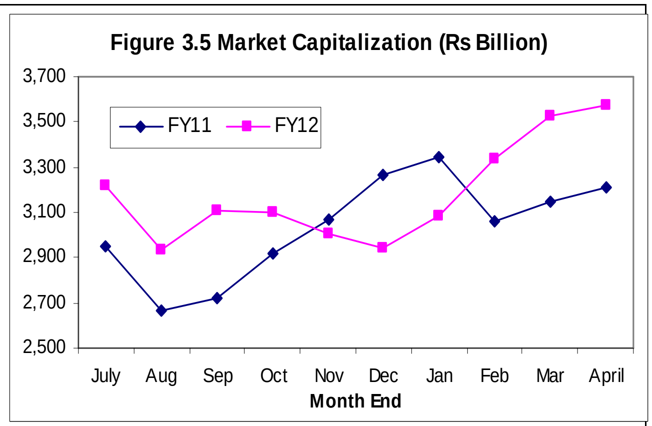


Source: Securities & Exchange Commission of Pakistan (SECP)

The market capitalization was Rs. 3574 billion as of April 30, 2012 as compared to Rs 3289 billion at the end of the year 2010-11, recording a growth of 8.7%. Month-end trends in market capitalization are given in Table 3.5 and Figure 3.5.

Table 3.5: Market Capitalization (Rs. Bln)

Month End	FY11	FY12
July	2,949	3221
Aug	2,663	2934
Sep	2,723	3104
Oct	2,915	3099
Nov	3,069	3003
Dec	3,269	2946
Jan	3,342	3083
Feb	3,058	3338
Mar	3,148	3528
April	3,208	3574



Source: Securities and Exchange Commission of Pakistan (SECP)

3.4.1 Capital Market Reforms introduced the 2011-12

During the period under review, the Securities and Exchange Commission of Pakistan (SECP) continued with its reform agenda for strengthening the capital market with the objectives of improved risk management, increased transparency, investor protection and new product/market development. The main reform measures introduced are:

- For development of the debt capital market, the Bonds Automated Trading System (BATS) at the stock exchanges was revamped along the lines of the Bloomberg-based E-Bond with various system enhancements for facilitating price discovery process of debt instruments and price negotiation between the market participants
- To fulfill the hedging requirements of various groups of investors in the commodities market, new futures contracts were introduced at the Pakistan Mercantile Exchange Limited (PMEX) in sugar, cotton, wheat, crude oil (10 barrel), silver (100 ounces), silver (10 tola) and gold (10 ounces)
- To ensure easy access to financing and liquidity to the market, amendments were approved to the Securities (Leveraged Markets and Pledging) Rules, 2011 thereby removing practical hindrances and creating flexibility for Margin Financing and Margin Trading Products
- The code of corporate governance for the listed companies for fostering good governance in the corporate sector was launched on 6th April, 2012 by SECP
- Exchange Traded Funds (ETFs) were introduced at the Karachi Stock Exchange (KSE). ETFs are globally popular investment product which allows investment in diversified portfolio of securities tracking a benchmark index
- Two listed debt instruments were offered to the general public, i.e., offering of Rs. 2,000 million Term Finance Certificates (TFC) by Engro Corporation Ltd. *(2nd Issue of Engro Rupiya Certificates)* (exclusive of a green shoe option of up to PKR 1000 million) and offering of Rs. 1.5 billion TFCs by Summit Bank Limited
- Approvals were granted to 2 companies i.e. Next Capital Limited for the Initial Public Offering of upto 12.5 million ordinary shares (including 2.5 million shares under the green shoe option) to the general public, high net worth Individuals and the institutional investors, through the book building process and offer for sale of 38.7 million ordinary shares of Saif Power Limited to the institutional investors, high net worth individuals and to the general public respectively
- Approval was granted to MCB Bank Ltd. for issuance of American Depository Receipts (ADRs) outside Pakistan under Sponsored Level-I ADR program by the Bank of New York Mellon, the Depository
- Relaxation was granted to Orix Leasing Pakistan Ltd from the requirement of Regulations Governing over the Counter (OTC) Market to enable it to list its Privately Placed Term Finance Certificates of Rs 1 billion on OTC

3.5 Outlook for 2012-13

The government has taken various corrective measures in 2011-12 to rationalize expenditure and broadening of tax base to bring fiscal deficit to a sustainable level. However, unanticipated bailouts to Public Sector Enterprises (PSEs) are still a drain on budgetary outlay. The tax administration reforms are unable to completely eliminate governance issues in resource mobilization or reducing tax slippages or enforcing compliance. A more concerted effort is needed on this account. Going forward, Pakistan needs substantial resources to augment its development efforts and improve quality of life. In the post-18th Amendment scenario, onus of fiscal adjustment disproportionately fell on the provincial governments and they need to be motivated for adhering to sound principles of fiscal prudence. The provincial governments may be sensitized to focus to augment their own revenues through prospective candidates like agriculture income tax and property tax.

On the expenditure side, fiscal bailouts to PSEs are draining out already scarce resources. Government needs to take serious measures for restructuring PSE to make them self-sustaining entities. There is need to expedite on-going restructuring work to make an impact on Budget 2012-13. The procedural improvement is likely to have an impact on efficiency of development expenditure with a focus on completion of existing projects and direct resources to only priority sectors like energy, water, human capital, innovation and technology transfer to lay the foundation for long-term sustainable economic development. Federal financing of provincial schemes needs to be reviewed and at the same time provincial governments need to divert their additional resources to the priority sectors.

Fiscal reforms and provincial initiatives to improve public finance are discussed in the following paragraphs.

3.5.1 Fiscal Reforms

Fiscal policy for 2012-13 aims at promoting investment to spur growth, containing price increase at the level of 9.5%, providing adequate job opportunities and protecting the vulnerable segments of society. Recommendations for improving the efficiency of resource mobilization and public expenditure reflected in Framework for Economic Growth will provide guidelines for fiscal reforms during 2012-13.

Tax

- Addressing the governance issues in resource mobilization by further strengthening tax administration through doing away with distortions and exemptions and introducing information technology to minimize tax slippages and tax non-compliance. Box 3.4 recapitulates the measures elaborated in Framework for Economic Growth for tuning up tax administration
- Further broadening the tax net, introducing GST on untaxed services and reviving of the wealth tax may be considered
- Principles of "Equity" and progressive taxation needs to be followed. Taxing income at progressive rate irrespective of source of income
- Documentation of the economy by undertaking out of box innovations such as one time exemptions from tax and giving legislative guarantee thereof
- Provinces may further step up their efforts to exploit/explore more revenues from agriculture income, services and property

Expenditure

- Rationalization of staff-to-officer ratio and introduction of performance based remuneration to improve service delivery and enhance efficiency. There is an urgent need to rationalize staff officer ratio which has further swelled due to adjusting the surplus staff of ministries transferred to provinces under 18th Amendment
- Principle of zero budgeting and performance based budgeting / RBM needs to be followed in letter and spirit for maximization of benefits of public spending

- Rigorous implementation of austerity measures from the highest level of the government to have ripple effect
- Political will to rationalize current public expenditure such as reducing the size of cabinet and freezing the new entrants in the government
- Rationalization of current expenditure by switching from general subsidies to targeted subsidies
- Speed up implementation of restructuring plan of Public Sector Enterprises such as Power sector, PIA, Railways and Pakistan Steel Mill and privatization of selected PSEs
- In the development budget energy, human capital, innovation and technology transfer may be accorded priority for long-term sustained economic growth
- Increased budgetary allocation for social sectors (health, nutrition, education and skill development) in order to reduce poverty and to promote productivity of Pakistani labor

Box 3.4: Tuning up the Tax Administration

Framework for Economic Growth (FEG) has described narrow tax base and high enforcement costs the major problems in resource mobilization. The tax administration intervention in presence of complex compliance procedures is hampering the exploitation of full tax potential. The reform process initiated under Tax Administration Reform Project (TARP) has yet to materialize into a higher tax-to-GDP ratio. The key objective of this reform includes raising tax revenue through improved compliance with tax laws and broadening of the tax base; improving effectiveness, responsiveness and efficiency of tax administration through institutional and procedural reforms; improving collection through transparent and high quality tax services; and strengthening audit and enforcement procedures.

However, even after several years of this reform effort, tax policy remains complex, and gives favour to a selected few while corruption and poor administration weakens collection and allows vested interests to prevail. Tax administration reforms should be based on the following steps envisaged in Framework for Economic Growth:

- Amending the Income Tax Ordinance 2001 and Sales Tax Act 1990 to limit the discretionary power of the Federal Board of Revenue and to improve the administration, the auditing system and the tax refunds system
- Simplifying the tax system and tax administration by creating one-window cells for tax registrations at the sub-national level to cater to all taxes (Federal, Provincial and Local)
- Unifying NTN and GST registration to one Tax Registration Number through amendments to the Income Tax Ordinance 2001 and the General Sales Tax Act 1990
- Improving technology and e-governance strategies to facilitate tax registration and tax filing system at the FBR
- Setting time limits: Modifying tax laws to include deadlines for speedy disposal of pending and new court cases.
- Reforming data warehouse in FBR (with help from NADRA) in order to check multiple bank accounts of tax payers

Source: TARP (FBR) and FEG (Planning Commission)

3.5.2 Financing of Fiscal Deficit

Financing of deficit is an area of concern, it is skewed towards domestic sources particularly on bank borrowing. It is crowding out the private sector and is affecting investment, economic growth and ultimately compromising revenue generating capacity of the economy. It is proposed that financing mix of fiscal deficit may be transferred to:

- Non-bank sources of financing
- Accessing more external resources
- Privatization of PSEs in international market to garner much needed foreign inflows and lessen burden on domestic sources
- In the wake of higher transfer of resources, under 7th NFC Award, provinces may be asked to show fiscal discipline and pose adequate surplus to curtail the fiscal deficit within sustainable limit

3.5.3 Provincial Governments Initiatives to improve Public Finance

Punjab, KPK and Balochistan's fiscal measures to strengthen the public management and ADP's thrust to support to accelerate economic growth is given in Box 3.5.

Box 3.5: Provincial Governments' Fiscal Policy Reforms/Initiatives

Punjab:

- Government, through Punjab Finance Act 2010, introduced valuation tables in rural areas of Punjab through amendment in Stamp Act, 1899 and Land Revenue Act, 1967. Reforms in Land and Stamp Revenues heads have resulted into growth of 23.9% and 21% respectively during 2010-11
- Levied Capital Value Tax (CVT) on immovable property transaction @ 2% of the value of property during 2010-11 which resulted into actual collection of Rs 2.30 billion compared to Rs 1.5 billion budget estimates
- Introduced new taxes through Punjab Finance Act 2011 on a) Tax on Farm Houses, b) Tax on swimming pools and c) Education Cess on Elite Clubs
- Increased in Token Tax for private cars/vehicles exceeding capacity of 1000 CC
- Government of Punjab is in the process of setting up Punjab Revenue Authority (PRA).It will help to realize true potential of different taxes especially GST on Services. It would minimize discretion of government functionaries

In budget 2012-13, Punjab's ADP strategy will be to strengthen the public infrastructure and services in 4 to 5 cities to make them engine of growth

Balochistan:

- The provincial government has constituted the Provincial Fiscal Monitoring Committee under the chairmanship of Finance Minister to ensure timely handling of public finances
- Economy/Austerity measures are being followed
- Provincial Advisory Committee on Provincial Own Revenues under the chairmanship of Senior Member Board of Revenue has been constituted to review the existing provincial direct and indirect taxes, charges etc, and would advise the provincial government to initiate measures for improvement of provincial own revenues in Balochistan

In 2012-13, **Balochistan's ADP strategy** will be gradual increase in allocations for social sector and decrease in communication and infrastructure (irrigation)

KPK

Provincial Government through EGS set a path to deal with the challenges and turn the economy around by ensuring the seamless transition of devolved departments; improve service delivery through strategic allocations to growth sectors and make the province self-reliant through investments in energy sector. EGS will adhere to following broad parameters:

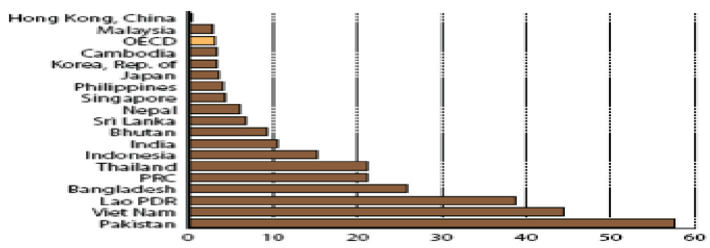
- Promotion of growth sectors with comparative advantages of indigenous raw materials e.g. Minerals
- Investments into value added industrial sectors i.e. Livestock, Horticulture, Dairy processing, light and high value mineral products
- Focus on developing the competitive advantages for industrial sectors through reduced input costs related to Energy and Power, Water, Transport
- Focus on Improving the skills level of the Labor force through greater emphasis on Technical and Vocational education/training
- Achieving Consolidation, Rationalization of the public spending to do away with inefficiencies; improving the service delivery instead of piling up resources into brick and mortar
- To create an enabling, business friendly environment for private sector enterprises

The strategy marks a paradigm shift in Public investments and advocates improvement in Service Delivery instead of archaic Brick and Mortar development policy. In line with the broad parameters, ADP will reflect following strategic priorities for accelerating economic growth:

- Consolidation vs. Expansion which characterizes improvement in existing facilities
- Reduction in throw forward by allocating more resources to ongoing project i.e. 70% of ADP
- Rapid increase in development allocations to the sectors where there is higher return on investment i.e. hydro electricity, oil and Gas and the sectors which rely on indigenous natural resources/raw materials i.e. minerals
- Improvement in management of public finances through output based budgeting extended to Development budget

3.5.4 Regional Public Finance Management

An analysis of tax system and tackling fiscal deficit in the selected countries of the South Asian region has been carried out. Details are given in Box 3.6.



Lao PDR = Lao People's Democratic Republic; PRC = People's Republic of China; OECD = Organisation for Economic Co-operation and Development.

Note: For OECD countries, data refer to 2008 or 2009 and the figure is simple average (excluding Turkey). For Asian countries, data are for 2012. It is assumed that per capita gross national income of these countries in 2012 grow at the average rate of 2000– 2010.

Sources: ADB estimates using IBFD database (accessed 31 January 2012); ADB (2011a); OECD tax database.

3.6 Monetary Policy

Monetary policy during 2012-13 will ensure price stability and provide support to economic growth by improving implementation of monetary policy and operational framework and by devising a road map in consultation with the government to retire government borrowings from SBP as stipulated in the SBP (Amendment) Act 2012.

Monetary expansion for the year 2012-13 will be in line with the projected GDP growth of 4.3% and CPI inflation at 9.5%. 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 the safe level i.e. equivalent to 10% of revenue of the previous year. This will also help in bringing down the CPI inflation and strengthening the growth prospects of the economy.

Government borrowing from SBP may be kept at zero level at the end quarter as envisaged in recently enacted SBP (Amendment) Act (2012). This will help to contain the monetization of fiscal deficit and lessen the inflationary pressure in the economy. Government may try to finance its budget deficit from external sector, this will improve the composition of M2 and reduce pressure on domestic market liquidity, thus will help SBP to adjust the discount rate in order to boost private sector credit.

However, efforts must be made to ensure increased participation of private sector investment in the economy. Institutional participation such as cooperatives and multifarious non-bank institutions will be encouraged to provide financial services to SMEs, micro enterprises and to rural areas in order to ensure financial inclusion.

3.7 Inflation

Price stability is the main objective of fiscal and monetary policies. In order to achieve this objective effort will be made to reduce the inflation in 2012-13 to 9.5% as against the estimated CPI inflation of 11% in 2011-12. Following measures will help in bringing down the current inflationary trends:

- Supply side will be strengthened by increasing production of the real sectors through ensuring adequate supply of critical inputs like energy, improved extension services, agricultural and industrial credits, and trade liberalization
- Rationalizing fiscal deficit and its financing from banking sector needs to be revisited
- Direct government borrowing from the SBP and large liquidity injections by the SBP to maintain the liquidity position is inflationary so the borrowing from SBP merits attention in order to contain inflationary pressure
- Close monitoring of essential commodities stock available in the country and ensuring their proper supply through imports and restriction on exports

3.8 Capital Market

The vibrant capital market plays a pivotal role in mobilizing capital in a country. The capital market is a dynamic field that needs consistent vigil and reform in view of volatility in the national and international financial markets that has far reaching impacts on national economies. During upcoming fiscal year 2012-13, following reforms are/needs to be undertaken to improve the stock markets:

- The Stock Exchanges (Corporatization, Demutualization and Integration) Bill has been approved in the joint session of the Parliament in March 2012 which is going to be implemented in 2012-13
- Efforts will be undertaken for NCCPL to function as Central Counter Party Establishment of a settlement guarantee fund; and transfer of risk management to NCCPL need to initiated
- Option of development of an Islamic capital market in line with global best practices in order to deepen the capital market may be explored
- Endeavors will be made for listing of Government Debt Instruments at the stock exchanges and integration of National Savings Scheme instruments into the mainstream capital market, in coordination with relevant stakeholders including the Federal Government and the State Bank of Pakistan
- From the standpoint of risk management and transparency, a Centralized Know-Your-Customer (KYC) Agency will be established for registration and maintenance of investors' KYC records in line with the international best practices pertaining to KYC and (Customer-Due-Diligence) CDD policies
- Various steps will be taken to encourage new listings which includes the following:
  - The management of unlisted public companies will be approached to motivate them for listing at the stock exchanges. IPO Summits will be organized to identify potential IPOs and to attract them to list their companies on the stock exchanges
  - Necessary steps for encouragement of new listing will be taken which include revision of the existing regulatory framework for new listing and introduction of SME board for listing of small capital based companies and venture companies
- In order to encourage listing of debt securities on the exchanges various measures will be taken which are as follows:
  - Regulatory Framework for the credit rating agencies (CRAs) will be revamped to enable CRAs to play more effective role in the development of debt market.
  - In order to rationalize the cost of issue of corporate bonds, steps will be taken to reduce the rate of stamp duty applicable on issue and transfer of Term Finance Certificates (TFCs) and Commercial Papers

Chapter 4 Public Sector Development Programme

Public Sector Development Programme (PSDP) is the main component of public sector investment in the country. Public funds are allocated through PSDP to raise physical and soft infrastructure to accelerate the pace of economic growth. PSDP is aligned to the development strategy to help reduce poverty by generating employment opportunities, achieving MDGs and bringing balanced development. These objectives are realized through implementation of development programs and projects.

4.1 Performance of PSDP 2011-12

The National Economic Council (NEC) approved National Development Outlay at Rs 730 billion with federal PSDP of Rs 300 billion and Provincial Annual Development Programmes (ADPs) at Rs 430 billion. Substantial funding were provided for on-going projects which were at advanced stage of completion.

Sectoral distribution and utilization of the federal PSDP 2011-12 is presented in table 4.1:

Table 4.1
Sectoral Distribution & Utilization of PSDP 2011-12
(Rs Billion)

Sector	Allocation	Expected Utilization	%age Share
Infrastructure	157	157	52
Social	129	129	43
Agriculture & Industry	4	4	1
ERRA	10	10	4
Total (Federal)	300	300	100

It is evident from the Table 4.1 that Infrastructure projects received over 52% of federal PSDP followed by Social Sector projects (43%). Within infrastructure, priority was assigned to energy (Rs 55 billion), water resources (Rs 37 billion), highways/motorways/ports & railways (Rs. 65 billion). Social Sector projects relating to health, higher education, population, and governance, physical planning & housing etc., are expected to utilize Rs 129 billion during 2011-12.

A Mid-Year Review of PSDP 2011-12 was held in January, 2012 to assess progress of PSDP funded projects. Adjustments within ongoing portfolio of Ministries/ Divisions were made to divert funds from slow moving projects to fast track projects. Similarly, foreign assistance disbursement crossed Rs 90 billion against budgeted amount of Rs 39 billion which gave further impetus to donor funded projects for early completion. However, extended disbursement has necessitated corresponding reduction in rupee allocation to remain within the approved size of PSDP 2011-12. The entire allocation of Rs. 300 billion has been released which is expected to be utilized by the end of Fiscal Year 2011-12. During the year, 174 projects costing over Rs. 100 billion are likely to be completed. Summary of these projects is give at Table 4.2:

Table-4.2
Federal PSDP 2011-12 – Projects to be Completed
(Rs billion)

Sector	No. of projects	Cost
Transport & Communication	14	67
Social	105	27
Physical Planning & Housing	48	4
Productive (Industry)	07	2
Total	**174**	**100**

4.2 National Development Outlay 2012-13

The National Economic Council (NEC) in its meeting held on 24th May 2012 approved National Development Outlay at Rs 873 billion including foreign aid of Rs 167 billion. The development outlay comprises Rs 360 billion as federal PSDP including Foreign Assistance of Rs 100 billion and Rs 513 billion as provincial ADPs including Rs 67 billion foreign assistance. Breakup is given in Table 4.3 whereas Ministries and Division wise detail of federal PSDP is presented in Annexure 4.1

Table4.3: National Development Outlay 2012-13
(Rs billion)

Agency	Rupee	F. Aid	Total
Federal PSDP	260	100	360
Provincial ADPs	446	67	513
Total	**706**	**167**	**873**

4.3 Federal PSDP 2012-13

Federal PSDP of Rs 360 billion for fiscal year 2012-13 includes Rs 100 billion as Foreign Assistance and Rs 10 billion for ERRA. It has been devised to achieve objectives set under the Framework for Economic Growth. Development budget has also been aligned towards economic agenda for inclusive growth, reducing poverty, achieving MDGs, balanced development and ensuring food, water and energy security. It lays more emphasis on allocation of resources to sectors which are the responsibility of Federal Government after 18th Amendment to the Constitution. However, adequate funds have been allocated to social sector projects including vertical programmes of health and population welfare as per decision of Council of Common Interests (CCI) dated 28th April, 2011. The agency-wise allocations are given for Federal PSDP 2012-13 are given in Table 4.4:

Table 4.4: Summary of Federal PSDP 2012-13

(Rs billion)

Agency	Rupee	F. Aid	Total
Ministries/Divisions	166	44	210
Corporations (NHA, WAPDA-power)	32	48	80
Special Areas	31	2	33
PWP-I/II	27	0	27
ERRA	4	6	10
Total	**260**	**100**	**360**

4.3.1 Resource Allocation Strategy

To better manage PSDP, following criteria were adopted while allocating limited resources to the development projects:

- Projects nearing completion to be funded on priority.
- To provide required counter-part rupee resources for maximum utilization of foreign aid.
- Allocations to vertical Programmes of Health and Population as per decision of CCI dated 24th April 2012.
- Protection to development packages and projects of less developed areas (FATA, AJ&K, Gilgit-Baltistan and Balochistan)
- Inclusion of new schemes discouraged unless critical
- Schemes falling under devolved subjects to be undertaken by the respective Provincial Governments

As a result of above criteria, over 97% of PSDP 2012-13 allocations have been made to on-going projects. Infrastructure sector has been allocated 58%, followed by social sector with 38% share. Broad sector-wise allocations are summarized in Table 4.5:

Table-4.5: Broad Sectoral Allocations Federal PSDP 2012-13

(Rs billion)

Sector	2011-12 Allocation	2012-13 Allocation
Water	37	48
Energy	55	65
Railways	15	23
Roads	50	57
Education	19	20
Health & Population	22	24
Others	102	123
Total	**300**	**360**

4.3.2 Releases Strategy

Planning & Development Division has been assigned the responsibility to authorize release of rupee component of federal PSDP to the executing/sponsoring agencies. According to quarterly formula adopted during 2011-12, 20% of the allocations are released in 1st and 2nd Quarter each and 30% each in 3rd & 4th Quarter after fulfillment of codal formalities.

In order to meet higher releases requirement of certain on-going projects during early part of the fiscal year, the Ministry/Division are authorized higher releases for particular project(s) while remaining within overall quarterly ceiling of its budget. Releases in 2nd quarter and onward are authorized on receipt of reconciled utilization report of released funds in earlier quarter(s).

4.3.3 Sectoral Priorities and Salient Features

- Power sector remained the priority under PSDP 2012-13. An allocation of Rs 81 billion including Rs 30 billion as budgetary support to WAPDA has been made to over-come energy shortage. Mega projects of power sector include Diamer Basha Dam (Rs 8 billion) and Chashma Nuclear Power Project (C-3/C-4) (Rs 35 billion). In addition, an amount of Rs 115 billion would be invested by WAPDA from its own resources.
- Water sector has been allocated Rs 47 billion which comes to 13% of the total federal programme. Adequate allocations have been made for Raising of Mangla Dam Resettlement, Satpara Multipurpose Dam, Gomal Zam Dam, Kachhi Canal (Phase-1), Rainee Canal (Phase-1), Lower Indus Right Bank Irrigation & Drainage Sindh, Balochistan Effluent Disposal into RBOD (RBOD-III), Extension of Right Bank Outfall Drain from Sehwan to Sea (RBOD-II), and Lining of Distributaries & Minors in Punjab and Sindh.
- Transport and communications sector will receive Rs 80 billion (22%). Out of this amount, Rs 51 billion and Rs. 23 billion has been allocated for NHA & Railways, respectively. This would ensure regional connectivity and economic integration for balanced development in the country.
- Total allocation for health sector is Rs 19 billion. Major vertical programmes include Expanded Programme for Immunization (Rs 2.8 billion), National Programme for Family Planning and Primary Health Care (Rs 11 billion), National Maternal Neonatal and Child Health Programme (Rs 2.3 billion) and Population Welfare (Rs. 3.5 billion).
- The higher education has been given priority being the federal subject. Investment in this sector will promote research and development and to produce world class qualified human resource to meet the challenges in the highly competitive world market. An allocation of Rs 20 billion for education sector including Rs 15.8 billion for Higher Education has been earmarked.
- An amount of Rs 10 billion has been kept for promotion of science and information technology. To ensure fool proof security in the capital city of Islamabad, a vital project “Safe City Islamabad” has been provided an allocation of Rs 2.7 billion.
- In order to bring the less developed areas at par with other developed areas of the country, an allocation of Rs 32.6 billion as blocks have been provided for ADPs of Special Areas, [AJ&K (Rs 9.5 billion), Gilgit Baltistan (Rs 7.1 billion) & FATA (Rs 16 billion)].

- Allocation for Special Programmes (Peoples Works Programme 1 & II) is Rs 27 billion. These programmes are being financed for improvement of socio-economic conditions of common people through implementation of small development schemes in various sectors like provision of natural gas, village electrification, rural roads, hospitals, schools, sanitation and water supply.

Annexure-4.1

National Development Programme 2011-12 & 2012-13
(Ministry/Division-wise Summary)

(Million Rupees)

S. No.	Ministry / Division	PSDP 2011-12			PSDP 2012-13		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
A.	Federal Ministries:						
1	Cabinet Division	0.0	2536.0	2536.0	0.0	2177.8	2177.8
2	Capital Administration & Development Division	0.0	974.9	974.9	0.0	791.5	791.5
3	Climate Change Division	0.0	0.0	0.0	0.0	135.0	135.0
4	Commerce Division	50.0	456.9	506.9	80.0	573.8	653.8
5	Communications Division (other than NHA)	0.0	172.0	172.0	0.0	142.1	142.1
6	Defence Division	325.7	3520.0	3845.7	0.0	3205.2	3205.2
7	Defence Production Division	0.0	1454.7	1454.7	0.0	2000.0	2000.0
8	Economic Affairs Division	0.0	161.1	161.1	0.0	211.7	211.7
9	Establishment Division	0.0	33.8	33.8	0.0	8.0	8.0
10	Federal Tax Ombudsman	0.0	0.0	0.0	25.0	0.0	25.0
11	Finance Division	1137.3	12741.8	13879.1	1384.9	12231.1	13616.0
12	Foreign Affairs Division	0.0	285.0	285.0	0.0	200.0	200.0
13	Higher Education Commission	111.2	13888.8	14000.0	0.0	15800.0	15800.0

14	Housing & Works Division	0.0	2048.5	2048.5	0.0	2591.4	2591.4
15	Human Rights Division	0.0	57.2	57.2	0.0	126.0	126.0
16	Industries Division	0.0	816.4	816.4	0.0	774.5	774.5
17	Information & Broadcasting Division	0.0	630.1	630.1	0.0	412.3	412.3
18	Information Technology & Telecom Division	0.0	793.1	793.1	0.0	787.4	787.4
19	Inter Provincial Coordination Division	0.0	506.5	506.5	0.0	195.0	195.0
20	Interior Division	51.0	5749.0	5800.0	2703.0	3806.8	6509.8
21	Kashmir Affairs & Gilgit Baltistan Division	782.0	17363.0	18145.0	924.3	19130.9	20055.2
22	Law, Justice & Parliamentary Affairs Division	0.0	1200.0	1200.0	0.0	1200.0	1200.0
23	Narcotics Control Division	190.0	344.2	534.2	140.0	171.1	311.1
24	National Food Security & Research Division	0.0	0.0	0.0	0.0	495.0	495.0
25	National Heritage & Integration Division	0.0	0.0	0.0	58.1	17.3	75.4
26	Pakistan Atomic Energy Commission	5801.5	16198.5	22000.0	27450.0	11717.4	39167.4
27	Pakistan Nuclear Regulatory Authority	0.0	350.0	350.0	0.0	400.0	400.0
28	Petroleum & Natural Resources Division	0.0	149.7	149.7	0.0	268.1	268.1
29	Planning & Development Division	2055.2	23494.9	25550.2	2447.0	35393.0	37840.0
30	Ports & Shipping Division	0.0	744.3	744.3	0.0	325.0	325.0
31	Production Division	0.0	1321.3	1321.3	0.0	612.0	612.0
32	Professional & Technical Training Division	0.0	1100.1	1100.1	0.0	2951.6	2951.6
33	Railways Division	2500.0	12500.0	15000.0	6280.8	16596.4	22877.3
34	Revenue Division	1402.7	567.3	1970.0	270.0	536.8	806.8
35	Science & Technological Research Division	0.0	1474.8	1474.8	0.0	1311.3	1311.3

36	States & Frontier Regions Division	476.0	9524.0	10000.0	1657.0	14343.0	16000.0
37	Statistics Division	50.0	223.0	273.0	0.0	140.0	140.0
38	Textile Industry Division	20.0	130.0	150.0	0.0	227.0	227.0
39	Water & Power Division (Water Sector)	1880.0	34256.0	36136.0	2800.0	44392.3	47192.3
	Total (Federal Ministries)	16832.6	167767.2	184599.7	46220.1	196397.7	242617.8
B.	Corporations:						
1	WAPDA (Power)	13373.0	19127.0	32500.0	21650.0	8000.0	29650.0
2	National Highway Authority	6268.4	33631.9	39900.3	26129.9	24602.3	50732.2
	Total (Corporations)	19641.4	52758.9	72400.3	47779.9	32602.3	80382.2
C.	Special Programmes						
1	PWP - I	0.0	5000.0	5000.0	0.0	5000.0	5000.0
2	PWP - II	0.0	28000.0	28000.0	0.0	22000.0	22000.0
	Total (Special Programmes)	0.0	33000.0	33000.0	0.0	27000.0	27000.0
	Total (Federal)	36473.9	253526.1	290000.0	94000.0	256000.0	350000.0
D.	ERRA	2094.0	7906.0	10000.0	6000.0	4000.0	10000.0
E.	Provinces	38239.0	391761.0	430000.0	67000.0	446000.0	513000.0
	Total (National):	76806.9	653193.1	730000.0	167000.0	706000.0	873000.0

Part – II

Enhancing Productivity

Chapter 5 Higher Education

The Framework for Economic Growth recognizes knowledge as an important element in sustainable economic growth. Universities and other Higher Education Institutions, being the engine of knowledge creation, have to come forward for development of entrepreneurship with scientists, engineers and students as stakeholders. Keeping in view this new role of universities, New Growth Strategy lays emphasis on the development of Business Incubation Centers and setting up of Technology Parks in the universities and promoting linkage of Higher Education Institutes and R&D organizations with industry (Triple Helix Model).

5.1 Review of 2011-12

5.1.1 Financial

In the year 2011-12, an amount of Rs 16.5 billion was allocated for higher education, which was reduced to Rs 14 billion due to financial crunch. Against this, Rs 9.8 billion is expected to be utilized by end of the current financial year. (Table 5.1)

Table 5.1: Higher Education PSDP Allocation and Utilization 2011-12 & 2012-13

(Rs Million)

Services	2011-12		2012-13 Allocation
	Allocation Revised	Utilization	
Provision of Infrastructure for higher education	4397	3066	15,800
Human Resource Development	6240	4351	
Research Equipment	2003	1397	
Others *(Salaries, Furniture/Fixture, Books/Journals, Transport, Chemical/ Glasswares etc.)*	1360	949	
Total	**14000**	**9763**	**15,800**

5.1.2 Physical Achievement

- **Infrastructure Development:** In the Year 2011-12, new universities and sub-campuses of the existing universities were established in remote and far-flung areas of the country. These include the University at Turbat, University at Loralai, Shaheed Benazir Bhutto University at Sheringal, Women University Multan and Shaheed Benazir Bhutto University Benazirabad and sub campus of Lahore College for Women University at Jhang.

- **Human Resource Development:** In the year 2011-12, HRD is an area in which vital and significant progress has been made with a dual objective of increasing institutional capacity and enhancing local research activities. The major thrust of programs in this area has been to improve academic qualifications of university faculty through provision of scholarships at local as well as foreign universities. These scholarships are provided on merit both to existing university faculty as well as other individuals from the private sector. Nearly 44% of the scholarships managed by the HEC have been awarded to the scientists of R&D organizations and university teachers. A total of about 900 to 1000 scholars have already returned after completing their studies while nearly 3000 scholars are pursuing their higher education abroad. 4700 scholars are studying under the indigenous scholarship programs in different universities in Pakistan. 912 scholars are studying in Cuba for MBBS Program under a scholarship program offered by Cuban Government. 52 scholars processed abroad for Post-Doc studies while 47 completed the Post-Doc studies. 1959 scholars are studying under the Fata/Balochistan project in Pakistan at Graduate/Under-graduate level.

- **Need Based Scholarships:** Financial aid to needy students is required to be institutionalized and strengthened in public and private sector universities. 2919 scholars have passed out so far, and 526 are still studying in different institutions, universities under the need based scholarship programs.

- **Faculty Development:** Faculty is the nucleus of an education system, therefore it is highly imperative to improve and enhance the quality of professional teachers. During the year 2010-11, various faculty members were given professional development.

- **English Language Teaching Reforms** (ELTR) is the first language based project which caters to the English teaching faculty of graduate and post graduate colleges along with universities in their respective HEIs across Pakistan. The ELTR project transferred funding of 1.5 million to the University of Malakand for the establishment of Self Access Centre (SAC). An international resource person visited Pakistan and conducted courses on Computer Assisted Language Learning (CALL) at Islamabad, Multan and Karachi, training 60 participants. A total of 255 ELT faculty members have been trained in Continuous Professional Development program, in which 96 have been trained in one month courses, 99 have been trained in one week courses and 60 have been Internationally Certified through International Resource Persons' trainings. 25 ELT faculty members were awarded ELTR Long Term Fellowships.

- **Professional Competency Enhancement Program for Teachers (PCEPT):** In the year 2011-12, 497 faculty members were provided one month intensive in-service Professional Competency Enhancement Program for Teachers (PCEPT) trainings at the door step of 17 public sector universities across Pakistan under the project National Academy of Higher Education (NAHE), Phase-II. The trainings were based on the seven core modules required for teaching skills enhancement of the university faculty. Moreover 20 faculty members were given orientation on the use of modern ICT tools and techniques through a two week Incorporating Technology in Education (ITE) Program of NAHE project.

- **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.

- **National Video Conferencing Network:** By supporting the mandate of HEC to develop e-Academia, video conference network has been established at seventy nine (79) universities/ institutes and HEC offices, whereas the footprints now spread over 30 cities across the country. The HEC Video Conference Network has been recognized as a huge IP Based Video Conference Network in Asia.

  Since its establishment in 2006, a total of 4593 events have been arranged to facilitate more than 40,778 students/ faculty/ scholars and supported higher studies through this virtual educational network. A full fledge interactive distance learning program with the title of Virtual Education Program of Pakistan is launched in 2010 that provides a virtual platform through which eminent professors/scholars both foreign and local are invited to deliver domain specific series lectures towards partial fulfillment of MS and PhD programs. VEPP is a program initiated by HEC in collaboration with International Center of Chemistry and Biological Sciences, University of Karachi. In one year 303 lectures (101 by foreign speakers and 202 by local speakers) were delivered in 10 universities of Pakistan. The program is committed to deliver 100+ lectures by the end of this financial year. This new multi-modal facility is also creating new jobs across the country. Currently 180 fully trained coordinators are engaged with this multimedia communication network which are working in all public sector universities and facilitating their faculty/students aggressively.

5.2 Outlook for 2012-13

5.2.1 Financial

An amount of Rs 15.8 billion has been allocated in PSDP 2012-13 for the projects of higher education. (Table 5.1)

5.2.2 Physical

HEC will continue with most of the ongoing projects. However, some new activities to be undertaken under these projects are highlighted in the following paragraphs. Major physical targets of higher education for 2012-13 are presented in Box 5.1.

- **Physical Infrastructure**
  During 2012-13, new universities and sub-campuses of the existing universities will be established to expand the access to education, especially in the remote and less developed areas. The new universities would be established at Shaheed Benazir Bhutto Medical University Larkana, Abdul Wali Khan University Mardan, University of Gujrat, National Textile University Faisalabad, University at Swat, National Defence University Islamabad, Pakistan Institute of Fashion & Design Lahore and Peoples University of Medical and Health Sciences for Women Nawabshah (Shaheed Benazirabad). Similarly, new campuses of public sector universities are planned Skardu Campus, Karakuram International University Gilgit, Jhang Campus, Lahore College for Women University, Pattoki Okara Campus, UVAS Lahore, Virtual University, Islamabad Campus, Federal Urdu University Karachi, Kohat Campus of UET Peshawar & Mardan Campus of UET Peshawar.

- **Human Resource Development**
  Selection of 1000 scholars of Batch-I under Indigenous PhD program Phase-II, 900 scholars under overseas scholarship will be completed. Disbursement of scholarships to 2900 scholars under overseas scholarship scheme and 5600 including new selected scholars under the indigenous scheme would be made on provincial quota basis.

  Scholarship will be given to 1959 scholars studying in FATA/Balochistan project in Pakistan and 10 scholars will proceed abroad for Ph.D studies.

- **Need Based Scholarships**
  The stipend and fee will be paid to 526 scholars already studying and 2500 scholarships are proposed along with 1500 short term trainings during second phase. Establishment of 50-55 students' facilitation and job centers is also a salient feature of the program.

- **Faculty Development Program**
  10 workshops will be organized to train 300 ELT faculty of public sector universities. 5 one month courses will be organized to train 100 faculty members. 75 Long Term Fellowships will be awarded to cover the backlog of previous years. Funding of Rs 1.5 million will be transferred to each of the two selected universities i.e SBKWU Quetta and MUET, Jamshoro for establishment of Self Access Centers (SAC). Two International Resource Person trainings, 3 international conferences and one NCE meeting are also planned. Funds will be transferred to 2 Research Journals.

  500 faculty members are targeted to be trained under the one month basic teaching competencies enhancement course PCEPT, and 25 faculty members are targeted to be trained in ICT usage through the ITE program to be offered at the doorstep of universities under the Project NAHE, Phase-II.

- **Measures for Quality Education**
  HEC is planning to establish new Quality Enhancement Cells in 40 Public and Private Sector University all over the country.

Box 5.1: Major Targets Higher Education 2012-13

- Establishment of Medical University at Larkana, Medical University at Nawabshah and University at Swat.
- The new initiative includes 600 Master Leading to PhD Scholarships under Aghaz-e-Haqooq-e-Balochistan Package, 2,500 Need Based Undergraduate & Graduate Japanes scholarships & 5,000 Indigenous Ph.D Scholarships are proposed.
- Technology park, innovation research centers and ORIC are to be established to generate the employment opportunities for the skilled manpower.
- HEC to establish the Quality Assurance Cells in 40 newly established and private universities.
- Provide development fund to the extent possible to seven newly established sub campuses in the deprived areas
- 800 Teachers will be trained through Training Programs including long-term fellowships, one month duration training courses and short term courses.

Chapter 6 Science and Technology

To achieve sustainable economic growth, scientific research should drive the production and exploitation of knowledge. It is imperative to move forward from infrastructure and capacity building of R&D institutions to value added technologies and more innovative ideas for development of entrepreneurship. To overcome challenges like energy shortage 'smart' research and development investment is required for exploration and efficient utilization of natural resources. Principal focus of this year plan is to make science and technology at the service of peoples in all spheres of life, eventually leading to economic growth and prosperity.

6.1 Review of 2011-12

6.1.1 Financial

During the financial year 2011-12, Rs 1,146 million were allocated for 51 Science and Technology projects. Out of which, an amount of Rs 919 million (around 80% of allocation) is utilized. (Table 6.1)

Table 6.1: Science and Technology PSDP Allocation and Utilization 2011-12

(Rs Million)

Organization	Projects (Nos.)	Total Cost of Projects	PSDP Allocation 2011-12	PSDP Utilization 2011-12
On-Going Projects (MoST Secretariat)	3	701	208	197
Other R&D Organizations	5	323	32	21
Pakistan Council of Scientific and Industrial Research (PCSIR)	11	2702	250	201
Pakistan Council of Research in Water Resources (PCRWR)	4	1527	112	96
Pakistan Technology Board (PTB)	2	80	10	8
Pakistan Science Foundation (PSF)	2	86	37	36
Pakistan Council of Renewable Energy Technologies (PCRET)	4	665	103	78
Centre for Applied Molecular Biology (CAMB)	5	173	43	13
Pakistan Standards & Quality Control Authority (PSQCA)	4	633	88	44
National Institute of Electronics (NIE)	3	560	125	98
Council for Works & Housing Research	1	35	6	5
National University of S&T (NUST)	1	12	7	7
COMSATS Institute of IT (CIIT)	4	987	115	113
National Institute of Oceanography (NIO)	2	61	10	2
Total	**51**	**8545**	**1146**	**919**

6.1.2 Physical

Performance of Ministry of Science & Technology (MoST) and its organizations is discussed in the following paragraphs; whereas major achievements in brief are presented in the Box 6.1.

- **Pakistan Council for Scientific & Industrial Research: PCSIR has** developed 37 processes and commercialized 22, 18 patents registered, services rendered to 96 industries, 156 research publications, 13465 analytical/ technical services provided and completed 6 projects. The Process for Orthopedic Implants is planned to be commercialized through private sector substituting the imported stuff. Pilot plants at Karachi, Lahore and Peshawar Laboratories were established for large scale production of different items in the fields of Pharmaceutical, Chemicals, Herbal Products and Food supplements for commercializing.

- **Pakistan Science Foundation: PSF funded 162 research projects of basic** and applied nature in different fields of science and technology, funded R&D-industry Programs to promote commercialization of developed technologies. 859 scientists availed the facility of travel grant. Four traveling Expos and 5 S&T Fairs were held which benefited almost 500,000 students/people. Various Science Caravan Exhibitions were also held to benefit students of 7,492 schools.

- **Pakistan Council for Renewable Energy Technologies: PCRET has started** production of solar cells and modules up to 80 kw annual capacity. Installed 12 Micro-Hydel Power Plants for electrifying 1000 houses, installed 15 KW solar system and 1030 bio-gas plants in various locations of the country, fabricated 5 KW solar modules and up-graded PCRET building to establish four new laboratories to produce 80 KW solar panels annually.

- **Pakistan Council of Research in Water Resources:** PCRWR established National Water Quality Laboratory at Islamabad which is ISO-17025 certified and is providing services to the public at large. In addition, network of 22 Water Quality Testing Laboratories is established all over the country. PCRWR constructed one leaky dam and improved three dams with water shed management activities, constructed eleven buildings of water quality laboratories in various locations, chlorinated 4.3 million liters of water in flood affected areas and distributed chlorine tablets, also carried out desertification control research activities and conducted seven research studies. PCRWR generated Rs 5.3 million from advisory and consultancy services.

- **National Institute of Electronics:** NIE installed state of the art machinery and equipment to give a boost to its R&D efforts through different development projects. A unique Multi-layer Printed Circuit Board (PCB) Fabrication facility is near completion. It will be opened for collaborative production and training to local industry. NIE established a center for quality testing and certification of electronics products, designed and developed industrial stabilizers, produced multilayer printed circuit boards and signed MoUs with universities and R&D organizations for cooperation in the field electronics.

- **National Institute of Oceanography:** NIO is mandated to undertake research in ocean sciences in coastal, deep sea and international waters for exploration and exploitation of living and non living resources. It is estimated that an area of more than 50,000 sq km of the extended continental shelf can be annexed to our existing 240,000 sq km offshore area of exclusive economic zone (EEZ). It will contribute directly to the petroleum and mineral sector in general and to the offshore maritime industry in particular.

- **COMSATS Institute of Information Technology:** CIIT with seven campuses, provided graduate and post graduate level education to more than 20,000 students in IT, engineering and emerging science and technology fields. Nanotechnology Class 1000 Clean Rooms is the new initiative of CIIT, which will enable researchers to harness nanotechnology to create new, inexpensive materials, devices and systems with unique properties. Expansion of COMSATS internet has been made through establishment of CIS node at Multan and addition of twenty (20) wireless Wi-Fi base stations to the CIS Network.

- **National University of Science and Technology:** NUST Centre of Innovation and Entrepreneurship (CIE) launched a national business plan competition titled “DISCOVER; Prime Minister’s Entrepreneurial Challenge”. Under this Program, which is aimed at promotion of entrepreneurship and enterprise development in Pakistan, the students participated in international competitions and won prizes.

- **Center for Applied Molecular Biology:** CAMB provided training to a large number of peoples from Judiciary, Law enforcement Agencies, Medico-Legal Doctors and Investigating Agencies on the use of DNA Forensic Science in addition to guiding & supervising M.Phil and PhD scholars in R&D in the field of Molecular Biology.

- **Pakistan National Accreditation Council:** PNAC has started the process of accrediting the certifying bodies for export of Halal Food Products. This initiative would ensure that the export products meet international standards and help improve image of Pakistan as quality product supplier. Similarly to improve healthcare and safety, PNAC completed accreditation process of 06 medical and diagnostic laboratories in Pakistan.

- **Pakistan Standards and Quality Control Authority:** PSQCA obtained membership of ISO, established cooperation with Saudi Arabian Standards Organizations (SASO), established national coordination committee on trade barrier, developed technical groups for the benefits of industries, 229 Pakistan Standards formulated and revised, 211 international standards adopted.

Box 6.1: Major Achievements of Science and Technology 2011-12

- PCSIR developed a process for the utilization of the huge reserves of Thar coal to overcome the energy crises in Pakistan by converting the coal into liquid fuel in an effective manner to support the economy of the country.
- NIO up-graded its laboratory facilities as per International Standards and served as a Focal laboratory for all the oceanographic R&D activities such as ocean productivity, marine pollution, environment marine biodiversity and marine ecosystem studies.
- CWHR highlighted the significance of lightweight aggregate in concrete construction through workshops/seminars and publications. Efforts were made for the transfer of ferrocement technology to public and private sectors on commercial bases.
- PCSIR has developed technologies for high quality black glass, nano-partical, biodegradable polymer, Indole Acetic Acid etc. to cater the needs of industrial sectors and leasing out the technologies developed.
- PSF organized an International Traveling Expo on Chemistry in Pakistan.
- PCRET implemented 07 projects through collaboration with Sindh and Punjab Governments for promoting use of Renewable Energy Technologies (RETs).
- PCRWR constructed 11 laboratory buildings at Muzaffarabad, Mianwali, Sargodha, Sialkot, Sahiwal, Gujranwala, Faisalabad, Khuzdar, Lorali, Jamrud and Badin.
- PCST conducted research on all policy issues related to development, management and identification of S&T needs in line with rapid socio economic development of the country.
- PCRET procured and installed Twenty Four (24) MHP plants, 200 KW MHP plants at Canal Falls and 284 biogas plants in different areas of the country.
- NIE provided testing services to industry, traders, etc, of electronic products through Center for Quality Testing and Certification of Electronic Products (CQTC-EP).

CIS added Two Hundred (200) wireless Wi-Fi base stations in its network that will facilitate about 1500 broadband internet users mainly educational institutes, industry and the corporate sector.

6.2 Prospects of 2012-13

6.2.1 Financial

An amount of Rs 1,311 million has been allocated in PSDP 2012-13 for the projects of Ministry of Science and Technology.

6.2.2 Physical

Programs of the Ministry of Science & Technology and its Organizations to be taken up during 2012-13 are discussed below; whereas major targets of S&T are given in the Box 6.2.

- **Pakistan Council for Scientific & Industrial Research:** The priority areas for 2012-13 would include Pharmaceuticals/Herbal Medicine, Fine Chemicals, Mineral Evaluation, Advance/ Composite Materials, Industrial Nanotechnology, Industrial Biotechnology, Leather Technology, Environmental Protection & Monitoring, Standardization (Calibration, Certification & Energy Efficiency Labeling and Energy Efficiency) and Solid Fuel & renewable Energy. To establish primary standards of measurement in chemical, physical, industrial and legal metrology at National Physical and Standard Laboratory.

- **Pakistan Science Foundation:** PSF intends to enhance its activities through establishment of Science Clubs in 100 high schools of rural areas of Baluchistan and Sindh to create awareness and develop their interests in scientific research. Five Science Centres will be established in different cities of Pakistan to supplement the teaching of biological and physical sciences in schools and colleges through informal education and demonstration of principles of science. PSF has also plans for the propagation of science through mass media in collaboration with UNESCO.

- **Pakistan Council of Research in Water Resources:** PCRWR has plans to work on Integrated Water Resources Management, evaluation of Interceptor Drains and Wells, especially in Balochistan, Demarcation of Groundwater Quality Zones, Strengthening of Research Infrastructure at PCRWR's R&D Centre, Water Resources Development and Management in Kohistan, Innovative Watershed Management practices for Sustainable Development of Upper Indus Basin, Establishment of Regional Centre for Water Management Research in Arid Zones in Pakistan and Integrated Approach for Control of Water logging and Salinity in low Lying Areas of old River Beds.

- **Pakistan Council for Science and Technology:** PCST proposes the establishment of Science and Technology Policy Research Institute (STPRI), establishment of Innovation centers at Industrial clusters in Pakistan, establishment of National Analytical facility etc. PCST through Pakistan Technology Board is working to identify and select key technologies of strategic importance for industrial growth and to achieve competitive advantage in international markets. The Technology Foresight Exercise for the facilitation of the strategist and policy planner is underway.

- **Council for Works and Housing Research:** CWHR plans to setup semi automatic kiln plant, establish facilities for quality assurance testing of concrete pipes and deep foundations, application of magnetic technology for economic and durable construction by improving concrete properties, up-gradation of testing laboratories for enhancing commercial capabilities of CWHR, establishment of geo-technique and road research laboratory in CWHR, establishment of six regional centers at provisional headquarters, northern area and AJK and establishment of consultancy services division at CWHR.

- **Pakistan Council for Renewable Energy Technologies:** PCRET strategic vision for next year consists of Extension and Up-gradation of PCRET Labs, dissemination of RE Technologies , R&D work on RE Technologies, installation of Demonstration RE Plants (At Commercial Scale) and commercialization of technologies, products etc through public-private partnership

- **National Institute of Electronics:** NIE will setup small scale production facilities for the prototypes developed by NIE. There are projects in the field of power electronics, automation and control engineering, communication engineering, integrated circuits designs. Expertise are being developed on design and layout of digital, analog and mixed signal ICs. Contract with IC fabrication facilities abroad will be established. NIE is also planning to get an accreditation for the testing lab from national/international bodies. Complete & customized solutions for small, medium scale organization will be provided.

Latest machinery and equipment are being installed at NIE to give a boost to its R&D efforts.

- **National Institute of Oceanography:** NIO has proposed to initiate a National Gas hydrates Program at Makran. NIO also recommends caring out Marine research work, Natural hazards and preparing relevant laws for dealing with the sea matters. NIO has already initiated a project for exploration and evaluation of heavy minerals potential of coastal belt of Pakistan. NIO also intends to acquire an Oceanographic vessel to enhance their research activities and capacity to offer consultancy services in the above mentioned fields.

- **Pakistan Standards and Quality Control Authority:** PSQCA is to launch country wide expansion program by establishing 11 quality control centers at different Industrial estates. Pakistan Standards and Quality Control Authority, Ministry of Science and Technology has developed draft Pakistan Standards Strategy and action plan in order to respond to recent developments in standardization both internationally and in Pakistan. The draft policy is being finalized for its approval and subsequent implementation.

- **Pakistan National Accreditation Council:** The Council plans to launch accreditation services for personnel certifiers, products certifications bodies, PT providers, food management system, Halal certification and hospital accreditation. PNAC intends to establish a Centre for Accreditation and Standard Training (CAST). This Centre will create awareness among 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.

- **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 & 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 of changes in functional region of major milk protein genes.

- **National University of Sciences & Technology:** The major strategic vision of NUST include to develop NUST into a Centre of Excellence for advanced scientific and technological education and research, introduce state-of-the-art technologies in academic programs and go beyond the traditional education through inculcating the spirit of innovation, creativity and entrepreneurship for the promotion of a qualitative leap in our industrial capability, correlating the national needs and to emerge as a leader in higher education and research, tailored to our own needs.

- **COMSATS Institute of Information Technology:** The CIIT have plans to improve its status amongst national as well as international universities through advancement of learning and extending the frontiers of knowledge and sharing of this knowledge through education in academically diverse disciplines. CIIT intends to establish more Technology Incubation Centers at its campuses besides already established one at Islamabad for entrepreneurship development and commercialization of their research outcome.

Box 6.2: Major Targets Science and Technology 2012-13

- Projects on installation of more Micro-Hydel Power Plants in Khyber Pakhtunkhawa and Northern Areas and other parts of the country. Installation of 100 large size bio-gas plants and enhancement of solar panels production facilities from 80 KW to 250 KW.
- Implementation and execution of National Science Technology and Innovation Policy 2011, establishment of Science and Technology Policy Institute (STPI), establishment of Innovative Centers at Industrial clusters and development of Technology Facilitation Centers.
- Establishment of National Capacity Building Institute for water quality management in collaboration with Korean agency (KOICA), monitoring of 2000 water supply agencies and installation of 40 filtration plants, construction of six leaky dams.
- Project on Pakistan National Hospital Accreditation (PNHA), the legal Act of PNAC is under finalization. PNAC will recruit more staff in 2012.
- DNA analysis for crime investigation, PCR based molecular diagnoses of dengue virus, DNA sequencing and crime synthesis services, research on infectious diseases like hepatitis and dengue virus, genetic diseases research work and projects on plant biotechnology.
- Establishment of latest high speed workstation for oceanographic and coastal hydro dynamic studies, exploration of natural resources and implementation of projects with State Oceanographic Administration of China.
- Facilities / incubation center on concrete pipes and deep foundations for improvement of concrete properties, development of low cost, energy efficient building products and providing support to academia to technical R&D institute on testing of construction material.

Chapter 7 Skill Development and Employment

Country's greatest asset is its human resource. Its progress and prosperity depends on development and effective utilization of the human resources. HRD has a vital role to play in enhancing skills and productivity for employability, promotion of investment for maximization of employment leading to sustainable economic growth. Federal as well as provincial governments are actively engaged in HRD activities and providing needed training and skills to the labor force for enhancing their productivity and employability.

7.1 Current Employment Scenario 2011-12

Pakistan is home to around 180.7 million people growing at a rate of 2.05% per annum. Out of total population, 59.3 million (33%) are in the labour force comprising 45.5 million (77%) male and 13.8 million (23%) female. Of the total labour force, 55.8 million are employed while 3.5 million persons are unemployed, implying unemployment rate of around 6%.

Of the total employed workforce, the majority 45% is employed in agriculture sector, 13.7% in manufacturing sector, 7% in construction, 14.9% in wholesale & retail trade, 5.1% in transport/storage & communication and 13.3% in the community and social services sector. Whereas, Agriculture sector absorbs 45% of total labour force, its contribution towards economic growth is only 21%. About 84% unpaid family helpers are absorbed in agriculture sector. Share of public sector in employment is 7.5% while that of private sector 92.5%.

With regard to employment status, 1.4% of the total employed are employers, while self employed, unpaid family helpers and employees are 34.9%, 27.9% and 36% of the employed workforce respectively. Long term trends show that the percentage of self-employed has decreased from 42.2% to 34.86% while the percentage of unpaid family helpers has been increased from 21.4 % to 27.89 % in overall employment during 1999-00 to 2011- 12. This implies that there is need to create an environment that promotes self employment opportunities in the country because growing portion of unpaid family helpers is worrisome and requires a policy intervention to make the employment as decent employment. Promoting entrepreneurial skills and providing access to small loans for setting up small businesses is one of many policy options that Government is presently pursuing to address this issue.

7.2 Major Challenges

Some of the major challenges to create conditions conducive for generating employment opportunities in the country are:

- Federal and provincial governments need to work in unison to achieve goals of high, inclusive and sustainable growth, as envisaged in the Framework for Economic Growth.
- Absence of a comprehensive National Policy and coherent provincial policies for HRD

- With growing population, size of labor force is also increasing and composition of population is such that around 54 million are youth. There is need to create enough employment opportunities to absorb the growing labor force, especially the educated youth, both male and female. Promoting marketable skill development, particularly entrepreneurial skill, among the youth and other able bodied persons require special attention.
- Focus on new market driven skills, particularly the skills set required in markets abroad. Unskilled and semi skilled workers need enhancing and acquiring skills in trades and occupations that are in high demand. Acquiring multi skills by workers is highly essential for increasing their demand and productivity.
- Outdated infrastructure of public sector skill development institutions.
- Dominance of informal traditional training system of "Ustad-Shagrid".
- Enforcement of labor laws and Labor welfare functions for workers in both formal and informal sectors.
- Social protection through social safety nets.
- Lack of gender specific employment involving women empowerment and gender equality by addressing gender discrimination and increasing women participation.
- Ineffective linkage between industry and training institutions.

Employability and skill development of youth and women are areas of special concern for the Government. These are discussed as under.

7.2.1 Youth Employment

There is convincing evidence that Pakistan has entered into the demographic bonus/dividend phase. Fertility decline in Pakistan which began in the late 1980s or early 1990s proceeded rapidly during the last two decades. Consequently, the share of the working-age population, particularly the youth is rising. Because of the likely declining trends in child dependency during the next two to three decades, there will be relatively low burden on the working-age population. However, after approximately three decades, the expected rapid increase in the elderly population may enhance the old age dependency. During the phase of declining child dependency, the share of youth in the total labour force is rising. It is therefore imperative to utilize the youth labour force productively to benefit from the 'demographic gift'.

The Framework for Economic Growth gives due importance to youth population and suggests innovative and entrepreneurial education for youth to solve the problem of youth unemployment in the country. Youth population is estimated at 54 million, of which 23.8 million are in the category of labour force. Out of total youth labor force, 21.3 million are employed while remaining 2.4 million are unemployed, implying 10% youth unemployment rate which is higher than the national average of 6%. As far employment status of youth is concerned, only 0.06 million are employers while self-employed, unpaid family helpers and employees are 4.2, 10.3 and 9.2 million respectively. In other words, youth employers are 0.3%, while self-employed, unpaid family helpers and employees are 17.8%, 43.2%, 38.8% respectively, indicating that youth employment status as employers and self employed is very low. This can be attributed due to lack of entrepreneurship education to become employers or self-employed.

It has been observed that the youth cohort appears to lack entrepreneurship skills. The entrepreneurial activity among youth can be increased if the students are provided with business wisdom, inspiration and motivation, either through mentorship by experts or by stressing on the importance of business opportunities in the curriculum. Demand driven technical education along with entrepreneurial education in curriculum is considered as a solution to youth unemployment. To increase the awareness of and to stimulate more interventions around youth issues, it is also needed to invest in youth, especially smoothing the transition from school to work and creating more opportunities for youth employment.

7.2.2 Women Employment

Female population constitutes 48.8% of total population but their share in labour market is not in proportion to their share in total population. Only 13.8 million (23%) female are in the labor force as compared to 45.5 million (77%) male. In terms of employment only 12.6 million (22.5%) female are employed as compared to 43.2 million (77.5%) million male. Unemployed labor force is 3.5 million, while female unemployed are 1.2 million which constitute 35% of total unemployed labour force. Female unemployment rate is 8.9%. Share of women in wage employment in non-agriculture sector is only 10.4%. As far overall employment is concerned, only 0.02 million are employers while self-employed, unpaid family helpers and employees are 1.9, 7.9 and 2.6 million respectively. In other words, women employers are 0.14%, while self-employed, unpaid family helpers and employees are 15.5%, 63.4%, 20.9% respectively, indicating that women employment status as employers and self employed is very low.

The low visibility of women in the employment sector in Pakistan is usually attributed to supply side factor such as cultural restrictions, household responsibilities and a low level of education and skills. Entrepreneurship education along with skill development may solve the problem of female wage employment and unpaid family helpers. There is also need to encourage female participation in economic activities of the country.

7.3 Framework of Economic Growth

The focus of the Framework of Economic Growth is on both employment and income generation. On employment front, both employment expansion and activation polices are pursued to absorb the growing labour force. The policies on Employment expansion generate demand for labour while policies on employment activation are main source of improving supply of labour force.

7.3.1 Professional and Technical Training Strategy

In the absence of national policy for skill development national Skill Strategy (NSS) 2009-13 of National and Vocational Training Commission (NAVTTC) is being followed as a flagship strategy which emphasizes a shift from curricula-based to competency-based training and to create a demand-driven training system responsive to requirement of industry. It seeks to institutionalize various segments of TVET sector and will adopt corrective measures during the process of implementation. The national skills strategy is meant to build a skills development system that can be benchmarked against international standards and achieve the following mandate:

- Competency Based Training
- Enhanced Role of Private Sector
- Reform of the Apprenticeship System

- Centers of Excellence
- Encouraging Entrepreneurship
- National Qualifications Framework
- Streamlining Policymaking and system Reforms
- Registering and Accrediting Institutes
- Training of Instructors
- Deprived groups including women
- Integration of Informal Economy and Workers
- Flexible Training Delivery and vocational education in schools
- Expand coverage geographically
- Career Guidance & Placement

7.4 Review of PSDP 2011-12

7.4.1 Financial Review

An amount of Rs 2,948 million was allocated under PSDP 2011-12 for ongoing projects of Ministry of Professional &Technical Training. The allocated amount will be spent. The project-wise detail is presented in Table 7.1.

Table 7.1 Allocation and Utilization of Professional & Technical Training Programs 2011-12 and 2012-13

(Rs million)

Project	Estimated Cost	2011-12 Allocation/ Utilization	2012-13 Allocation
President and P.M Special Initiatives for *Funni Maharat* and *Humarmand* Programs (NAVTTC)	3,993	300	300
Construction of Hostel Building Islamabad (NTB)	161	12	69
President Program for the Care of Highly Qualified Overseas Pakistanis (NTP)	346	25	24
Establishment & Operation of Basic Education Community Schools (NEF)	7,000	1,207	1,000
Improving Human Development Indicators (NCHD)	8,150	1,385	1,462
Educational Leadership and Institutional Management (ELIM) (AEPAM)	34	9	13
Financial Management & Good Governance (FMGG) (AEPAM)	31	9	12
Setting up Computer Numerical Control (CNC) / CAD / CAM Training Lab (NTB)	58.5	0	58.5
Establishment of Project Monitoring Cell in MPTT	20.8	0	7.2
Training Programme on use of Data for Educational Planning & Management using Computer Software	13.2	0	5
Total	**19,807.5**	**2,947**	**2,950.7**

7.4.2 Physical Review

Physical achievements of Professional and Technical Training programs are presented at Annexure 7.1. However, two major training programmes under President and Prime Minister’s directives along with some other major initiatives taken by NAVTTC are discussed here. These programmes were designed to improve quality of vocational and technical training for young men and women throughout the country. The program target is to train, in total, 212,621 unemployed persons (47,765 under *Funni Maharat* Program” and 164,856 persons under *Hunarmand* Pakistan Program). So far, 134,368 youth received vocational & technical training whereas 25,000 people are to be trained in next financial year. A stipend of Rs 2,000 per month is paid to the participants.

President’s *Fanni Maharat* Program

Under Presidential directive, NAVTTC is establishing 130 new vocational training centers/institutes in 79 tehsils of Sindh, Punjab, KPK, Balochistan, AJ&K and Gilgit-Baltistan, where no TVET institute exists. This programme costs Rs 1.2 billion under which 47,765 trainees will be trained in 2.5 years. Under this program 30,275 youth have been trained while 1,590 are under training. Region wise training activities under President *Funni Maharat* Programmes are reflected in the Table 7.2.

Table 7.2: Funni Maharat Pogram 2011-12 & 2012-13

Region	Approved	2011-12		Total	2012-13 Target
		Trained	Under Training		
Punjab	10,425	10,063	-	10,063	-
Sindh	8,400	3,558	985	4,543	1,543
KPK	6,480	5,933	-	5,933	219
AJK	11,760	9,805	-	9,805	-
Balochistan	5,460	-	250	250	2,084
Gilgit Baltistan	5,240	916	355	1,271	1,588
Total	**47,765**	**30,275**	**1,590**	**31,865**	**5,433**

Prime Minister’s “*Hunarmand* Pakistan Program”

NAVTTC, in the light of Prime Minister Directions, has taken the initiative of offering short-term skill development programmes of mostly up to six months duration courses in collaboration with public and private sector training institutes. It covers four priority sectors including: Construction, Agriculture (Dairy & Livestock), IT & Telecommunication and Skills for Women. The other sectors include Hospitality, Light Engineering, Paramedics, Services, Traditional trades (cottage crafts etc.) and Textile. So far 100,338 youth have been trained and 31,865 are under training.

The geographic spread covers Islamabad, Punjab, KPK, Sindh, Balochistan, AJK, FATA and Gilgit-Baltistan. Major partners are provincial TEVTAs, Federal Ministries, Public-sector Universities, Defense establishments and reputed public & private sector institutes & organizations.

Region-wise training activities under Prime Minster Hunarmand Pakistan Programs are reflected in the Table 7.3.

Table 7.3: Hunarmand Pakistan Program 2011-12 and 2012-13

(Nos)

Region	Approved	2011-12			2012-13 Target
		Trained	Under Training	Total	
Islamabad	23602	15114	77	15,191	3364
Punjab	78903	41524	300	41,824	14832
Sindh	28121	22487	20	22,507	2246
KPK	19333	14014	570	14,584	1900
Balochistan	12282	5420	1158	6,578	2282
AJK	1324	736	40	776	219
Gilgit Baltistan	1291	1043	0	1,043	99
Total	**164,856**	**100,338**	**2,165**	**102,503**	**24941**
Grand Total (Funni Maharat + Humanrmand Pakistan Programs)	**212,621**	**130,613**	**3,755**	**134,368**	**34924**

- **Industry Advisory Groups (IAGs)**
  To create the missing link between industry and training providers, NAVTTC has established sector-specific Industry Advisory Groups (IAGs) to provide industry intelligence to TVET policymakers and training providers in the design of skill standards and curricula. In this regard, IAGs for five sectors; Textiles, Construction, Tourism & Hospitality, Surgical Instruments and Agriculture, Dairy & Livestock have been established. These IAGs have developed 23 skills standards which are currently in the validation process.

- **Accreditation and Certification of TVET Institutions**
  NAVTTC has signed MoU with Asia-Pacific Accreditation and Certification Commission (APACC), Manila under which 9 institutions are in the process of accreditation while 1 institute has already been accredited i.e. Construction Technology Training Institute (CTTI), Islamabad, whereas further numerous institutes are in process of accreditation in pursuance of agreement signed with GIZ.

- **Centre of Excellence**
  NAVTTC and British Council have signed a Memorandum of Understanding, to create state of the art Centres of Excellence. Under this scheme, seven Pakistani institutes have been twinned with UK institutes.

- **Mobile Training Units & Employment of IDPs**
  NAVTTC has run short-term skill development projects through Mobile Training Units to expand access of training to Internally Displaced Persons (IDPs) hailing from Swat, Matta, Buner, Bajaur, Khyber Agency, South & North Waziristan with the cooperation of Small Industries Development Board (SIDB), Ministry of Industries, Government of KPK. Under which 1,465 IDPs were trained in Light Engineering sector, out of which 80 trainees were employed by DESCON (Pvt.) Limited.

- **Establishment of VTT Centers**
  125 new Vocational & Technical Training Centers have been established in uncovered Tehsils of the Country. These newly established centers are successfully imparting trainings to the underprivileged and socially excluded groups.

- **Online Monitoring and Evaluation System**
  NAVTTC has developed online monitoring system to maintain database of trainees and record of NAVTTC funded projects. The system is installed at NAVTTC headquarter and equally accessible by its Regional Directorates. It generates a Bar-coded certificate that is awarded to successful trainees of NAVTTC to obviate forgery in certification.

7.5 Outlook for 2012-13

7.5.1 Employment Projections

Based on past average population growth and increase in the labour force participation rate, labour force would grow by 3.5% indicating approximately 2 million new jobs would be demanded in 2012-13. As prevailing employment elasticity is 0.5, approximately 7% GDP growth would be required to absorb the growing labour force and to maintain the unemployment level of 2011-12. Policy initiatives and development programs to enhance skills and generate additional employment are discussed.

7.5.2 Financial

An amount of Rs 2,880 million has been allocated to fund 10 proposed projects of Ministry of Professional and Technical Training for PSDP 2012-13 including Rs 300 million allocated to National Vocational &Technical Training Commission (NAVTTC) to fund 134 development projects including 90 ongoing programs at estimated cost of Rs 3,993 million costs. The project-wise allocation details are at Table 7.1.

7.5.3 Physical

Employment Promotion Policies

The Federal Government has initiated a number of programs to increase the employment through an effective HRD system. These programs includes National Internship Program, President's Rozgar Program; Credit 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. 6,000 to Rs 7,000 and Pension of workers, Establishment of National Vocational Technical Training Commission (NAVTTC), Benazir Income Support Program (BISP) and Restoration of Trade Unions.
The Government of Pakistan together with Employers' and Workers' representatives with technical support of ILO is implementing a "Decent Work Country Program (DWCP)" in all provinces. The main objectives of the programs are as follows:

- Promote decent employment in which international labour standards and workers' fundamental rights go hand in hand with job creation.
- Place employment at the center of economic and social policies at the global, regional and national level.

- Through the creation of productive employment, improving the lives of millions of people who are either unemployed or whose remuneration from work is inadequate, and provide them opportunity and their families to escape poverty.
- Improve earnings, productivity and living standards of working women and men, especially of the working poor; and
- Ensure that the benefits of economic growth reaches those sectors where poverty is most concentrated, urban informal economy and the rural areas, especially landless labour and small tenant farmers.

New Policy Initiatives/Reforms

- After devolution revision of Laws, Acts, Charters and Regulations of all attached departments including National Vocational and Technical Training Commission (NAVTTC), Academy of Educational Planning and Management (AEPAM), NTB, and PMI is being considered to align the same with the functions of the Ministry.
- Ministries will collaborate with private sector on innovative ideas . HEC and NAVTTC would work out to introduce 'Incubation Centers' in collaboration with SMEDA & Intel for all universities and TEVT training institutions under their control.

The nature of some other ongoing federal programs along with targets of skill development programs to be achieved in 2012-13 is reflected in Annexure 7.1.

Punjab

In the light of the approach adopted in the new Framework for Economic Growth the government of Punjab is undertaking various policy measures for Expansion of the vocational training and employment promotion programs to cover all districts. These programs will be launched at a district level and will be executed through TEVTA-Punjab, Skill Development Council (SDC), Punjab Board of Technical Education, and Punjab Vocational Training Council (PVTC).

Punjab Youth Policy also emphasizes on 'youth for labor development' with a view to augment youth employment rate, address gender gaps in labor market, focus management positions for young women and reducing spaces between job market and potential employees.

The implementation strategy is as under:

- Mapping of skills and demands of multiple sectors in the job market.
- Establishing a program for certified and standardized technical training for literate and illiterate youth.
- Encouraging youth in promotion of local crafts particularly women.
- Assessment of requirements and capacity of skills development facilities in the province.
- Assign high propriety to promoting Technical Education in the province. A crash program to impart technical education to unemployed educated youth and provide micro credit to them so that they can become self employed.
- Soliciting funding through public/private collaboration for HR management.
- Fully activating the concept "Employer on Line" and "Job on Line".

The Punjab Government has also initiated project of self-employment generation under which loans worth one billion rupees would be given to the youth to help them stand on their own feet. The skilled youth would be given preference under the scheme and the upper limit of loans would be Rs 50,000 in order to generate self-employment, job opportunities as well as promotion of economic activities.

Sindh

The Government of Sindh has set a new direction to revamp the existing service structure of the technical education and instead of following the policy of hiring officials on contract basis; new blood is being poured into the system to give a fresh air to the frail services structure of the Sindh technical education and vocational training department. The Government of Sindh has also introduced multiple technical education and vocational training programs under Benazir Bhutto Shaheed Youth Development Program (BBSYDP) to do away with the menace of unemployment. The Program aims to provide opportunities for short-term employment and skill development to approximately 100,000 semi-literate and educated unemployed youth in Sindh for a period varying between 3 months to one year.

Government of Sindh is planning to launch a similar program for Youth with World Bank grant of $2.7 million (Rs 234.7 million) under Japan Social Development Fund (JSDF) for emergency training of youth. The program aims at to provide employment opportunities for vulnerable jobless youth ranging from under metric to post-graduate level. The project would be implemented through Benazir Bhutto Shaheed Youth Development Program. This will address issue of poverty and unemployment through Human Resource Development in Province.

Sindh TEVTA started Entrepreneurship Education in TEVT Institutes with ILO Support. Skilled young women and men of Sindh will be further equipped with entrepreneurial skills to start their own small businesses. Technical Education & Vocational Training (TEVT) Institutes of Sindh will start imparting entrepreneurship courses starting next year. in order to provide young people in Pakistan with greater entrepreneurial awareness, the ILO in partnership with national and provincial Technical / vocational training institutions, is introducing relevant ILO tools for enterprise development into the curricula of technical and vocational training centers. Sindh TEVTA and SMEDA are going to work together on promoting a culture of self-employment.

Khyber Pakhtunkhwa

The government has prioritized KPK, FATA and other neglected areas and given special importance to it. Numbers of Technical institutes and students have significantly increased in 2011-12. At present, 108 technical institutes have been established in various Colleges of Technology, Polytechnic Institutes, Colleges of Commerce and Management Sciences, Technical and Vocational Centers (TVC), Advanced Technical Teacher Training Centers, Technical Teacher Training Centers, and SDC.

These institutions are actively involved in carrying out Technical and Vocational Training and Skill Development Programs to achieve the mandate of training of 5,461 personnel in various market oriented trades.

There is a sizeable Technical and skilled and unskilled labor workforce from the province in the gulf state. If KPK government modernize the standards and improve the quality of TEVT institution, the supply of labor workforce can be increased manifold in future. Keeping in view the demand driven nature Rs 1,235 million were allocated for 2011-12. However new training programs would be implemented out by KPK government to get inclusive growth impact in line of FEG.

Balochistan

Knowing the importance of technical education for the progress and prosperity of a nation, the Baluchistan Government approved Technical Education and Vocational Training Bill in 2011 with a view to devise and review policies in the light of guidelines issued by the NAVTEC to evolve strategy for developing technical education, vocational training and employment in general and to collaborate with the sources of labour market information with a view to assess future training needs on continuous basis, both local and foreign.

Department of Education and Department of Labor & Manpower deal with TEVT in Balochistan. Balochistan's TEVT sub sector comprises of two polytechnic-one for women established under Technical Education Project (TEP)-with over 1000 students (about 500 women) and about 130 teachers; and 11 Technical & Vocational Training centers (TVTCs) with about 1300 students, with limited numbers of TVTCs for women. Opportunities in the local labor market are limited and Balochistan has been less successful than the other provinces in assessing the international job markets due to low participation rate in general education, low completion rates at primary and secondary levels and limited involvement of the private sector in the economy and educational provisions.

Balochistan needs to increase investment in education and TEVT. To reduce poverty and generate employment Government of Pakistan is working to develop skilled workers and generate employment especially in small and medium enterprises (SMEs) using indigenous natural resources. Besides government has accorded high priority to Balochistan in 7th NFC awards and initiated Ahaze Haqooq-e- Balochistan package to remove disparity and accommodate deprived region.

The province has a high unemployment rate, existing job opportunities often are unfilled due to lack of trained personnel. International job opportunities are increasing for skilled workers, especially in Middle Eastern and South East Asian countries. To prepare workers for both national and international requirements, efficient TEVT is urgently needed. After 18th amendments provincial Government of Balochistan (PGB) is under process of consolidating and strengthening TEVT programs and arranges additional investment to make responsive and competitiveness that would help to improve the prospects of TEVT trainers to seek employment or self-employment. TEVT system is supply driven and needs to develop mechanism to respond to market needs. At present different government agencies, Asian Development Bank (ADB), and private institutions are responsible for provision of TEVT programs. However, devolution and PGB's plan to consolidate TEVT coordination offer an opportunity to enhance the organization of TEVT programs. PGB will adopt two-pronged strategy

- Improve general education as a priority, focusing women and rural areas.
- Provide selected support to training programs to impart employable skills to youth.

In addition, there are several challenges like weak institutional capacities, low internal and external efficiency, and weak linkage with labor market needs, limited access to and option for TEVT, poor quality of examiners and limited role of public sector. These challenges and constraints require immediate steps to be taken at provincial level in order to pave the way for effective implementation of Pakistan Economic Growth Strategy in true spirit.

Azad Jammu and Kashmir

The majority of Labour force is located in rural areas and has little basic education and vocational training, which eventually end up with low paid employment. With high unemployment, job creation is an integral part of AJK's socio-economic development. Actions are being taken to produce both short- term and long-term employment opportunities. Vocational and other training opportunities will provide the people of AJK, particularly women and youth, with productive skills to meet current job skills demand, identify new business opportunities and help enterprises to grow. The manpower export to Middle East and Western countries is apparent; however, there is a significant mismatch of skills in labor demand and supply.

The government of AJK has identified two key sectors with immediate employment and economic potentials. Critical to vocational training and education is the knowledge of international and local labour markets to ensure that only employable skills are taught and align training with potential sectors for growth, both locally and globally.

The AJK government has set up AJK TEVTA to bridge the capacity gap and to launch a crash vocational training program to better equip youths in overcoming the future challenges investment in infra structure development and governance could lead to poverty alleviation, employment generation and socio-economic uplifts of people. During 2011-12 skilled development training has been provided to 1,650 women/destitute. Credit facilities for SMEs by subsidizing markup have been provided to some 4,465 beneficiaries. In addition, 44 skill development centers have been established. These programs will continue during 2012-13.

Annexure 7.1

Physical Achievement and Targets of Skill Development Programs 2011-12

Project	2011-12 Target	2011-12 Achievement	20112-13 Target
President and PM Special Initiatives for Funni Maharat & Humarmand Pakistan Programmes NAVTTC	• Train 200,000 trainees.	• 132,487 have been trained. • 66%	• 25,000 to be trained
Construction of Hostel Buildings for 100 Persons in NTB Complex, Islamabad (NTB)	• Construction of Hostel Building	• Foundation work, basement and ground floor structure have been completed • 50%	• 100% construction of work to be complete subject to release of funds
President's Program for the Care of Highly Qualified Overseas Pakistani (NTP)	• Register highly qualified expatriate Pakistanis and completed their assignments during visit in Pakistan. • Target is to register 32 expatriates Pakistanis in various institutions in the country.	• Two highly qualified expatriate Pakistanis have completed their assignments • 5,496 highly qualified Pakistanis were registered • 29 highly qualified expatriate Pakistanis have completed their assignments • 30%	• 25 visits of expatriate • Collection of data of expatiates through web portal • Defining sector needs of deficient areas – E-marketing
Establishment & Operation of Basic Education Community Schools (NEF)	• Establishment of 10,733 new BEC schools in addition to 9,267 existing BEC schools • Establish 2,500 Literacy & Skill Development Centers • About one million (4-14 age) children will receive primary education through BEC Schools, and 200,000 (95% female) will receive literacy and skill training through these Centers.	• Payment of salaries to the existing staff and teachers, utility charges, supervisory cost to the NGOs and other operational expenditures • 15,101 BECS are now functioning • 48%	• Operation of 14,024 existing BEC schools • Refresher courses of BECS teachers • Replacement of teaching aid of BECS • Procurement of tax book for the learners of BECS • Monitoring of BECS
Improving Human Development Indicators in Pakistan (NCHD)	• Total target of literacy centers: 98100. • Total target of Feeder Schools:47993	• Target achieved of literacy centers:30009 (31% achievement) • Target achieved of Feeder Schools:37583 (78% achievement)	• Establishment of 11,121 Feeder School
Educational Leadership and Institutional Management (ELIM) (AEPAM)	Train 300 Educational Managers	• Target of 300 achieved. • 100%	-
Financial Management & Good Governance (FMGG) (AEPAM)	Train 900 trainees.	• 863 trainees trained. • 96%	-

Part – III

Commodity Producing

Chapter 8 Agriculture and Food Security

Direct and indirect contribution of Agriculture to overall growth and well being of the people is still significant. It contributes one-fifth to GDP and two-fifth to employment in the country. It provides food and fiber for personal consumption, inputs to various agri-based industries and output for export helps in foreign exchange earnings.

8.1 Strategy

Government of Pakistan has adopted a new growth strategy that is thematic based, relying largely upon policy shifts, institutional efficiencies and economic reforms. The Framework for Economic Growth (FEG) 2011 envisages growth in agriculture by enhanced agricultural productivity, improved sector governance, sustainability of the system, reduction of volatility and augmenting competitiveness in agricultural marketing and trade, and improvement of the investment climate in the sector. Within the scope provided by the FEG, role of agriculture sector is briefly described below.

- **Policy Reforms**
  Subsidies, rent seeking approaches and governmental control over agricultural affairs generally restrict agriculture business to become competitive in line with the concept of free market. Policies such as seed, fertilizer, irrigation water pricing, electricity subsidies, food subsidies, release stocks, food procurement, support price, import tariffs and export controls would be reviewed and improved under the guidelines provided by the Framework for Economic Growth. Governmental role would shift from active player to a facilitator and regulator. This policy shift will help reduce the public burden and enhance economic activity by providing better opportunities to the private sector.

- **Sector Governance, Institutional Reforms and Innovations**
  After necessary restructuring, the national agricultural research system would be having better service structure, focused research, avoiding duplication and enhanced coordination. This will bring innovations in agriculture and ultimately the commercialization of technologies. Agricultural policy analysis capacity will be enhanced to have knowledge based decision making in economic planning and efficient resource allocation. There will be efficient public sector institutions resulting in better service delivery. All stakeholders will be involved in planning process by adopting demand driven and bottom up development approach. High social capital will be formed to promote participatory asset management.

- **Agriculture Productivity and Food Security**
  The utilization of advanced technologies, improved input availability and use efficiency would result in high crop and animal productivity, increased production of high value horticulture, fisheries, and dairy products. This will result in accelerated growth rate, higher incomes, better employment opportunities, ensured food security and higher exportable surplus.

- **Agriculture Marketing, Trade and Competitiveness**
  Agriculture market infrastructure will be improved and commodity exchange markets will be established. To make the agriculture business more

competitive, agriculture markets needs to be deregulated to promote private sector participation and to attract investment in developing supply chain, modern storage and warehousing facilities. Compliance of international standards and certification of agricultural commodities and products for export will be focused to access the high end markets. The interventions will yield to enhanced competitiveness, productivity and efficiency.

- **System Sustainability**
  To keep the system sustainable for future generations, agriculture system resources such as soil, water and air needs to be prevented from degradations by developing and utilizing resource conservation technologies. The biotic and a-biotic stresses have to be managed effectively. This will not only improve the farm profitability but also increase resource availability and efficiency on sustainable basis.

Consequent upon the devolution of Ministry of Food & Agriculture and Ministry of Livestock and Dairy Development, their development projects were divided into three categories i.e. devolved to provinces, transferred to other federal ministries and closed down owing to near completion or completion. A new ministry namely Ministry of National Food Security and Research has been established assigning critical federal level functions of the devolved ministries (Box 8.1).

8.2 Review of 2011-12 and Outlook for 2012-13

Agriculture sector achieved a growth rate of 3.1 % against targeted 3.4 % for the year 2011-12 (Table 8.1). Major crops performance was satisfactory despite poor contribution by wheat. Good crop harvest of cotton, sugarcane, rice and maize however compensated wheat production loss. The performance of livestock was also recorded up to the mark. There was negative growth in minor crops that probably became the major reason for missing targets in agriculture. The fisheries and forestry sectors also could not able to achieve their set targets. Keeping in view the present pace of growth and development of the sector, a growth rate of 4.1% has been fixed for the year 2012-13.

Table 8.1: Growth Rate of Agriculture Sector

(%)

Item	2010-11	2011-12		2011-12	2012-13
	Actual	Target	Achievement	Share in GDP	Target
Major Crops	-0.2	3.0	3.2	6.7	4.0
Minor Crops	2.7	2.0	-1.3	2.1	4.5
Livestock	4.0	4.0	4.0	11.6	4.2
Fisheries	1.9	2.0	1.8	0.4	2.0
Forestry	-0.4	1.0	0.9	0.2	2.0
Agriculture	**2.4**	**3.4**	**3.1**	**21.1**	**4.1**

Source: Pakistan Bureau of Statistics and Planning Commission

Box 8.1 Establishment of National Food Security and Research Division

After devolution of Ministry of Food and Agriculture the government reviewed the situation and felt the need of ministry at federal level. So a new ministry by the name of National Food Security and Research was established in October 2011. Following functions have been given to this new Ministry.

- Economic coordination and planning in respect of food, economic planning and policy making in respect of agriculture.
- Imports and exports control on food grains and foodstuffs, inspection, grading, analysis of food grains and foodstuffs, maintenance of standards of quality for import and export and inspection, handling, storage and shipment of rice exports.
- Collection of statistics regarding production, consumption, prices, imports and exports of food grains.
- Coordination with aid and assistance agencies in respect of food sector.
- Pakistan Agricultural Research Council and other federal agriculture research organizations.
- Food and Agriculture Organization (FAO) of United Nations in respect of food.
- Plant protection, pesticide import and standardization, aerial spray, plant quarantine and locust control in its international aspect and maintenance of locusts warning organizations.
- Federal seed certification and registration.
- Standardization and import of fertilizer.
- Procurement of food grains, including sugar: from abroad; for federal requirement; for inter-provincial supplies; and for export and storage at ports.
- Grading of agricultural commodities, other than food grains, for exports.
- Agricultural Policy Institute and PASSCO.
- Preparation of basic plan for bulk allocation of food grains and foodstuffs.
- Price stabilization by fixing procurement and issue prices including keeping a watch over the price of food grains and foodstuffs imported from abroad or required for export and those required for inter-provincial supplies.
- Animal quarantine departments, stations and facilities located anywhere in Pakistan, National Veterinary Laboratory, Islamabad, Laboratory for Detection of Drugs Residues in Animal Products at Karachi.
- Veterinary drugs, vaccines and animal feed additives: Import and export; and Procurement from abroad for Federal requirements and for inter-provincial supplies.
- Livestock, poultry and livestock products: Import and export; and Laying down national grade.
- Pakistan Dairy Development Company, Livestock and Dairy Development Board, Fisheries Development Board.

Source: Cabinet Division. SRO 1088(I) 2011. December 09. 2011

The achievements of agriculture sector may be considered satisfactory in the situation of natural calamities causing high losses to agriculture production during outgoing year. Heavy downpours of 2011 monsoon inundated country's arable belt for a second consecutive year particularly in Sindh by damaging crops, livestock and infrastructure. The intensity of the damages was high in lower Sindh. More than half of total area under cultivation was damaged. According to estimates, the area under cotton, rice, sugarcane and chilies was damaged by 75, 26, 34 and 98 percent respectively. Besides this, heavy losses were also incurred to vegetables, livestock and orchards especially banana.

The contribution of agriculture towards GDP has been worked out at 21.1%. Within this, Crop sector contributes 41.7% and livestock 54.9%. The share of fisheries and forestry remains 1.8% and 1.1% respectively. Along with structural transformation of economy, the relative contribution within agriculture is tilting towards livestock because of its resilience against vagaries of the weather and being source of livelihood for large landless rural peasantry. Sector wise performance and future prospects of agriculture are discussed below.

8.3 Crops

8.3.1 Production of Crops

Major Crops

In Pakistan there are two major crop growing seasons, Kharif and Rabi. Rice, sugarcane, and cotton are important Kharif crops while wheat is the only major crop of the Rabi season. Maize is grown in both seasons.

Wheat

Wheat, being the staple diet of population, occupies a central position in agricultural policies of the government. Wheat accounts for two-third of national cereal production, and is the most important contributor to overall food security, providing 60 % of the carbohydrate and protein requirement to an average Pakistani. The production of wheat crop for the year 2011-12 is expected to be 23,517 thousand tonnes - 5.9% less than the target of 25,000 thousand tonnes and 6.7% less than previous year's production of 25,214 thousand tonnes. The wheat season started with 2.6% less area sown in 2011-12 compared to previous year because of late harvesting of cotton crop and low residual moisture as the early winter rains were inadequate at the start of Rabi season. Other reasons for low production like long low temperature in winter, protracted period of below normal rains, floods in Sindh, reduced availability of fertilizers and irrigation water also contributed.

Bad weather i.e. rains and strong winds causing lodging during the terminal days of wheat crop may further reduce the wheat output. At the present level of production about 27 million tonnes wheat would become available in the country with the carryover stocks of 3.4 million tonnes. The wheat outlook appears comfortable from the food security point of view as the domestic demand has been around 24.3 million tonnes. It provides sufficient exportable surplus stock to explore any international market including wheat deficit neighboring countries like Iran. Government has decided to purchase a quantity of 7.7 million tonnes from 2012 wheat crop with estimated finances of Rs 210 billion at support price of Rs 1050/40 kg. The prevailing conditions suggest fixing target of next season wheat production at 25.5 million tonnes.

Rice

After wheat, rice is an essential food commodity for masses in Pakistan. It is also a valuable source of foreign exchange earnings for the country. During 2011-12 the production of rice was recorded as 6,160 thousand tonnes compared to 4,823 thousand tonnes for the year 2010-11. This better performance may be attributed to 8.7% increase in area, favorable weather conditions, and better seed availability. Pakistan usually exports 2/3rd of its production. According to Rice Exporters Association of Pakistan, 3.025 million tonnes (0.7 million tonnes Basmati and 2.3

million tonnes coarse rice) has been exported from July 2011 to March 2012 against the target of 4.0 million tonnes in year 2011-12. It is expected that the target will be achieved with estimated foreign exchange earnings of US $ 3 billion. For the coming year, a production target of 6.9 million tonnes has been fixed.

Sugarcane

Sugarcane crop occupies an important place in national economy for driving the large sugar industry. Besides food products it provides raw materials for chipboard, paper and ethanol. The production of sugarcane for the year 2011-12 was around 58,038 thousand tonnes, 0.8% high compared to the target of 57,580 thousand tonnes. It surpassed the last year production of 55,309 thousand tonnes by 4.9% mainly because of 5.2% increase in area sown. From this crop size, a production of about 4.67 million tonnes white sugar have been estimated by the Ministry of Industries. At start of 2011-12 market year, over one million tonnes sugar stock was available in the country. On the request of the PSMA, Government intervened in the market to settle the liquidity issues and purchased around 0.45 million tonnes of sugar through TCP to supply to the public sector Utility Stores at subsidized rates. Furthermore to improve sugar industry's cash flows and ward off a possible glut in the market, a quantity of 0.1 million tonnes was allowed to export. Keeping in view the domestic demand of about 4.5 million tonnes, production and stocks, a better supply is expected in 2012. It is generally reviewed from the outgoing crushing season that the Sugar Mills should be pursued to initiate timely sugarcane crushing and payment to the farmers, so as to promote more cultivation for the next season and achieve sugarcane production of 59 million tonnes.

Cotton

The economy of Pakistan depends heavily on cotton production. Despite damages to cotton crop by rains and floods in Sindh during 2011, the production of cotton crop surpassed the target for the year 2011-12 due to better crop from Punjab. The production of 13.6 million bales against the target of 12.8 million bales resulted in increase of 6.3 % against the target. The major reasons for good crop performance were corresponding increase in the area (5.2%) in the back drop of unprecedented high lint prices in 2010-11, favorable weather conditions in Punjab, comparatively less attack of cotton leaf curl virus and cotton mealy bug, avoidance of other pests by early sowing, increasing share of Bt-cotton, favorable weather and better management practices. Due to good harvest of cotton, issues of low pricing in local market emerged which were dispelled soon due to continuation of free market policy by the government. Bale weight issue remained in limelight as ginners bale weight was reported less ($\geq$160 kg) than standard weight of the cotton bale (170 kg). This has been creating discrepancies in total production estimates in Pakistan in 2011-12. With the output of 13.6 million bales, it is expected that textile industry will not only meet its requirements but also export over a million bales of raw cotton in international market. Keeping in view the impact of high tech. Bt. Technology, a production of 14.5 million bales of cotton can be anticipated in year 2012-13 subject to escape from any natural calamity.

Maize

Maize, one of the important major crops, performed extraordinarily better with the production of 4,271 thousand tonnes against the target of 3,656 thousand tonnes and previous year's production of 3,707 thousand tonnes. The achievement may be attributed to increase in area sown (11.2%), use of high quality hybrids and improved production technologies. Since this production was unusually high so target for 2012-13 has been increased too much and fixed at 4.3 million tonnes.

Minor Crops

The minor crops accounted for 17% towards agriculture while their contribution in overall GDP was around 4.3% in 2011-12. Contrary to the major crops, the performance of minor crops was less than the anticipated targets. The production of gram for the year 2011-12 was 281 thousand tonnes against the target of 676 thousand tonnes. The unsatisfactory performance of this important pulse crop was because of bad weather during the crop season. Similarly the production of onion was recorded at 1,640 thousand tonnes compared with 1,872 thousand tonnes target and 2010-11 achievement. The reduction in this crop was attributed to 14.9% decrease in area sown. Among oilseed crops, the production of sunflower remained 55.7 % less against the target of 559 thousand tonnes mainly because of 26% reduction in area sown. The poor performance of one of the major oilseed crop is expected to put more pressure on already higher edible oil imports. However, the output of potato that is 4,104 thousand tonnes has surpassed the target of 3,328 thousand tonnes and also 2010-11 production of 3,492 thousand tonnes. Crop performances along with targets for 2012-13 are given in Table 8.2.

Table 8.2: Crop Production Target and Achievement

(000 Tonnes)

Crop	2010-11 Actual	2011-12 Target	2011-12 Achievement	% change over		2012-13 Target
				2010-11 Actual	2011-12 Target	
Wheat	25,214	25,000	23,517	-6.7	-5.9	25,500
Rice	4,824	6,613	6,160	27.7	-6.8	6,900
Sugarcane	55,309	57,580	58,038	4.9	0.8	59,000
Cotton (mil bales)	11.5	12.8	13.6	18.6	6.2	14.5
Maize	3,707	3,656	4,271	15.2	16.8	4,300
Gram	496	676	291	-41.4	-57.0	650
Onion	1,940	1,872	1,640	-15.5	-12.4	2,000
Sunflower	404	559	247	-38.8	-55.7	650
Potato	3,492	3,328	4,104	17.5	23.3	4,150

Source: Pakistan Bureau of Statistics and Planning Commission.

8.3.2 Agricultural Inputs

Fertilizer

Soil fertility is continuously depleting due to mining of the essential plant nutrients from the soils under intensive cultivation and imbalanced use of fertilizers. During 2011-12, the off take of nitrogen (N) decreased by 0.1%, while the use of phosphate (P) and potash (K) declined by 19% and 31.3%, respectively compared with 2010-11. This trend had further widened the already existing gap in balanced nutrient application which has been recorded in terms of NP ratio at 5:1 against desirable 2:1. On overall basis, the fertilizer off take in 2011-12 was 4.1% less as compared to 2010-11 achievements and 7.5 % less against target. The decrease in use of P and K may be attributed to their high prices and less farm profitability due to low commodity prices in the local market. Detail is given in Table 8.3.

Table 8.3: Fertilizer Off-take, Target and Achievement

(000 Tonnes)

Nutrient	2010-11 Actual	2011-12 Target	2011-12 Achievement	% change over 2010-11 Actual	% change over 2011-12 Target	2012-13 Target
Nitrogen	3,133	3,211	3,129	-0.1	-2.6	3,409
Phosphate	767	830	621	-19.0	-25.2	739
Potash	32	39	22	-31.3	-43.6	26
Total	**3,932**	**4,080**	**3,772**	**-4.1**	**-7.5**	**4,174**
Urea	5760	6200	5900	2.4	-4.8	6200
DAP	1300	1500	1100	-15.4	-26.7	1500

Source: National Fertilizer Development Center, Planning Commission

Pakistan has sufficient capacity for urea production. However due to energy crisis, less supply of gas was available to the urea plants resulting in underutilization of plant capacity and less production. To fill the supply demand gap about 1.5 million tonnes of urea was imported during 2011-12. The price of urea in international market was almost two times that in Pakistan because of provision of heavy subsidy. Subsidy on imported urea was around Rs 51 billion in 2011-12. Almost an equal amount was calculated on subsidized gas supplies to fertilizer manufacturing plant in that period. Energy situation is still not satisfactory indicating need of continuous import of urea in 2012-13. It has been proposed to import 0.6 million tonnes urea for 2012-13 and half of this quantity has already been agreed upon. A target of 4,174 thousand nutrient tonnes off take is projected for year 2012-13 to achieve the crop production target.

Agricultural Credit

Total agriculture credit requirements for 2011-12 have been estimated at Rs 750 billion, which has worked out to be 60% of the total financial requirements for agriculture sector of the country. Farm sector would need Rs 642 billion (86%) while the requirements of non farm sector are Rs 108 billion (14%). Keeping in view the available capacity and past performance the Agricultural Credit Advisory Committee (ACAC) has fixed target of Rs 285 billion for the year 2011-12 as compared to Rs 270 billion, 5.6 % higher than the target of 2010-11 and 8.4 % higher from actual disbursement of Rs 263 billion. To streamline microfinance lending to agriculture activities and particularly to small and marginalized farmers, five major MFBs namely Khushhali, NRSP, Tameer, Pak Oman and First Microfinance have been included in existing system of allocation of indicative target and has been given an indicative target of Rs 12.2 billion for 2011-12.

Agricultural credit disbursement by banks surged by 17 % on year-to-year basis to Rs 197.4 billion in the first nine months (July-March) of the current fiscal year (2011-12). In absolute terms, disbursement of credit to the agriculture sector increased by over Rs 28.7 billion in July-March, 2012 as compared to total disbursement of Rs 168.7 billion in the same period of the last fiscal year. All financial institutions involved in the agriculture loaning are actively pursuing the SBP priority for agriculture sector supported by various SBP initiatives. Keeping in view the performance of nine months it appears that the fixed target will certainly be surpassed in year 2011-12.

Recent climate change and resulting floods in the region have spurred the need for banks to develop a comprehensive agricultural finance policy for settlement, rescheduling and restructuring of loans of affected borrowers in addition to provision of fresh credits for rehabilitation and revival of economic activities in affected areas. Responding to it, the SBP has launched a Refinance Scheme at discounted rates of 8% coupled with Credit Guarantee Scheme for loss sharing of banks up to 40%.

Crop loan insurance scheme is already in place and doing well. Deliberations are going on to introduce National Agriculture Insurance Scheme in Pakistan. Presently the recommendations are under consideration by the government and other stakeholders. The Sindh Bank has introduced Benazir Zarai Card Scheme to enhance its outreach and bring convenience to farmers.

Improved Seed

Agriculture research system is the main source of advanced high yielding crop varieties in Pakistan. The system contributions are praiseworthy; however, the replenishment of genetic material did not appear to keep the pace at previous level because of variety of reasons in recent past. Improved seed requirement is increasing consistently. Despite presence of over 700 seed companies in business, the requirement of seed remained unmet over the years. Efforts had been made at various levels to attract foreign investment and technology in seed business but outcomes remained largely unfruitful because of non existence of direly needed legislations and regulatory framework. It is reported that spurious cotton seed is generally being distributed which have very low Bt. toxin. It is necessary to check this trend.

Cotton seed requirements for the country are around 40,000 tonnes. Public and private sector seed agencies distributed about 29,611 tonnes of cotton seed in 2011-12 in Punjab and Sindh, which was 74 % of the requirements. Major portion of it was Bt. Cotton (75%) mainly distributed by the private sector (96%). The high use of improved cotton seed may be attributed to high cotton prices during last season (2010-11). Rice seed distribution during 2011-12 remained around 28,895 tonnes against 22,257 tonnes of the previous year. About 17.9% of rice seed was imported hybrid. The cotton and rice seed distribution have been increasing, but still less than the requirement of 40,000 and 42,480 tonnes respectively. The distribution of maize seed during 2011-12 remained around 9,093 tonnes (81% imported hybrid) against the requirement of 31,914 tonnes. The distribution for the previous year was 9,391 tonnes. The distribution of pulses seed for 2011-12 was around 1,285 tonnes against the requirement of 50,955 tonnes. The distribution for the previous year was only 1,251 tonnes. Low distribution of pulses seed is one of the impediments of low pulses productivity and reliability on imports. The distribution of vegetable seed during 2011-12 remained around 6,775 tonnes against the requirements of 5,070. However, the distribution for the previous year was 3,981 tonnes. A large part of the vegetable seed was imported (88.7%) in 2011-12 for commercial and tunnel farming. The fodder seed supply was less in 2011-12 compared to 2010-11 and over 90% of it was imported. During the year 2011-12, 30 varieties of different crops were approved including Wheat 5, Cotton 17, Gram, Mungbean Canola and Sesamum 1 each, Oat 2 and Olive also 2.

It is evident from the Table 8.4 that there is a big gap between requirements and distribution of seed for all crops in Pakistan. Public sector is performing well in major crop seed business. It is however the insufficiency of the seed business companies to meet the demand. To improve the situation, the private sector has to come up for bridging the gap between supply and demand.

Table 8.4: Improved Seed Requirement and Distribution

(000 Tonnes)

Crop	2010-11		2011-12		2012-13
	Requirement	Distribution	Requirement	Distribution	Requirement
Wheat	1085.4	316.8	1085.4	295.7	1085.4
Cotton	40.0	12.5	40.0	29.6	40.0
Paddy	38.9	22.2	42.5	28.9	42.5
Maize	31.2	9.4	31.9	9.0	31.9
Pulses	47.1	1.3	50.9	1.3	50.9
Oilseeds	3.2	2.3	4.0	0.72	4.0
Vegetables	5.1	3.9	5.1	6.8	5.0
Fodders	40.1	11.8	40.1	6.3	40.1
Potato	372.7	7.8	378.0	4.4	378.0

Source: FSC&RD, Ministry of National Food Security and Research.

Irrigation Water

Being the lifeline of all agricultural activities, water is very crucial to achieve the agricultural growth targets. Despite strenuous efforts the water availability is either stagnant or dwindling. Although several water storage projects are under way but owing to their gestation period, no significant addition has been made in water availability in the country which is widening supply demand gap. During 2011-12 an amount of 137.1 MAF became available by the contributions of both water sources i.e. surface water 86.9 MAF and ground water 50.2 MAF against estimated availability of 140.5 MAF. The main reason of the low availability was decrease in contribution by ground water because of high diesel and electricity prices. Below normal temperature in April and May 2012 slowed down the glacier melt process thus further squeezing the surface water supply for Kharif season crops of 2012. Keeping in view the developments in the water sector, around 142 MAF water would become available in 2012-13 for agriculture use.

The agriculture sector is a major consumer of energy in Pakistan, particularly for the extensive tube well network across the country. About one fourth of the existing tube wells use electricity for operation, whereas remaining three forth are diesel fuel operated. In both categories it is becoming increasingly expensive to keep them functional as most of the pumps operate at only thirty percent efficiency. Frequent increases in electric power tariff and price of imported diesel are augmenting the cost of crop production. There is a need to invest in alternative energy sources and high efficiency irrigation system to sustain the irrigated agriculture of the country.

Plant Protection

Indiscriminate use of pesticides resulted in problems like the disturbance of the agro-ecosystem, development of resistance by the pests, emergence of new pest species, human and animal health issues, as well as environmental degradation and contamination of water supplies. In Pakistan, cotton is a main crop which is used to hit by various types of pests. To manage these pests 14,613 tonnes of different pesticides were made available in the country during 2011-12, out of which 5,010 tonnes were imported while 9,603 tonnes produced locally. Against the availability, a quantity of 12,420 tonnes was used during 2011-12 showing a major cut in use as compared to its highest use of 129,598 tonnes during 2004 and the following years. In year 2011-12 the size of cotton output, despite heavy losses in Sindh province had shown that pest flare up remained under control. The field information suggested that due to increase in Bt. cotton cultivation, the issue of boll worms (American, Pink and Spotted) has come under control shifting issue to sucking pests like whitefly, jassids, thrips, mealy bug and mites. In that situation, the use of pesticides effective against sucking pest has increased compared to boll worms. The cotton leaf curl virus remained a concurrent issue and shall continue to be the most pursued topic for research in various cotton research institutions in years to come.

Agricultural Mechanization

Tractor production in the country has been suffering badly because of the energy constraints. Around 20,621 tractor units have been produced during July-Feb in 2011-12 against 70,855 during 2010-11. Generally Pakistan agriculture mechanization is confined to tractor as majority of tractor owning farmers have only cultivator and don't possess modern farm implements like Disc Plough, Rootavator and Laser Land Leveler. This is mainly because of affordability and information issue. There are quality concerns with regard to locally manufactured machinery while high price for imported ones has restricted its use. Concerted efforts would be required, from both public as well privet sector, to popularize the agricultural machinery in Pakistan.

8.4 Livestock

The contribution of livestock including poultry in total GDP at 11.6% and in agriculture GDP 55% is quite significant. When farmers lose their expected income from crops due to floods and other epidemics, livestock proves itself a sustainable source of income to the poor masses. For the past many years livestock has emerged a largest single contributor to the agriculture. The need of the hour is to pay more attention to this sector, especially by facilitating the farmers with new innovations to make it competitive. A growth rate of 4.0% was achieved in 2011-12 which was equal to the target.

The devolution of Ministry of Livestock and Dairy Development and subsequent transferring of its functions to other federal ministries like Ministry of Commerce and Ports and Shipping disrupted the momentum gained in livestock sector during last many years. Before the devolution there were 15 livestock related projects in PSDP 2010. Out of them five were transferred to other federal ministries and one to Balochistan while remaining projects were closed. Now, livestock sector has been placed under Ministry of National Food Security and Research. However, gaining the same pace will take time and issues of livestock sector remained pending such as the activities of Pakistan Dairy Development Company (PDDC). Physical performance of the livestock, dairy, poultry and fisheries sub-sectors during 2011-12 and targets for 2012-13 are given in Table 8.5. The growth target for the sector has been fixed at 4.2%.

Livestock and Dairy

For the year 2011-12, the performance of livestock sector remained somehow satisfactory. The production of meat at 3,232 thousand tonnes exceeded its target of 3,056 thousand tonnes. Production of all beef, mutton and poultry meat exceeded their targets. The encouraging and remarkable performance consoled farming community struck by floods and failures of some other production sectors. The milk production at 38,690 thousand tonnes was below its target of 45,883 thousand tonnes. The need of research to tackle these problems is growing and both provincial and federal research institutions need to introduce new techniques to satisfy the demand. On the other hand, Pakistan is one of the five largest milk producing countries of the world but faces post production losses of milk at 15% causing annual loss of around Rs 169 billion. The lack of infrastructure such as cooling facilities at farm or collection points as well as transportation of milk is the prime cause, which is being addressed through various development projects. Pakistan Dairy Development Company (PDDC) has made significant contribution for improvement of the dairy sector. Provinces need to take up the responsibility for improving the dairy sector and devise sustainable strategy for cool chain development for reducing the milk losses.

Poultry

For the past many years, the poultry meat, being cheaper as compared to beef and mutton, has delivered great nutritional support to consumers. About 834 thousand tonnes poultry production was achieved against the target of 758 thousand tonnes. It is further expected that the sector would also reach the next target of 937 thousand tonnes in 2012-13 easily. In the local market, the increased poultry production had released the pressure on the demand for beef and mutton. Egg production, an important source of protein, surpassed its target by 6.5 % in 2011-12. The target of egg production has been fixed at 13,813 million for the year 2012-13.

8.5 Fisheries

Fishries sector grew at 1.8% during 2011-12, 24.2% less than the target of 956 thousand tonnes (Table 8.5). Inland fish production was dismal compared to marine production. Pakistan is one of the leading exporters of fish and its products and fish processing plants are gradually increasing to contributor to employment generation. However, the sector is challenged by acute shortage of infrastructure. Since resources and responsibilities have been shifted to provinces, it is therefore hoped that the socio-economic condition of fishermen community would improve, for which technical and logistic support to improve production as well as processing is necessary. Despite ban from the EU on imports from Pakistan, the exporters have explored other markets of the World. It is important to make efforts to meet the safety requirement of high end markets and take steps to get the ban lifted. A growth target of 2.0% has been fixed for fisheries sector during 2012-13.

Table 8.5: Physical Performance and Targets Livestock, Poultry and Fisheries

(000 Tonnes)

Item	2010-11 Actual	2011-12 Target	2011-12 Achievement	% change over		2012-13 Target
				2010-11 Actual	2011-12 Target	
Meat	**2,939**	**3,056**	**3,232**	**10.0**	**5.76**	**3,379**
Beef	1,625	1,690	1,769	8.9	4.7	1,829
Mutton	585	608	629	7.5	3.4	643
Poultry	729	758	834	14.4	10.0	937
Milk	**44,118**	**45,883**	**38,690**	**-12.3**	**-15.7**	**39,945**
Egg (Million Nos.)	**11,834**	**12,308**	**13,114**	**10.8**	**6.5**	**13,813**
Fish	**937**	**956**	**725**	**-22.6**	**-24.2**	**729**
Inland	264	269	260	-1.5	-3.3	262
Marine	673	687	465	-30.9	-32.3	467

Source: Ministry of National Food Security and Research and Marine Fisheries Department.

8.6 Forestry

Despite the importance of forests in the life of common people, its contribution in the national economy is negligible (0.2%). Pakistan's 5.2% of total land area is under forest cover. During the past two decades, there has been a significant deforestation in natural forests of Gilgit-Baltistan and Khyber Pakhtunkhwa. The riverine forests in Punjab and Sindh have also shown declining trend. The mangroves forests have also been degraded due to deforestation and non availability of fresh water in the sea. However, tree cover on farmlands and private wasteland has significantly increased during the period. Since Forestry is provincial subject, the federal government has been supporting this sector through national policies, capacity building and trainings, implementation of international agreements on forests and sponsoring of forestry sector development programmes. After 18th Amendment, these functions of federal government have been transferred to Ministry of Climate Change. A growth rate of 1 % has been observed in 2011-12 while 2% is a growth target for 2012-13.

8.7 Development Initiatives

8.7.1 Federal Government

In Public Sector Development Programme 2012-13 an amount of Rs 495 million has been provided for ongoing and new projects of the Ministry of National Food Security and Research while Rs 250 million has also been allocated for agriculture related projects being handled by Commerce and Ports & Shipping Divisions. It may also be pointed out that Higher Education Commission, Industries Division, Science & Technological Research Division and Water & Power Division have various agriculture related projects. Discussion on these projects is may be seen in relevant chapters. Progress of some of the projects of agriculture sector included in PSDP 2012-13 under Ministries of National Food Security & Research, Commerce and Ports & Shipping are given below:

Box 8.2 National Zero Hunger Action Program

The Ministry of National Food Security and Research in collaboration with World Food Programme is planning to start a Zero Hunger Programme aiming to attain food security and reduce malnutrition in Pakistan. The programme implies coordinated approach with several ministries to achieve its targets and will reach to 12 million food insecure people in one year (20% of total affected population) with a cost of $ 1.04 billion, of which 200 million is sanctioned by government of Pakistan while rest will be contributed by donors and other sources of funding. A total of 61 million people will be reached with total cost of 16 billion dollars in five years time. For the programme a National Council for Food Security comprising of representatives of federal and provincial governments, private sector and civil society will be established. A consultative workshop has already been held in March 2012 to produce a set of guidelines and frameworks for National Zero Hunger Action Programme and the operational strategy

Source: Ministry of National Food Security and Research

- **National Zero Hunger Action Program**
  Keeping in view the food security issues, the Ministry of National Food Security has launched "National Zero Hunger Action Program". Detail of the program is given in Box 8.2.

- **Research for Agriculture Development Programme**
  The project is being implemented since 2007-08 by PARC and aims at developing demand driven research solutions and innovations based on various themes in different sectors like Crop Sciences, Natural Resources, Animal Sciences and Social Sciences. Out of total 91 development projects approved for financing under this project, 45 have been completed while the remaining 46 are under implementation. The capacity of 510 scientists has been built through local and foreign trainings. More than 10,000 local & exotic germ plasm lines were acquired, evaluated and distributed as well as research laboratories at NARC being strengthened through procurements of latest scientific equipments. Due to financial constraints the estimated expenditure up till 2011-12 was around Rs 1070 million which is 36% of the total cost (Rs 2.97 billion) of the project. The allocation for 2012-13 is Rs 170 million.

- **National Institute of Genomic and Advanced Bio-Technology**
  The purpose of establishing this Institute at NARC campus is to support research and development activities by providing available techniques in genomics and biotechnology to the scientists. Constructions of office building and laboratories are almost complete. DNA finger printing work on rice, grapes and groundnut have been established which will help in developing molecular passport of our verities. Molecular screening and characterization of papaya infecting viruses have been initiated. Facilities of genetic engineering of crops have been established. Against the project cost of Rs 482.7 million an amount of Rs 174 million has been utilized starting from 2007-08. The allocation for 2012-13 is Rs 150 million.

- **Pak-China Cooperation for Agriculture Research and Development**
  The project was initiated on the visit of President of Pakistan to China in February 2009 wherein PARC signed a MoU with various Chinese companies for agriculture research development. The project is working for productivity enhancement of crops which are important for food security, export competitiveness, import substitution, resource conservation technologies and introduction of non-traditional commercial crops of economic importance. Under the project, the germ plasm of various crops such as wheat, maize, fodder, rice and banana has been obtained from China and being used and planted at different sites for testing. The project cost is Rs 255.7 million. The financial utilization till June 2012 was Rs 69 million. The allocation for 2012-13 is Rs 25 million.

- **Indigenization of Hybrid Seed Production for Enhanced Crop Production**
  To address the need of indigenous hybrid technology, the project is designed to develop hybrid varieties of major crops like Cotton, Wheat, Rice and Maize. This project will help in crop intensification, diversification, and sustainable use of natural resources and utilization of indigenous knowledge through participatory research. The activities of the project did not take off properly because of the devolution process. The funds utilization of the project was Rs 41 million. The allocation for 2012-13 is Rs 20 million.

- **National Bio Saline Agriculture Programme**
  During devolution process field activities of the project were given to provinces while project Coordination Unit was retained at federal level to support the research work and Bio saline agriculture in ICT, AJK, FATA and Gilgit-Baltistan. The allocation for 2012-13 is Rs 30 million.

- **Special Programme for Strengthening SPS Facilities and Quality Inspection Services in Compliance with WTO-Establishment of Integrated National Animal and Plant Health Inspection Services (NAPHIS)**
  This project aims at developing a system by strengthening existing institutional capacities, establishing effective coordination mechanism and facilitating trade by ensuring safe and quality food to consumers through an effective animal and plant health inspection services, including quality certification of agro based exports and imports. Under this project two laboratories each of Grain Quality Testing (Karachi & Islamabad) and Marine Fisheries Department, Karachi have acquired international accreditation status while the National Veterinary Laboratory has applied for accreditation with Pakistan National Accreditation Council. Other labs are also being pursued to expedite accreditation process. A Bill has been drafted for establishment of "Food

Box 8.3: Safe Food for Everyone

Food safety has become first line of concern due to increased awareness on food borne illnesses and nutrition. Food scientists and regulatory agencies are striving hard to implement measures to provide wholesome and safe food. Two significant measures under WTO agreements relate to animal & plant health and food safety measures under Sanitary & Phytosanitary (SPS) measures and Technical Barrier to Trade (TBT). SPS measures require steps for safe food and quality trade in agricultural produce/products.

Pakistan is a signatory to the WTO agreements on SPS and TBT measure. With the introduction of WTO regime, the trading partners have enforced stringent quality requirements. In order to meet these standards, it is imperative that an integrated and efficient system of Food Safety, Animal and Plant Health Inspection Service is put in place to meet the emerging challenges especially after liberalization of trade. Various plant and health inspection government departments have some system of inspection and quality check but it is product based and departmentalized. Some guidelines laid down by international agencies are being followed by Pakistan like International Plant Protection Convention (IPPC) in case of plant quarantine and the World Animal Health Organization (OIE) in case of animal products but not as per international requirements. The national grades and standards of quality of 42 items of agricultural and livestock commodities have been based upon Codex Alimentarius Commission guidelines.

Cognizant of the need to meet the requirement of international markets and to fully exploit the potential to increase the exports of quality produce, the Government has initiated a project costing Rs 415 million namely; **"**Special Programme for Strengthening SPS Facilities and Quality Inspection Services in Compliance with WTO –Establishment of National Animal and Plant Health Inspection Service (NAPHIS)". An integrated and coherent SPS management system will be put in place through establishment of a Federal Food Safety, Animal and Plant Health Regulatory Authority which would help increase our market access to international markets through export of quality agriculture produce/products. At the same time, imports of animal, plant, fish and fishery products would be subject to quality check thus eliminating chances of un-safe food hazards and inferior quality produce, entering into the country. Establishment of a Federal Food Safety Regulatory Authority would be a land mark achievement as it would help ensure "Safe Food for Everyone".

Source: Ministry of National Food Security and Research

Safety, Animal and Plant Health Regulatory Authority" in consultation with concerned Federal Ministries / Divisions and Provincial Departments and the help of International SPS experts. After meeting codal formalities the bill will be submitted to the Parliament for enactment. Over Rs 300 million has been utilized against the cost of the project (Rs 415 million). The allocation for 2012-13 is Rs 70 million. Details are in Box 8.3

- **Monitoring of Crops through Satellite Technology**
  Lack of quality data and the time lag in its provision through the crop reporting system in vogue necessitated use of alternate source of data. For this purpose the defunct MINFA sponsored this project at a cost of Rs111 million to promote the use of satellite remote sensing technology for rapid assessment and timely transmission of quality crops statistics. The project was implemented by SUPARCO in close cooperation with FAO. Phase-II of the project has been launched in 2009 taking the provinces on board and developing a mechanism for information sharing. The project is now providing timely information on agriculture data including inundation of flood in 2010 and 2011. Around Rs 40 million has been utilized against the cost of Rs 165.7 million. The allocation for 2012-13 is Rs 25 million.

- **Up-gradation and Establishment of Animal Quarantine Stations in Pakistan**
  To prevent introduction and spread of exotic diseases, quarantine facilities are necessary to meet the requirements of importing countries as well as domestic needs. Exporters and importers of animals and animal products need certification facilities to meet international requirements. Keeping in view such needs, a project "Up-gradation and Establishment of Animal Quarantine Stations in Pakistan" has been launched. Under this project, six animal quarantine stations, at Lahore, Islamabad, Peshawar, Multan, Sialkot and Khunjrab are being up-graded and a new one is being setup at Khokhrapar. The cost of the project is Rs 336.1 million. The project is in progress under administrative control of Ministry of Commerce and Rs 100 million has been allocated for it for the year 2012-13.

- **Grain Storage Project- Construction of Steel Silos Capacity of 0.65 Million Tonnes**
  Public sector storage capacity is limited to 35 million tonnes. The project has been conceptualized within the assigned role of federal government in implementation of its food grain policy providing additional grain storage facilities for wheat and other commodities and improving operational efficiency of PASSCO. The project will construct silos at 22 sites all over the country with a total storage capacity of 0.65 million ton. The main funding source is IDB. The project will help in storing food grains in clean and safe silos for longer period with minimal losses. The project is in the process of approval.

- **Agriculture Research Institute, Muzafarabad)**
  This project was developed on announcement of the Prime Minister of Pakistan for establishment of a full fledged "Agriculture Research Institute" in AJK to cater the specific research need of the state. The project will help in increasing productivity and quality of priority crops, fruits, vegetables, cereals, forage, herbs & pulses to improve farm income from small land holdings. It will also help in introduction, adoption and generation of improved agricultural technologies for different Agro-Ecological Zone of the State of AJK on

integrated land use basis. The project is in process of approval by the CDWP. The allocation for 2012-13 is Rs 5 million.

- **Stock Assessment Survey Programme in EEZ of Pakistan**
  Project aims at conducting resource survey in the coastal and offshore water of Pakistan, to strengthen the marine fisheries department capacity, to conduct resource survey, stock assessment on regular basis and to develop management strategies for the sustainable exploitation and utilization of marine fish resources. The cost of the project is Rs 496 million. It will be implemented through chartering of Fisheries Research Vessels and Capacity Building of Marine Fisheries Department. The project has been delayed from its scheduled time mainly because of low releases and delay in chartering of vessel. The expenditure as on June 2012 was around Rs 300 million. The project is under Ministry of Ports and Shipping and the PSDP allocation for 2012-13 is Rs 125 million.

- **Pakistan Dairy Development Company**
  The Company is handling a project namely the "White Revolution Doodh Darya". During devolution it was decided to wind up the Company.

- **National Programme for Improvement of Water Courses Project**
  The programme was implemented at national level with objectives of; organizing 86,003 Water Users' Association and their registration under On Farm Water Management and Water Users' Association Ordinance; improving 86,003 watercourses involving complete earthen renovation; partial lining of critical reaches (15 % to 30 % of total length); installation of water control structures and imparting training to freshly-recruited technical staff in surveying and designing of watercourses. The project has been devolved to provinces in June 2011. However in an evaluation of the programme it was observed that approximately 54,695 watercourses have been improved in the country and 5,962 water storage tanks established in Balochistan. As a result of implementation of the project average yield of wheat increased by 9.2, 5.7, 16.9, 27.0 and 59.4 percent while in case of rice the increase in yield was recorded as 7.8, 6.2, 3.4, 44.1 and 119.1 percent in Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan and AJK, respectively. The project was devolved and now provincial governments are responsible to carry forward its activities.

- **Agriculture Linkage Programme of PARC**
  The Pakistan Agricultural Research Council (PARC) was given an Endowment Fund of Rs 1300 million which has been invested in profitable schemes. The funds generated through income from such investment are used to finance research activities/programmes under ALP at national level on competitive basis. Under this scheme, 77 projects with a cost of Rs 90.5 million, 76 projects with a cost of Rs 73.2 million and 55 projects with a cost of Rs 161.8 million were implemented at different institutions of the country during 2008-09, 2009-10 and 2010-11 respectively. Allocation for 2011-12 was Rs 107.9 million. Rs 100-120 million has been earmarked for 2012-13. The scheme is functioning very well as it provided operational funds for research on important emerging issues in agriculture sector and most of the research institutions of the country have benefited from this facility.

- **Agriculture Development in ICT**
  Interior Division is implementing six projects for development of agriculture in rural areas of ICT. An allocation of Rs.69.3 million has been made to these projects for 2012-13. New improved farming practices are being introduced among farmers for increasing productivity and hence income of the farmers. The area is well suitable for olive cultivation. Olive nursery plants are being distributed among the farmers interested in olive cultivation. A broad fish and fish seed rearing farm has been established at Fish Seed Hatchery, Islamabad. Provision of veterinary services and breed improvement of the livestock of the area is also taken care off in the rural areas of ICT through development projects.

- **Restoration of projects**
  A high powered committee under the chairmanship of Federal Minister for Religious Affairs was constituted to resolve post devolution issues. The committee agreed to restore 14 devolved or closed projects. These projects are passing through the process of restoration by the competent forum.

8.7.2 Provincial Governments

Provincial governments are adequately paying attention on the development of agriculture sector in their respective jurisdictions. The investment trend of the provincial governments along with federal areas (FATA, GB, and AJK) is given below. Significant interventions for the year 2012-13 have also been mentioned below under their respective heads.

- **Punjab**
  Medium Term Development Framework 2011-14 of the Government of the Punjab suggested an allocation of Rs 4.2 billion against various schemes of agriculture in the year 2012-13. Similarly Rs 498 million in Forestry, Rs 390 million in Fisheries, Rs 2.6 billion in Livestock and Rs 245 million in Food have been earmarked to develop respective sectors during year 2012-13.

  The development portfolio of Punjab includes local and foreign funded projects. Because of devolution of on-farm water management schemes of federal government like, improvement of water courses and high efficiency irrigation system, the Punjab government has planned to start a project “Punjab Irrigated Agriculture Productivity Improvement Programme” with the financial assistance of World Bank. The project is in the process of approval. The aim of the project is to improve water productivity. The World Bank has agreed to provide loan of $ 250 million (59%) while $ 173 million (41%) will be shared by the local beneficiaries. Total project cost is Rs 36 billion and duration is five years.

  Other than regular development activities of the province, the Punjab is supporting agriculture research through Punjab Agricultural Research Board (PARB). Brief description is presented in Box 8.3.

Box 8.4 Punjab Agricultural Research Board (PARB)

PARB is established as an autonomous body to foster an integrated approach for research planning and efficient allocation of resource so that the agriculture innovation system of the province can generate appropriate solutions of the issues faced by various stakeholders in the food and fiber chain. The vision of the PARB is to support scientific innovations for the prosperity of Agricultural Stakeholders in the province. The system of funding is competitive on priority areas in line with the agreed strategies. For the year 2012-13, Rs 400 million has been planned to be allocated against 80 agriculture research schemes submitted by different research institutions of the province.

- **Sindh**
  During 2011-12 Sindh Government spent Rs. 2.5 billion on 25 projects of Agriculture sector. The utilization in Forestry, Wildlife and relevant Costal Development Authority's developmental activities was Rs 1.45 billion. Likewise Rs 0.8 million were utilized to fund the livestock and fisheries projects. For the year 2012-13 the Government of Sindh has planned to allocate Rs 4.4 billion for 35 schemes of Agriculture Research, Plant Protection, Agricultural Marketing and Water Management in the province. Similarly investment of Rs 385 million for 3 schemes in Food, Rs 2.3 billion for 16 schemes in Livestock, Rs 1.26 billion against 10 schemes in Fisheries, Rs 544 million for 16 schemes in Forestry and Rs 154 million for 9 schemes in Wildlife has been planned for development of the respective sub sectors during 2012-13.

  The Agriculture Department of the Government of Sindh is going to undertake a feasibility study to establish agriculture demonstration zones on Chinese pattern with the technical and financial assistance of China. The demonstration zones will comprise of various parks, such as sightseeing, technology, innovation, international collaboration, agriculture technology and business with a service center. Sindh Government under "Flourishing Sindh Prosperous Farmers" programme is providing 6000 tractors through lucky draw with subsidy ranging between 0.2 million and 0.3 million on each tractor. Out of the total, 3000 tractors are for farmers owning up to 25 acres of land while the rest 3000 are for farmers owning more than 25 acres agricultural land.

- **Khyber Pakhtunkhwa**
  Government of Khyber Pakhtunkhwa has increased its project portfolio from 49 to 80 in year 2012-13 in various sub sectors of agriculture such as Extension, Research, Engineering, Water Management, Livestock and Dairy, Veterinary Research, Soil Conservation and Fisheries. The financial allocation is Rs 3.9 billion against Rs 1.5 billion provided during last year. Out of the allocated amount, about 34% will be utilized for the new schemes.

- **Balochistan**
  The annual development programme of the Balochistan Government for the year 2011-12 contained 53 projects for agriculture sector having allocations of Rs 2.1 billion. The development activities of the province will be carried out vigorously to develop the agriculture sector in the backdrop of more share available in the divisible pool in 2012-13. Besides locally funded, there are various projects funded by foreign institutions in Balochistan. An important activity is a "Gwader-Lasbella Livelihood Support Project" mainly financed by

IFAD (85%) as soft loan is under consideration with the aim to improve income and livelihood of small fishermen household. It has three components i.e. community development, fisheries development and rural infrastructures development on which Rs 2.9 billion will be spent in five years time.

- **FATA**
  FATA have throw-forward of Rs 210 million beyond 2011-12 for Agriculture Extension Schemes; Rs 196 million for Livestock and Dairy Development; Rs 167 million for Sericulture and Rs 116 million for Fisheries sector. These development activities will be continued in FATA beside federal government activities.

- **AJK**
  The Government of AJ&K has allocated Rs 685 million for 12 ongoing, while Rs 776 million for new schemes of crops and horticulture for the 2012-13. For Forestry, Watershed, Wildlife and Fisheries the scheme number has been increased from 20 to 29 with allocation of Rs 287 million for the year 2012-13. Total allocations for the sector have been worked out to be Rs 1.75 billion. The main emphasis would be on tree plantation, demonstrations for fruits and vegetables, supply of inputs such as fertilizer and seed to poor farmers, increase in area under irrigation, irrigation channels lining and activities on dairy, sheep, goat and poultry.

- **Gilgit-Baltistan**
  There were 15 schemes costing Rs 613 million in the agriculture sector being funded from the budget of the Government of Gilgit-Baltistan in 2011-12. For the year 2012-13, three new schemes have been planned with cost of Rs 1.2 billion. Government of Japan has shown interest for the development of agriculture sector of Gilgit-Baltistan. Keeping in view the potential of the area a project “Promotion of Value Added Fruit Products in Gilgit-Baltistan” has been approved to introduce and promote improved technologies in production, processing and marketing of apple and apricot. Project duration is four years starting from 2012. Cost of the project is Rs 466 million of which 94% will be provided by the JICA as grant.

8.7.3 Development Partners

Several development partners are working in Pakistan in Agriculture sector like World Bank, Asian Development Bank, Islamic Development Bank, ICARDA, CIMMYT, FAO, IFAD, DFID, ACIAR, CIDA, Italian Debt SWAP, WWF, UNIDO, IUCN, JICA, USAID, WFP, IFPRI, ICIMOD and EU. Likewise many community based organizations like, RSPNs and AKRSP are also working for betterment of agriculture in Pakistan. Most of these are working in collaboration with governmental agencies, either federal or provincial, while some are doing work independently or with nongovernmental organizations. Few of the initiatives are given below.

- **Pakistan Strategy Support Programme**
  The International Food Policy Research Institute has launched a Pakistan Strategy Support Programme to support the Framework for Economic Growth with a particular focus on agriculture and the rural economy. The PSSP is funded by the USAID and guided by a National Advisory Committee. The PSSP funded research will help identify key policy decisions to support the new growth strategy, assess empirically the impacts of those decisions, evaluate

constraints to policy reforms and examine alternative policy recommendations to enhance impact. The funding for agriculture policy project is US$ 5.8 million up till 2015.

- **Agribusiness Project**
  The USAID signed a cooperative agreement with Agribusiness Support Fund (ASF) for implementation of a five year's US$ 90 million Agribusiness Project. The overall goal of the Agribusiness Project is to support improved conditions for broad-based economic growth, create employment opportunities and contribute to poverty alleviation through increase in competitiveness of horticulture and livestock value chains in partnership with all stakeholders. It aims to improve farm and enterprise productivity through technical assistance programmes targeting 62,500 farmers and 2,500 agribusiness stakeholders. It also aims to provide leverage with US$ 320 million by the private sector through the provision of cost sharing support to 45,000 Farmer Enterprise Group members, 100 associations and cooperatives, 250 individual and corporate farmers, 40 R&D and extension providers, 140 SMEs and 8 lead companies. It will create 1.3 million jobs and substantially raise farm incomes thereby contributing towards poverty alleviation and enhanced food security.

- **Tube Well Efficiency Improvement Programme**
  The project is focused on improving pumping efficiency of tube wells in Pakistan. Funding for this activity is US$ 13.6 million. For replacement of water pumps with more efficient models 40 % electricity consumption could be reduced. This programme is planning to co-fund the replacement of 11,000 water pumps by 2013, saving an estimated 45 megawatts of electricity and reducing farmer's electricity bills by Rs 650 million annually.

- **Progressive Control of Foot and Mouth Disease in Pakistan**
  The foot and mouth disease (FMD) not only results in production losses and mortality particularly in young animals but also restricts international trade. The project is funded by the United States Department of Agriculture and executed by the Food & Agriculture Organization of the United Nations in collaboration with the Government of Pakistan in three year time (2011-13). The project is expected to provide a framework within which progressive control of FMD in Pakistan can be effectively implemented. The improvement of on-farm livestock health care system will include: improved capacity to diagnose FMD, improved FMD surveillance and response to the outbreaks, and development of effective vaccination strategy for disease control.

- **Flood Recovery Agriculture Programmes**
  To mitigate the damages caused by the flash floods of 2010, USAID started recovery programmes in Khyber Pakhtunkhwa, Punjab and Sindh with an outlay of $ 62 million. Major interventions were: supply of good quality seed, fertilizers and pesticides, survival of livestock through the provision of feed, fodder, and medicines and help to rehabilitate damaged irrigation watercourses through cash-for-work programmes. In an exclusive activity for seven northern districts of Sindh, Sunflower cultivation was supported by providing seed and necessary training to small farmers.

- **Dairy Programme**
  The USAID funded project aims to increase the productivity of 12,000 small dairy farmers by 15-20 % through training in best practices in dairy farming sector of Punjab province. The project cost is $ 2.5 million and duration is 2011-14. The project focuses on livestock management, including artificial insemination. Trainees receive basic equipment and are introduced to resources that help improve milk yields and promote links with suppliers and higher value markets and service providers (including financial services). The project has trained AI technicians and TOT including men and women who are working in the field to spread the services.

- **Grain Storage Project**
  This project provides world-class technical expertise to support the establishment of public-private partnerships for the management, handling, and storage of strategic grain reserves by the Governments of Punjab and Sindh under USAID programme. Assistance offered by the project includes the drafting of technical and legal feasibility studies, which are expected to result in bidding and evaluation procedures for realizing an expected $ 200 million in private-sector investment in the sector. Under the project a due diligence report has been completed and accepted by the both governments. The activity cost was $ 2.5 million.

- **Balochistan Agriculture Project**
  The project works with community organizations and local governments in Balochistan to increase incomes through improved crop and livestock productivity and more effective water management. The project cost is $ 10.4 million. More than 550 communities in five districts within 100 miles of the Afghan border in Balochistan are targeted. Through the project nearly 555 community organizations have been supported and 11,697 are direct beneficiaries reached. The income of beneficiaries is increased by more than 40%. Household incomes from better livestock productivity increased to 54% and from irrigated agriculture up to about 75%.

- **Promotion of Olive Cultivation for Economic Development and Poverty Alleviation**
  The project is funded through Italian Debt swap with a total cost of Rs 382 million. It is planned to be implemented in the provinces of Balochistan, Khyber Pakhtunkhwa, Potohar region of Punjab and FATA. The project aims to expand olive cultivation in selected areas as identified through the studies conducted by an Italian Institution IAO (*Istituto Agronomica per l'Oltremare)*, set-up new olive processing facilities, human resource development and promotion of Olive cultivation and Olive oil use. It is expected that the Italian experts shall introduce improved germ plasm and new techniques for olive cultivation and processing. The activities are planned to be implemented by PARC with active participation of respective provincial governments.

- **Agriculture Sector Linkage Programme**
  The programme is under implementation since 2005 with the Australian technical and financial assistance. The cost of the first phase was Australian Dollar 6.6 million, completed in June 2010 and has been able to improve production and post production management in mango and citrus besides the capacity building of growers, scientists and business men. Based on the

achievements of first phase an amount of Australian Dollar 12.9 million has been provided and activities are in progress.

8.7.4 Performance Evaluation of PARC

Upon the directive from the President Secretariat, the Planning Commission undertook the performance evaluation of the PARC which is an apex body of agriculture research at federal level in the country. The exercise provided a chance to identify the deficiencies for future improvement. Based on the available information necessary recommendations were formulated for consideration at appropriate level. The BOG of the PARC in its 32nd meeting also recommended for third party evaluation of the organization to provide guidelines for its restructuring. For the purpose the IFPRI has been tasked to undertake this exercise with the financial assistance of USAID. The engaged experts are doing this exercise.

Chapter 9 Industry and Commerce

9.1 Manufacturing

9.1.1 Issues and Challenges

Manufacturing is considered the main source of economic growth. In Pakistan, it contributes 18.6% to GDP and 13% to total employment Large scale manufacturing (LSM), having a share of 11.9% in GDP, dominates the overall sector. Over the last few years, however LSM is showing low growth mainly on account of the following problems.

- Shortage of energy
- Low skills of workers
- Obsolete technology
- Rise in the cost of raw material in the international market
- Rise in the cost of doing business due to oil prices, high unit cost of electricity & gas and transport
- Irrational taxation and tariff system
- Adverse law and order situation
- Low Foreign Direct Investment (FDI)
- Low competiveness of our product

9.1.2 Strategy

Sustaining a growth momentum in the manufacturing is a prime objective of growth strategy. The need is to create conducive environment to foster private sector investment. The thrust of the strategy is as under:

- Enhance effectiveness and role of Competition Commission of Pakistan
- Eliminate administrative control over manufacturing and encourage private sector
- Eliminate undue protectionism through tariff and non tariff measures
- Encourage better regulations and foster competition
- Strengthen civil service structure through dynamism and capacity building for better and regulation
- Industrial diversification
- Promote information technology
- Reduce the burden of taxes and reducing the cost of doing business
- Upgrade workers skills and provision of quality infrastructure
- Efficient transport system
- Ensure energy security. Enhance supply of electricity and gas by harnessing the potential of alternatives energy sources such as coal (Thar Coal Gasification), Solar and wind energy and import of gas from Iran and Tajikistan
- SMEDA and NPO to support private sector through the development and expansion of SMEs and making FDI attractive for manufacturing sector
- Restructuring of PSEs. Restructuring of Paksitan Machine and Tools Factory (PMTF) and Pakistan Steel Mills (PSM) is underway. Main features of restructuring of PSM are presented in Box 9.1.

Box 9.1: Pakistan Steel Mills

Board of Directors (BoDs) of PSM has been reconstituted. Process for selection of professional CEO of PSM has been finalized. Immediate financial needs of PSM have been addressed. New Business Plan of PSM is focused on expansion of utilized and potential capacity. Smooth availability of raw materials to PSM has been ensured. PSM is now operational with basic support. New CEO will be authorized to implement a business plan. Strengthened BoDs will facilitate implementation with oversight of Cabinet Committee of Restructuring (COOR). A strategic view needs to be undertaken for sustainable revitalization of PSM which may entail collaboration including partnership with Russian Government, disinvestment/privatization Private-Public Partnership and Operations and Management outsourcing.

9.1.3 Performance Review of 2011-12

During 2011-12, industrial sector grew at the rate of 3.4%, manufacturing sector by 3.6%, LSM by 1.8% while SME grew at the rate of 7.5%. Despite the energy crisis and poor law and order situation, the manufacturing sector has shown encouraging results. Positive growth of LSM has been observed in case of sugar (27.1%), cotton yarn (1.2%), cotton cloth (0.7%), cotton (ginned) (17.6%) jute goods (7.3%), paper & board (10.3%), pharmaceuticals (tablets – 9.3%, syrups – 15.3%), cement (2.9%), and auto sector (cycle tires 15.9%). Negative growth has been observed of such products as iron & steel showed negative growth (-36.5%), cooking oil (-1.6%), cigarettes (-3.6%), upper leather (1.7%), soul leather (-12.4%), fertilizers-N (-1.6%), fertilizers-P (-7.8%), petroleum products (-2.7%) and coke (-37.9%).

For the development of manufacturing, against an allocation of Rs 2,287 million in federal PSDP, Rs 770 million are expected to be utilized. Some major projects of Textile Sector are: Lahore Garment City Company, Lahore (Rs 498 million); Faisalabad Garment City Company, Faisalabad (Rs 498.2 million); Providing & Laying Dedicated 48 inch Diameter Mild Steel Water Pipeline for the Pakistan Textile City Karachi (Rs 636.6 million); and Pak-Korean Garments Technology Training Institute, Karachi (Rs 304.0 million).

Outlook for 2012-13:

During 2012-13 the strategic focus of manufacturing sector would be on the following areas:

- Innovation and efficiency.
- Build high skilled human capacity through skills development programs.
- Provide technology through technological up-gradation; provision of sophisticated machines, equipment, tools and spares in Common Facility Centers and machine pools; CAD/CAM facilities.
- Infra-structure development
- Research and development activities.
- SMEs development to boost employment and reduce poverty.
- Encourage exports by meeting demands of competition, technology and higher labor productivity.
- Promote and develop sub-contracting.

- Reform Engineering Development Board to play its pivotal role in the export of Engineering Goods.
- Promote Public Private Partnership (PPP) by launching new projects under PPP model.
- Revival of sick industries by restructuring its management
- Privatize of Government owned entities.

The targeted growth rate for industrial sector in 2012-13 has been set at 4.1% as a whole, for manufacturing sector 4.4%, while 3.0% and 7.5% growth rates have been fixed for LSM and Small Scale manufacturing respectively. The main growing industries in 2012-13 would be chemicals, automobile, pharmaceuticals, electronics, leather products, paper & boards, cement and non-metallic minerals. Similarly Textile sector is expected to grow at a higher pace in 2012-13 as it is hoped that its products would be exported in huge quantity to European Union after approval of concessions by WTO to Pakistani textile products in February 2012. Our exporters are expected to comply with different international obligations, like ISO Certifications, produce and export quality product and ensure timely exports.

During 2012-13, Rs 2,049 million are allocated to manufacturing sector including Rs 775 million for M/o Industries, Rs 612 million for M/o Production and Rs 227 million for Ministry of Textile. Major manufacturing projects to be carried out are: Establishment of Chromite Beneficiation Plant at Muslim Bagh, District Killa Saifullah, Balochistan (Rs 104 million); Woman Business Development Centre, Karachi (Rs 59 million); Red Chilies Processing Centre, Sindh (Rs 256 million); Water Supply Scheme for Hub Industrial Estate phase-II (Rs 247 million); Meat Processing and Butchers Training Centre, Multan (Rs 265 million); Establishment of Castor Oil Extraction Plant at Uthal District Lasbela (Rs 300 million). Major projects of textile to be executed are: Pak-Korean Garments Technology Training Institute, Karachi (Rs. 300 million); Lahore Garment City Company, Lahore (Rs 587 million); Faisalabad Garment City Company, Faisalabad (R. 499 million); Providing & Laying Dedicated 48 inch Diameter Mild Steel Water Pipeline for the Pakistan Textile City Karachi (Rs 637 million).

Provincial Interventions

The provinces are actively involved in establishing industrial zones through their Small Industries Development Boards (SIDBs) and Corporation to promote Small and Medium Enterprises (SMEs) in order to generate employment and revenue through their own efforts. All provincial governments have established various industrial estates in different parts of their respective provinces to cater to the needs of investors. The provincial governments are also striving to help their artisans by providing training, equipment, and financing so that they may sale their products in better way and thus improve their socio-economic conditions. For example ceramics and coloured tiles & pottery industry in Punjab and Sindh, wood work & engraving in Punjab & Khyber Pakhtunkhwa, and embroidery industry throughout the country. After the devastating floods of 2010 in Khyber Pakhtunkhwa, World Bank has established a Multi Donor Trust Fund (MDTF) with total amount of $ 139 million in order to help the local people, particularly in revitalizing and rehabilitating their livelihood. Out of this $ 20 million (grant component) is presently earmarked for two projects, i.e. Economic Revitalization in Khyber Pakhtunkhwa (Rs 1,118 million); and Economic Rehabilitation and Revitalization in FATA (Rs 595 million). The main objective of these two projects is to help local SMEs rehabilitate and revitalize through matching grants.

9.2 Mining and Quarrying

Pakistan is rich with all type of mineral resources but their development of these has been limited due to lack of financial and technical resources. Besides oil and gas, some industrial minerals such as chromites limestone, rock salt, marble, gypsum and a modest amount of coal for power generation are also mined. Pakistan possesses a large number of industrial rocks, metallic and non-metallic minerals which have not yet been evaluated in detail for their physiochemical characteristics and industrial uses. Minerals are exploited by a large number of small private companies with crude and wasteful methods which damage deposits. There is an urgent need to undertake further field and laboratory studies on these deposits for accelerating the pace of development of mineral resources in the country.

There has been very limited exploration by using modern managements; adequate capital and appropriate technical know-how, therefore, mining sector contributes a little towards GDP. Most of mineral deposits are concentrated in Balochistan. There is huge gap between the potential and actual production. Whatever minerals were produced, its production has been affected by law and order situation, absence of necessary infrastructure and lack of technical capacity of mining. There is need for the development of technologies for processing different indigenous ores to extract products of high commercial value that can play a dominant role in economic uplift, employment generation and exports.

9.2.1 Challenges and Strategy

The main challenges faced by the mining and strategy to improve its output are discussed as under:

Challenges

- Lack of surveys of un-cropped areas
- Non-availability of hi-tech latest technology and machinery due to scarcity of funds
- Non-deployment of technical and professional staff
- Low-value addition of ores and export of raw material at the low price
- Poor law and order situation

Strategy for Improvement

- Remove uncertainties in the law and order situation through political stability
- Encourage foreign capital and technology
- Discourage export of raw ore such as gold, copper and other precious stones and process at home
- Develop expertise on the nature and origin of national mineral resources like the development of innovative exploration guidelines, techniques and technologies
- Undertake steps for mapping and interpreting the geology of related areas by framing firm standards for and undertaking contracted aeromagnetic geo-chemical and airborne radiometric surveys
- Implement Mineral Policy in its true spirits with the objective to facilitate private investment in mineral development

9.2.2 Review of 2011-2012

During 2011-12, Mining and Quarrying sector has shown a growth of 4.4% compared with -1.28% in 2010-11. This increase is mainly due to the higher production of gas and coal. In 2011-12, GSP executed five development projects with an allocation of Rs 104 million for the year while the expenditure stood at Rs 50.4 million reflecting 49% utilization (Table 9.1). During the year under review, the main thrust was on uplifting and building of institutional setup, development of Coal Policy, updating of Mineral Policy. Similarly, initiatives for accelerated geological mapping and geo-chemical exploration as well as strengthening of Geosciences Advance Research Labs were also pursued. The main projects initiated in this regard include “Strengthening and Capacity Building of Mineral Wing” (Rs 95 million), “National Coal Policy” (Rs 25 million),” Review / Updation of Mineral Policy” (Rs 4.5 million) and “Up-gradation / Strengthening of Geosciences Advance Research Labs”, (Rs 199 million).

Table 9.1: PSDP Allocation and Utilization 2011-12 and 2012-13

(Rs Million)

Project	2011-12 PSDP Allocation	2011-12 Likely Utilization	2012-13 PSDP Allocation
Strengthening and Capacity building of mineral Wing	12.0	7.2	-
National Coal Policy	5.0	3.0	-
Review / updation of Mineral Policy	0.8	-	1.0
Upgradation / Strengthening of Geoscience Advance Research Laboratories, Geological Survey of Pakistan 2006-12	38.7	21.2	32.0
Accelerated Geological mapping and Geochemical Exploration of the out-crop area of Pakistan. (2006-10)	47.5	19.0	34.0
Petroleum House	-	-	200.0
Total	**104.0**	**50.4**	**268.0**

The comparison of production data 2010-11 and 2011-12 indicates surge in the growth rates of coal, oil, gas, rock salt (7%), gypsum (4%), dolomite (77%) and sulphur (4%) where as a declining trend is observed in limestone (-15%), china clay (-39%), chromites (-55%), silica sand (-29%) magnsite (-38%) and Baryte (-42%). Detail of production data of selected minerals is given in Table 9.2:

Table 9.2: Production of Selected Minerals

(000 tones)

Minerals	Production		% Growth
	2010-11	2011-12	
Coal	3,450	2,683	-22.2
Crude Oil (000 BBLS)	24041	23484	-2.2
Natural Gas (MMCFT)	1,471,590	12530568	4.0
Rock Salt	1,954	1983	1.5
Gypsum	885	1102	24.4
Limestone	32,021	34,152	6.7
China Clay	16	14	-12.5
Chromites	148	1024	591.9
Salica Sand	301	215	-28.6
Dolomite	204	163	-32.1
Mangesite	5	3	-40.0
Sulphur	28	21	-25.0
Baryte	32	32	-

Source: Provincial Governments and Pakistan Bureau of Statistics (PBS)

The major technical activities, accomplishments and progress made by **GSP** during 2011-12 are described as under:

Regional Geological Mapping

The regional geological mapping of total area of 3,840 sq. km on 1:50,000 scale was completed in different parts of the country. The geological mapping included the coverage of 1,280 sq. km. area in Sindh; 1,280 sq. km. area in Balochistan; 640 sq. km. in Punjab and 640 sq. km. area in Khyber Pukahtunkhwa.

- **Paleontologic and Stratigraphic Studies**
  - Paleontological Investigation of the Paleocene and Eocene Formations in the western Lakhi Range of Sindh Province

- **Regional Geophysical Mapping**
  - Ground Magnetic and Regional Gravity Surveys at Kuli Koh, Dalbandin for Iron Ore Exploration for Pakistan Steel.
  - Semi Regional Gravity and Magnetic Survey in Jaranwala Faisalabad area, Punjab

- **Geology (Economic)**
  - Thar – Underground Coal Gasification project
    GSP discovered over 175 billion tons of lignite coal in Thar Desert in 1992. The development of Thar coal reserves has been included in the priority list of projects, which are likely to be launched during the current financial year. In this connection, the GSP has successfully completed drilling of 14 out of 38 gas wells for the project "Underground Coal Gasification" (UCG) at Thar Sindh.
  - Large scale geological and topographic mapping for iron ore exploration in Kuli Koh, Dalbandin, Balochistan on the request of Pakistan Steel.

- **International Collaborative Projects**
  - Reconnaissance Survey of Geo-hazards and their Preventions and management in Earthquake hit areas (Neelum and Kaghan Valley, North Pakistan) with the Federal Institute of Geosciences and Natural Resources, Hanover (BGR).

- **Research Projects**
  - Mineralogy and Genesis of Havelian iron ore prospect, District Abbotabad.
  - Petrology and Geochemistry of Khanozai, ophiolite complex, Balochistan.

- **Drilling Operations**
  - GSP undertook drilling operations under its different development projects, especially for underground coal gasification at Thar, Sindh.

- **Chemical Laboratory Work**
  - Analyzed 430 samples for 3,440 estimations in GSP labs at Quetta, Lahore and Karachi. Sample preparation section at Geosciences lab, Islamabad prepared 224 powdered samples, 10 thin and 15 polished sections and its chemical section analyzed 580 samples for 4640 estimations by XRF, AAS and wet analysis and analyzed 215 samples by XRF, XRD and AAS.

- **Accelerated Geological Mapping and Geochemical Exploration of the out-crop area of Pakistan.**
  - Regional geological mapping of 1200 sq.km area on 1:50,000 scales, with the help of imageries and aerial photographs, are in progress.
  - 20 Geological sections will be measured during this Geological mapping and 3,000 Sample will be collected for laboratory studies
  - Compiled /digitized 32 geological maps
  - Analysis of already collected samples is in progress in various laboratories of the GSP

- **Up-gradation/Strengthening of Geosciences Advance Research Laboratories, Geological Survey of Pakistan.**
  - Construction of building for Human Resource Development Centre and hostel is 98% complete
  - Purchase and installation of equipment by experts has been completed. Procurement of Furniture and Fixture is in Progress
  - Training of GeoLab & GSP scientists on newly installed equipment and related subjects has been arranged and completed
  - 2 Advanced Training Courses in various disciplines of Geology by National/ International Experts arranged

9.2.3 Outlook for 2012–13

The growth rate of mining for 20012-13 is set at 3%. Focus of the mineral policy is on oil, gas, coal, iron ore, copper, and chromites to reduce import dependence. PSDP allocation of Rs 268 million has been made for mining this year. (Table 9.1)

During the year 2012-13 an area of about 3,900 sq. km is planned to be mapped in different parts of the country. About 300 samples will be collected and analyzed under geochemical surveying. Efforts will be concentrated on exploration and evaluation of coalfields in Punjab, Sindh and Balochistan. These studies aim at enhancing coal resource base and supplementing power generation and substituting furnace oil in different industrial units in the country. Copper, lead-zinc sulphide and iron ore occurrences in Chagai and Lasbela-Khuzdar Districts in Balochistan will be further explored. A total of 2 bore holes are tentatively planned to be drilled for a cumulative depth of 500 meters under different development projects.

The ongoing projects namely "Up gradation / strengthening of Geosciences Advance Research laboratories, "Accelerated Geological mapping and Geo chemical exploration of the out crop areas" as well as the project review / updation of Mineral Policy" will continue in the year 2012-13. A new project titled Petroleum House" is also allocated an amount of Rs 200.0 million. The Ministry of Petroleum & Natural Resources will also execute the following project during 2012-13:

- Promotion and Capacity Building of Mineral Sector of Pakistan (Rs 100 million)
- Integrated Minerals GIS and National Cadastre Data Center (Rs 40 //)
- Development of Infrastructure in mining areas of Pakistan (Rs 1,400 //)
- Establishment of Directorate for the Mineral Development of ICT (Rs 200 //)

9.3 Commerce

Commerce is the key to economic growth. It plays a pivotal role in boosting GDP growth through domestic and international trade. Wholesale and retail sector has shown a growth of 2.1%; whereas, the exports will be close to US$ 25 billion this year. The major exports of Pakistan are: cotton and textile products, rice, wheat, gems & jewelry, leather goods, sports goods, footwear, light engineering goods, surgical instruments, pharmaceutical and cement. Major import items of Pakistan are crude oil, petroleum products, and edible oil.

9.3.1 Challenges and Strategy

The various challenges faced by the commerce sector and elements of the strategy to foster trade are given as under.

Challenges

- Non-vibrant domestic markets
- Less competitiveness of our products
- Protection through tariff and non-tariff barriers
- Inadequate use of information technology
- Inefficient transportation system
- Non-branded items

Strategy for Improvement

- Ensure vibrant, efficient and responsive markets
- Improve competitiveness of our products through enhancement of productivity and high value-addition
- Eliminate of tariff and non-tariff trade barriers
- Efficient use of Information technology
- Efficient transportation system
- Brand development of our products

- Organizing Expos and trade fair frequently in the country as well as ensuring participation in trade fairs abroad
- Strengthen CCP to protect consumer and producer interests

9.3.2 Review of 2011-12 and outlook for 2012-13

In the year 2011-12, an allocation of Rs 506.9 million was made for the development of Commerce, out of which an expenditure of Rs 371.4 million is likely to be incurred. The percentage utilization would be around 73%. Allocation for the next year 2012-13 has been earmarked to Rs 500 million. (Table 9.3)

Major projects conceived as a result of Trade Policy initiatives aims at enhancing social accountability, creating trained and qualified manpower in the field of fashion and design, textile, furniture, gems and jewellery, footwear to strengthen export base of the country by providing state of the art products in world market, restructuring of Pakistan Institute of Trade and Development to serve as a centre of excellence for training and research in international trade and commerce, simplification of trade and transport procedures, strengthening SPS facilities and quality inspection services in compliance with WTO and establishing integrated National Animal & Plant health services. Project-wise financial progress for 2011-12 and allocation for 2012-13 are given in Table 9.3.

Table 9.3 PSDP Allocation and Utilization 2012-13

(Rs Million)

Project	2011-12 PSDP Allocation	2011-12 Likely Utilization	2012-13 PSDP Allocation
Adoption of Social Accountability – 8000 (SA-8000)	20.0	18.0	40.0
Purchase of Equipment, Furnishing, Curriculum and Training of PSFD, Lahore	180.0	142.8	144.0
Restructuring of Pakistan Institute of Trade and Development (PITAD)	137.0	54.8	70.0
Trade and Transport Facilitation Unit-2 : Trade and Transport Facilitation Unit (TTFU World Bank)	50.0	50.0	80.0
Up-gradation and Establishment of Animal Quarantine Station	23.1	23.1	100.0
Creation of Planning & Monitoring Wing in MoC	10.0	6.7	0.0
Establishment of Animal Quarantine Station, Gwadar	4.5	3.1	19.9
Special Program for Strengthening SPS Facilities & Quality Inspection Services in Compliance With WTO. Establishment of an Integrated National Animal and Plant Health Inspection Services (NAPHIS)	82.3	72.3	70.0
Program Management Unit (PMU) for setting up of Regional Reconstruction Opportunity ZONES for trade in FATA, KPK, Baluchistan and AJK	0.6	0.6	-
Additional work of Expo Centre Lahore Phase-11	-	-	200.0
Total	**506.9**	**371.4**	**723.9**

Presently the Ministry of Commerce has a portfolio of 8 ongoing projects. Due to reduction in development allocations for the preceding years, gestation period of these projects had to be extended resulting in cost overrun. The throw-forward of these projects as on 1st July, 2012, would be Rs 1,259 million. In addition a new project titled “Additional Works of Export Centre, Lahore – Phase-II” has recently been approved by CDWP at a cost of Rs 955 million for which an allocation of Rs 3 million has been made. Project wise achievements are discussed as under.

- **Adoption of Social Accountability-8000 (SA-8000)**
  The project envisages Certification of 250 firms under SA-8000 Standards by providing subsidy as matching grant amounting maximum to Rs 0.4 million to each selected firm to compensate their certification cost and also motivating the firms/ enterprises through conducting awareness seminars/ courses all over the country. So far certificates of 94 firms have been received while certificates of 170 firms are in process. An allocation of Rs 20.0 million was made to this project during (2011-12) which will be utilized to the extent of Rs 18 million. For the next 2012-13, an allocation of Rs 40.0 million has been proposed for this project. The project is expected to be completed by 31st December, 2012.

- **Purchase of Equipment, Furnishing, Curriculum Development and Training of PIFD, Lahore**
  The Project aims at enhancing the status of Pakistan Institute of Fashion Design (PIFD), at the level of University with the introduction of four new departments namely; (i) Department of Fashion & Design, (ii) Department of Textile Design, (iii) Department of Accessories & Product Design (Furniture, Footwear, Gems & Jewellery) and (iv) Department of Fashion and Marketing Promotion for skill development in various arts, to strengthen export base of the country by providing state of the art products in world market. The Institute has been affiliated with L’Ecole de La Chambre Syndicale Paris, one of the prestigious French Federation Fashion Designer Schools. During 2011-12 an allocation of Rs 180 million was made and Rs 142.8 million is likely to be utilized. For 2012-13 an allocation of Rs 125 million has been proposed. Tenders for Rs 88 million were floated for procurement of physical assets while expenditure was incurred on foreign training of faculty members and the 2012-13, remaining physical assets will be procured beside payment of affiliation fee to foreign Universities and training charges of faculty members from foreign Universities.

- **Restructuring of Foreign Trade Institute of Pakistan (FTIP), Islamabad**
  The project has been designed to up-grade Pakistan Institute of Trade and Development (PITAD) and to construct its own building. The existing building of PITAD has been equipped with necessary equipment and machinery while currently construction work on the new building with hostel facilities is going on. Overall progress is 40% while 20% progress in construction work has been achieved so far. The restructured PITAD will serve as platform for Trade Policy formulation, cater for research needs of trade related Ministries as well as Pakistan’s industrial sector and will act as a regional Centre of Excellence for training and research in international trade. An allocation of Rs 137 million was made to this project during 2011-12 out of which Rs 54.8 million will be utilized. Amount of Rs 93.2 million has been proposed for this in 2012-13 to complete it.

- **Trade and Transportation Facilitation Project-2: Trade and Transport Facilitation Unit (TTFU) – World Bank**
  The project was financed under National Trade Corridor Improvement programme, aims at simplification of procedures, improve logistics and up-date various carriage of goods Acts. Following activities have been undertaken during the year 2011-12:
  - The implementation of National Trade Facilitation Strategy (NTFS) is being monitored/ reviewed in the light of proposed WTO Trade Facilitation Agreement
  - Capacity building of freight forwarders continued. Regulatory Mechanism of freight forwarders industry is being finalized. Training of Trainers Program to improve capacity building and professional competitiveness of freight forwarders is in progress
  - Work for accession of Pakistan to the TIR Convention 1975 is in final stages
  - Strengthening of NTTFC and revision of its TORs is being done in consultation with UNCTAD and World Bank
  - Legislation process for Service Providers Regulatory Authority Bill is in progress

  During the 2012-13, the project will continue to work on National Trade Facilitation Strategy and WTO Commitments, WTO trade facilitation negotiations and regional cooperation mechanism, Trade procedures analysis, trade, transport and transit operation analysis and corresponding capacity building. An allocation of Rs 50.0 million was made to this project in PSDP 2011-12 which will be fully utilized. For 2012-13, an allocation of Rs 80 million has been earmarked.

- **Up-gradation and Establishment of Animal Quarantine Station in Pakistan**
  An allocation of Rs 23.1 million was made to this project during 2011-12 which will be fully utilized. For the year 2012-13, an allocation of Rs 53.0 million has been proposed. The project has been designed to provide certification services to the exporters and importers of animals and animal products through examination and laboratory tests of uniforms international standard to meet the international trade requirements. The project comprises of seven components which includes up-gradation of animal Quarantine Stations at Lahore, Islamabad, Peshawar, Multan Sialkot and establishment of Animal Quarantine Stations at Khunujrab and Khokhrapar.

- **Establishment of Animal Quarantine Station at Gwadar, Balochistan**
  An allocation of Rs 4.5 million was made in 2011-12 and Rs 3.1 million is likely to be utilized. For the year 2012-13, an allocation of Rs 18.6 million has been envisaged. The project has been designed to provide certification services to the exporters and importers of animals and animal products who will import or export from Gwader, Seaport. For this purpose, animal quarantine station has been established at Gwadar in a rented building. The project has acquired land to construct its own building.

- **Special Programme for Strengthening SPS Facilities and Quality Inspection Services in compliance with WTO — Establishment of Integrated National Animal and Plant Health Inspection Services (NAPHIS)**
  The project has been designed to put in place an integrated Sanitary and Phytosanitary (SPS) Management System in relation with international trade with other countries. Major activities to be undertaken include: (i) Development of an Integrated SPS Management System, (ii) Capacity Building of 7 Agricultural Line Departments/ Labs for international accredition, (iii) Ensure compliance of national/ international food safety/ quality standards for better trade in agriculture product/ livestock, (iv) Set-up National Enquiry Point/ Focal Point for SPS Management System & (v) Establish NAPHIS, as a Regulatory Body. Overall progress of the project is 70%.

  An allocation of Rs 82.3 million was made in 2011-12 and Rs 72.3 million is likely to be utilized. For the year 2012-13, remaining balance of Rs 87.2 million has been earmarked.

- **Creation of Planning and Monitoring Wing in Ministry of Commerce**
  The project has been launched to plan, formulate, process and monitor implementation of development projects of Ministry of Commerce. An allocation of Rs 10 million was made to this project during 2011-12 which is likely to be utilized. The project stands completed in June 2012.

- **Additional Works of Expo Centre, Lahore**
  Phase-I of Expo Centre was completed at a cost of Rs 3,415 million with 2 Expo Halls and a Convention Centre with allied facilities. The Phase-II of the project aims at enhancing Exhibition Halls 3 and 4 and additional technology works at Expo Centre, Lahore. The enhancement in Expo Centre are needed to provide enlarged state of art modern facilities for promotion of Pakistan's exports and other related economic activities. The proposed enhancements in Expo Centre will provide over 12,000 sq. meter additional space to the local and foreign manufacturers / traders to exhibit their products for promoting their businesses. Total cost of Phase II of the project is Rs 955 million. A token allocation of Rs 3 million has been set conditionally for this project in the PSDP 2012-13.

Part – IV

Physical Infrastructure and Environment

Chapter 10 Energy Security and Affordability

Energy is essential both for high and sustainable growth. Pakistan has been facing an unprecedented energy crisis for past few years due to widening demand and supply gap. Its current energy demand far exceeds its indigenous supplies.

Pakistan's primary energy supplies heavily depend upon the imported crude oil and petroleum products due to which the country's oil import bill is about $ 13 billion which is a huge burden on the economy. In order to curtail the oil import bill to a sustainable level and to cater the energy needs of all sectors, the Government is pursuing policies of attracting private investment in the energy sector and to replace the imported furnace and diesel oil with alternate fuels in a sustainable manner at competitive prices with a greater reliance on indigenous resources. Moreover, initiatives like import of piped gas, LNG and LPG as alternative fuels were taken. New initiatives include conversion of existing thermal power stations on indigenous /imported coal, operation and maintenance of public sector power projects through private sector O&M contractors and implementation of upfront tariff.

The present energy scenario suggests that an affordable and sustainable energy road map for the country is essential to capitalize on the use of indigenous resources in our energy mix. Development of indigenous energy resources such as coal, hydro and alternative/ renewable sources is critical for our country's economic growth.

Power load shedding in the recent past is estimated to be around 25% of the system demand, and has led to a substantial decline in potential economic growth. The average supply remained 12,400 MW against the demand of 17,400 MW and the shortfall during April 2012 being 5,000 MW primarily due to fuel supply constraints and low hydroelectric generation. High fuel cost for thermal power generation, continued high losses in transmission and distribution, inefficiencies of generation, below cost tariffs and non-payment of electricity dues by the public and private consumers have resulted in a huge circular debt. The energy sector debt is threatening the entire supply chain from oil refineries, oil marketing companies (OMCs) to power producers. This problem needs to be resolved to ensure the survival of the power sector, attract investments and to enable the power sector to contribute towards the development of the economy. Capacity additions alone will not resolve the problem of load shedding; the supply of primary fuels need to be assured. Additions, however, have fallen far below schedule in recent years. Long lead times and capital intensity of major hydropower projects, coal development and renewable energy projects require careful planning and timely promotion of private investments. Investment in transmission and distribution is to be undertaken in parallel to the development of major generation projects.

10.1 Energy Strategy

The implementation Framework for Growth Strategy for Energy Sector emphasizes on the measure for improved governance, rationalization of energy prices, enhanced energy generation and efficient use. In order to initiate work on implementation of these measures, power sector reforms mainly covering governance, pricing and legal areas were envisaged for sustainable, affordable and reliable power supply.

Alternative Energy Development Initiatives

In order to attract foreign investment and to promote the alternative energy development in the country, the "Policy for Development of Renewable Energy for Power Generation" was evolved that offers the following incentives.

- Incentives for development of Alternatives Energy Resources
- Wind risk in certain areas (risk of variability of wind speed)
- Guaranteed electricity purchase
- Grid provision is the responsibility of the purchaser
- Protection against political risk
- Attractive tariff (cost plus with up to 17% ROE), indexed to inflation and exchange rate variation (Rupee / Dollar)
- Euro/dollar parity allowed
- Carbon credits available
- No Import duties on equipment
- Exemptions on Income tax/withholding tax and sales tax
- Permission to issue corporate registered bonds

10.2 Power Sector

10.2.1 Review of 2011-12

The installed power generating capacity increased from 22,863 MW in June 2011 to 23,718 MW expected in June 2012 through addition of 420 MW in PEPCO system and 560 MW in KESC, total addition in capacity being 980 MW (Tables 10.1, 10.2 and 10.3).

Table 10.1 Physical Targets and Achievements: Power Sector 2010-11, 2011-12 and 2012-13

Item	2010-11 Provisional	2011-12 Estimate	2012-13 Target
Additional Installed Capacity (MW)	2150	980	1104
Total Installed Capacity (MW)	22863	23718	24822
Growth Rate (%)		2.0	5.1
Maximum Demand (MW)	21086	22016	23069
Growth Rate (%)		4.8	5.2
Energy Generation (GWh)	105411	124501	131562
Growth Rate (%)		18.1	5.7
Annual Energy Sales (GWh)	81731	99336	105819
Growth Rate (%)		21.5	6.5
Transmission and Distribution Losses (% of Net Generation)		20.2	19.6
Consumers Cumulative (Million)	22.64	23.46	24.29
Consumers Added (Million)	0.73	0.83	0.83
Electrification of Villages/Abadies (Nos.)	165,042	17,7324	189,606
Addition (Nos.)	11,772	12,282	12,282

Source: NTDC & KESC

Table 10.2 Physical Targets and Achievements: Power PEPCO System 2010-11, 2011-12 and 2012-13

Item	2010-11 Provisional	2011-12 Estimate	2012-13 Target
Additional Installed Capacity (MW)	2150	*420	**1104
Total Installed Capacity (MW)	21,042	21,462	22,566
Growth Rate (%)		2.0%	5.1%
Maximum Demand (MW)	18,521	19,400	20,401
Growth Rate (%)		4.8%	5.2%
Energy Generation (GWh)	90,575	109,825	116,002
Growth Rate (%)		21.3%	5.6%
Annual Energy Sales (GWh)	71,672	89,019	94,538
Growth Rate (%)		24.2%	6.2%
Transmission & Distribution Losses System Losses (%)		18.9%	18.5%
Consumers Cumulative (Million)	20.31	21.09	21.87
Consumers Added (Million)	0.73	0.78	0.78
Electrification of Villages/Abadies (Nos.)	164,532	176,744	188,956
Addition (Nos.)	11,705	12,212	12,212

Source: NTDC

* Expected Addition in 2011-12	MW
Khan Khawar	72
Chashnup-II	325
Gomal Zam HPP	17
Zorlu Wind (Phase-I)	6
Total	**420**

**Planned Addition in 2012-13	MW
Nandipur	364
Fauji Wind	50
Jinnah HPP	95
UAE GT Faisalabad	268
Jamal Din Wali	76
Allai Khwar	121
Duber Khwar	130
Total	**1,104**

Table 10.3 Physical Targets and Achievements: Power KESC System 2010-11, 2011-12 and 2012-13

Item	2010-11	2011-12	2012-13
	Actual	Estimate	Target
Additional Installed Capacity (MW)	-	560*	-
Total Installed Capacity (MW)	1821	2256	2256
Growth Rate (%)		2.4%	0%
Maximum Demand (MW)	2565	2616	2668
Growth Rate (%)		2%	2%
Energy Generation (GWh)	14836	14676	15560
Growth Rate (%)		-1%	6%
Annual Energy Sales (GWh)	10059	10317	11281
Growth Rate (%)		3%	9%
Transmission and Distribution Losses (% of Net Generation)	32%	30%	28%
Consumers Cumulative (Million)	2.33	2.37	2.42
Consumers Added (Million)		0.05	0.05
Electrification of Villages/Abadies (Nos.)	510	580	650
Addition (Nos.)	67	70	70

Source: KESC
** 560 MW Bin Qasim Combined Cycle Power Station – II*
(3x125 MW Gas Turbines + 1x185 MW Stream Turbine)

In public power sector, the following projects activities were undertaken during the year:

- Khan Khwar Hydro Power Project of 72 MW has completed in April, 2012 and Gomal Zam HPP 17 MW will be completed in June, 2012
- Civil works of Mangla dam raising project completed
- 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 medium term hydropower projects is in progress: (i) Allai Khwar (121 MW) (ii) Dubar Khwar(130 MW) (iii) Jinnah (96 MW) (iv) Neelum Jhelum (969 MW) and (v) Golen Gol (106 MW)
- Work on detailed Engineering Design and tender documents of the following hydel power dams made progress (i) Bunji HPP (7100 MW); (ii) Phandar HPP (80 MW); (iii) Keyal Khwar (122 MW); (iv) Lawi (70 MW); (v) Tarbela 4th Extension (1410 MW); and (vi) Dasu HPP (4320 MW)
- Feasibility study of the following projects is in progress: (i) Palas Valley HPP (621 MW), (ii) Spat Gah HPP (567 MW), (iii) Thakot HPP (2800 MW), (iv) Basho HPP (28 MW), (v) Harpo HPP (33 MW), and (vi) Patan HPP (2800 MW)
- Ground breaking for commencement of works on Diamer Basha Dam was undertaken

- Consultants were appointed for detailed engineering design & tender documents preparation for Dasu HPP in Sep. 2011. The World Bank signed agreement for Tarbela 4th Extension project and work on Dawat Dam is at advance stages
- Chashma Nuclear Power Plant unit (C-2) started its operation since May 2011. The work on the construction of two more units, C-3 and C-4, is in progress. The commercial operation of these units is expected to start in December 2016 and October 2017, respectively
- KESC's 560 MW- Bin Qasim combined cycle plant (BQPS-II) is expected to be fully operational by the end of current year
- 425 MW Combine Cycle Power Plant at Nandipur and Chichoki Mallian (525 MW) faced litigation problems. However, net capacity addition of 364 MW is expected in Nandipur during the year where as the work on the Chichoki Mallian is not expected during the next year
- 320 MW has been recovered through repair & rehabilitation of TPS Muzaffargarh. Further, it is expected that an additional 160 MW will also be added back in system after complete rehabilitation on units 1-6 at Muzaffargarh by the end of year 2011-12
- Work on the Fauji Wind (50 MW) continued during the year and Zorlu wind (Phase-I, 6 MW) was completed
- The first ever on-grid solar station of the country (178 KW) (pilot plant), at the parking area of the Planning Commission Building, Islamabad was completed and commissioned in March, 2012. A similar unit was also made operational in the parking area of Pakistan Engineering Council. Both these units have been installed with the technical and financial assistance of JICA

During the fiscal year 2011-12 following IPPs remained under construction. Detail is given in Table 10.4.

Table 10.4: IPPs under Construction

Project	Location	Net Capacity (MW)	Cost (Million US$)	Expected COD
New Bong Escape Hydropower Project	7.5 km Downstream of Mangla Dam, AJK	84	215	May 2013
Uch II Power Project	Dera Murad Jamali, Balochistan	375	494	Dec 2013
Patrind Hydropower Project	Kunhar River, KPK/AJK	147	362	Dec 2016
		606	**1,071**	

Two meetings on power sector reforms of relevant stakeholder were held at Islamabad and Lahore during 2011. In line with recommendations of these meetings, the dissolution of PEPCO is under way. The programs supporting capacity building of DISCOs staff and the Board of Directors (BOD), rehabilitation and up gradation of existing GENCO power plants is underway with technical assistance of USAID. Main features of the power reforms are shown in Box 10.1.

Box 10.1 Power Sector Reforms

Government has undertaken structural reforms in the power sector under the Power Sector Reform Plan (2010) finalized by the Cabinet Committee on Restructuring (CCOR). Implementation of PSRP has been expedited and upgraded under the Power Sector Recovery Plan 2011. The plans are based on six pillars: i) improved governance structure, i) supportive legal framework, iii) financial sustainability, iv) supply side management, v) demand side management and vi) promote private sector participation in the sector. Features of the reforms are presented as under:

- Ensuring autonomy to power sector companies
- Ensuring effective corporate governance through the professional boards of directors and management
- Induction of modern technology and managerial practices
- Redressing the adverse fuel mix through a least cost generation expansion plan
- Correcting the imbalances in fuel cost s to realize maximum economic benefit from our resources
- Human resource capacity building in the companies, Ministry of Water and Power, NEPRA and Planning Commission
- Empowering NEPRA through an amendment to directly notify tariffs to avoid the recurrence of circular debt through the application of cost recovery tariffs

Circular Debt Issue

Currently the country is facing a major deficit in the power sector on account of circular debt. The problem arises due to the tariff differential between the actual NEPRA determined tariffs for different DISCOs and the uniform government notified tariff for all DISCOs. An amount of Rs 30 billion is being added to its circular debt every month. The current magnitude of circular debt is about Rs 500 billion consisting of the following components:

- Difference between determined and notified tariffs (73%) Rs 364 billion
- Items not covered in tariff (11%) Rs 55 billion
- Non-collection (12%) Rs 60 billion
- Temporary shortfall/delayed recovery (4%) Rs 20 billion

The major portion of the circular debt comprises of tariff differential subsidy accounting for 40% of the total amount. The total actually recoverable amount in Feb 2012 was Rs 83.3 billion. Currently, the tariff differential subsidy is applicable to consumers in all electricity consumption slabs causing major problems in the power supply system. During the second Energy Conference held in March 2012, it has been decided to increase the lifeline slab from 50 units to 100 units consumption per month. Furthermore, it has been decided to remove the subsidy to the consumers with monthly consumption beyond 100 units.

National Energy Conference 2012

The 2nd National Energy Conference 2012 at Lahore was organized by the Planning Commission and achieved a national consensus on energy policy to overcome energy crisis. The decisions taken during the Conference are given below:

- Initiate new hydropower projects
- Raising of discounted electrically units from 50 to 100, to facilitate the poor and remove subsidy to higher slabs
- Uniform supply of electricity throughout the country
- Encouragement of private sector investments in the power sector
- Agreement on promotion of alternative energy sources
- Free distribution of energy savers to consumers
- Government subsidies on solar energy tube-wells to encourage farmers
- Payment of unpaid bills by the Federal and Provincial governments at the earliest
- Federal and provincial electricity connections will be provided with prepaid meter
- Amendment in Electricity Act to eliminate power theft, and appointment of Special Magistrates
- Two off days at government offices
- Season adjusted office timings for summer and winter
- Business and shopping centers to close by 8 p.m. except on Saturdays
- Complete ban on billboards, neon signs, and decorative lights
- Alternate streetlights to remain switched off
- Renewable energy and nuclear energy to be tapped for additional electricity

10.2.2 Programs for 2012-13

The installed power generating capacity is planned to increase from 23,718 MW in June 2012 to 24,822 MW in June 2013 through addition of 1,104 MW in PEPCO system (Tables 10.1, 10.2 and 10.3). In line with the Framework of Growth Strategy (FEG), the implementation of power sector reforms and restructuring plan will continue. During 2012-13, the work on the following power sector projects is planned to be initiated:

- Allai Khwar Hydel Power Project of 121 MW is planned to begin generation in Oct. 2012 whereas, eight (8) units of Jinnah of composite generating capacity of 96 MW will be completed in Dec. 2012
- 33 KV Transmission Line (T/L) from 132 KV G/S Thana Bula Khan District Jamshoro HESCO to Dureji (Sub Station at Dureji)
- 132 KV Pringhabad G/S with T/L
- 132 KV Pasinzai G/S with T/L
- 132 KV Karakh Grid Station with T/L
- 132 KV Kan Mehtherzal Grid Station with Allied T/L
- 1200 MW imported coal based integrated jetty and power plant project is being processed by PPIB. On issuance of LOI by PPIB the feasibility study of project has earlier been completed
- GENCO-II TPS Guddu has planned for rehabilitation of Units 1 to 13 depending on the availability of funds which will add 405 MW to the national grid
- Genco-II Guddu is installing additional 747 MW plant with the help of China which will be completed after June 2013

10.3 Fuel Sector

10.3.1 Review of 2011-12

Oil and Gas

During 2011-12, the expected local crude oil production of 64,624 barrels per day (BPD) will fall short of the projection of 69,000 BPD. However, domestic gas production (at well-head) is expected to be 4,197 MMCFD against the target of 4,791 MMCFD. A total of only 50 wells (20 exploratory and 30 appraisal/development wells) are expected to be drilled against the target of 100 wells. The following policy measures were taken to enhance Exploration and Production (E & P) activities:

- Petroleum Policy 2009 was reviewed and Petroleum Policy 2012 is in offing. It is expected that consequent upon promulgation of Petroleum (Exploration & Production) Policy 2012 exploration and production will increase considerably
- Tight gas (Exploration & Production) Policy, 2011 to attract exploration companies to invest in tight gas fields has been formulated
- Low BTU gas pricing policy, 2012 and Shale Gas Policy, 2012 are being formulated in order to exploit the hydrocarbon to alleviate shortage of energy.

Natural Gas

During 2011-12, the two Gas Utility Companies (SNGPL and SSGCL) have laid 35 Km Gas Transmission network 3,410 km Distribution and 937 km services lines and connected 262 villages / towns to gas network. During the year gas utility companies have invested Rs1,420 millions on transmission projects, Rs 7,065 million on distribution projects and Rs 3, 596 million on other projects bringing total investment to about Rs 12,081 million. During this period 221,313 additional gas connections including 220,284 domestic; 849 commercial and 180 industrial were provided across the country. In addition to the indigenous resources, ISGS is also pursuing two gas import projects as follows:

Iran-Pakistan (IP) Pipeline

The estimated cost of laying the Pakistan segment of the 42" diameter pipeline is US$ 1.245 billion. The progress made during the year is summarized below:

• Appointment of E&PM consultant	April 2011
• Route reconnaissance survey	July 2011
• Issuance of tender document to line pipe supplier	March 2012
• Interim Front End Engineering Design	March 2012
• Interim Bankable Feasibility study (BFS)	March 2012
• Detailed Route Survey (DRS)	April 2012
• Targeted Agreement (all Parties) on Transit Fee	16th– 7th April 2012

Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline:

About 3.2 BCFD gas will flow through the 1,680 km pipeline from Turkmenistan to Afghanistan (500 MMCFD), Pakistan (1,325 MMCFD) and India (1,325 MMCFD). The estimated cost of the 56" pipeline is about US$ 7.6 billion. The progress made during the year is summarized below:

- The16th TWG meeting was held in Dubai during 22-23 February 2012 to discuss GSPA, transit fee and next phase of TAPI project
- Pakistan-Turkmenistan bilateral meeting on Gas Price Review Mechanism was held on 22nd February 2012 wherein the matter was discussed at length and agreed subject to the approval by the respective authorities
- On 23rd February 2012, Pakistan-India-Afghanistan trilateral meeting was held on transit fee. The Parties agreed to hold next session in April, 2012 for the finalization of transit fee.

Liquefied Petroleum Gas (LPG)

Liquefied Petroleum Gas (LPG) contributes to about 0.5% of total primary energy supply mix. Use of LPG as a domestic fuel is being encouraged to halt deforestation in the area where supply of natural gas is technically not viable. The government has approved the LPG Policy 2011 which aims to enhance availability of LPG through LPG imports and indigenously produced LPG. Government has allowed the use of LPG in automobiles under the safety framework being regulated by Oil and Gas Regulatory Authority (OGRA). The cornerstone of LPG policy is to ensure enhanced availability of the product at competitive price. The LPG marketing companies have imported around 64, 789 MT of LPG during July 2011 to February 2012 and the indigenous LPG production during the same period was 23, 8510 MT.

Liquefied Natural Gas (LNG)

In order to encourage LNG import to abridge widening gap between gas demand and supply, the government has further improved/liberalized its LNG import policy in the form of LNG Policy, 2011. The new policy has removed bottlenecks of the previous policy and encourages private parties to develop LNG projects and sell RLNG to their end consumer's mutually negotiated price by using the gas network of gas utility companies. Under the said policy, OGRA have awarded LNG terminal construction licenses to three private companies and have also allocated conditional pipeline capacity in the networking of Gas Utility Companies. In addition two companies have been issued provisional license for LNG terminals.

In the light of ECC decision to reinforce to reinitiate LNG projects Government intends to initiate competitive bidding for purchase of LNG through following projects:

- **Integrated project Structure**
  SSGCL and SNGPL will purchase RLNG from third party suppliers under an integrated project structure whereby the RLNG suppliers will import LNG as well as setup the terminal for storage and re gasification.

- **Tolling Terminal**
  The GOP intends to negotiate LNG contracts with overseas suppliers on Government to Government basis and receive the LNG through LNG terminals to be setup by the private sector parties on the basis of tolling charges to be paid by SNGPL/ SSGCL.

Mid and Downstream Oil

The only significant development is the expected commissioning of 115,000 BPD refining capacity during 2011-12 by Byco Petroleum Pakistan Limited (BPPL). However, this is a hydro-skimming refiner. Storage capacity was added at Port Qasim (70,500 tons) by the private sector (Bakri Oil Trading Company).

The access of PARCO's white oil pipeline has been extended to smaller and new OMCs while moving an additional 193,561 tons of products to cover upcountry demand thereby reducing in-land transportation costs.

Coal

The Thar Coalfield is being given priority for exploitation. Thar Coal Energy Board (TCEB), Government of Sindh has assigned 5 coal blocks for development. Block-I of the Thar Coalfield was allocated to Sino-Sindh Resources (Pvt) Limited, a subsidiary of the Global Mining of China through international competitive bidding in September 2011. The company completed a detailed feasibility study, and it intends to construct 10 million tons per annum mine and 900 MW power plant by 2015 in the first phase.

The work on the underground gasification pilot project to develop local technology for production of Syngas from Thar continued. NTDC/PEPCO has been advised to provide 2 X 10 MW turbines to the project to demonstrate quality and quantity of gas.

A detailed feasibility study had been completed by Oracle Coalfields of UK for Block-VI in January 2012. The company plans to construct 5 million ton per annum mine and 300 MW power plant in the first phase.

10.3.2 Programs for 2012-13

Oil and Gas

Physical Activities

During 2012-13, it is planned that the crude oil production will increase to 69,000 BPD whereas gas production will be enhanced to 4,791 MMCFD. Gas will be supplied to approximately 391, 705 new consumers and about 580 new towns/ villages will be connected to the Gas network. Gas utility companies have planned to invest Rs. 38,381 million on transmission projects, Rs 21,604 million on distribution projects and Rs 13,143 million on others projects bringing the total investment of Rs 73,128 million for the said period. The planned activities regarding import of gas via pipelines are as follows:

Iran-Pakistan (IP) pipeline

Major activities scheduled are as follows:

• Award of contract to line pipes supplier	September 2012
• Finalization Front End Engineering design	September 2012
• Finalization Bankable Feasibility study (BFS)	March 2013
• Completion of Social & Environmental Impact Assessment	March 2013
• Appointment of EPC Contractor	March 2013
• Completion of Land Acquisition formalities	July 2013

Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline

Major activities scheduled are as follows:

- Signing of all three bilateral GSPAs May 2012
- Road Shows to verify potential Consortium Lead May – June 2012

10.4 Financial Allocation

Financial allocations and utilization for the Power and Fuel Sectors are summarized below in Table 10.5. For both power and fuel sectors, an allocation of Rs 192 billion have been made for 2012-13 against utilization of Rs 147 billion in 2011-12. For power sector an allocation of Rs 190 billion including foreign exchange component of Rs 50 billion is made. This includes ongoing public sector power projects for generation and distribution (self-financing and with Government support). An allocation of Rs 1.8 billion has also been made for the fuel sector against the expected utilization of Rs 356 million in 2011-12.

Table 10.5: Financial Allocations Utilization – Energy Sector (PSDP) 2011-12 and 2012-13

(Rs Million)

Agency Power / Fuel	2011-12 Revised Allocation	2011-12 Expected Utilization	2012-13 Allocation
	Total (Foreign)		Total (Foreign)
Power Sector			
WAPDA (Hydel)	69,542 (11,534)	79,309	63,982 (15,109)
PEPCO	71,455 (11,895)	30,340	81,170 (65,456)
PNRA	212 (0)	212	294 (0)
PAEC	36,303 (22,673)	36,303	36,260 (27,450)
Kashmir & Gilgit Baltistan	593 (400)	593.2	8,506 (914)
TOTAL (Power)	**178,105 (46,502)**	**146,757**	**190,212 (50,019)**
Fuel Sector			
PAEC	833 (0)	353	1,487 (0)
MPNR	5.0 (0)	3	268 (0)
TOTAL (Fuel)	**838 (0)**	**356**	**1,755 (0)**
GRAND TOTAL	**178,943 (46,502)**	**147,113**	**191,967 (50,019)**

10.5 Provincial Programs

The Departments of Power/Energy have been established in all the Provinces. The provinces are to manage investments for upto 50 MW power projects. For projects above 50 MW, the provinces would be the main drivers and catalysts for marketing and coordinating projects with the Private Power and Infrastructure Board (PPIB).

10.5.1 Khyber Pakhtunkhwa

The proposed programs / projects to be undertaken by the Government of Khyber Pakhtunkhwa during 2012-13 are given in Table 10.6:

Table 10.6: KPK Power Projects 2012-13

(Rs Million)

Activity / Project	Cost	Source of Financing	
		KPK ADP (%)	Hydro Development Fund (%)
Development of Renewable Energy (ADB Assisted)	1,806	20	8
Pre-Feasibility Study of Potential Power Sites	99	-	-
Improvement of Electricity Distribution System of Reshun Hydel Station, Chitral	55	-	-
Construction of Office and Residential building at Shishi Hydel Station Chitral	51	-	-
Feasibility Study of Raw Sites	500	10	90
Purchase of Land for Matiltan HPP Swat (84 MW)	128	20	80
Construction of Matiltan HPP Swat (84 MW)	3,051	10	90
Construction of Sharmai HPP (115 MW).	2,161	10	90
Construction of 18 MW Koto HPP	570	10	90
Construction of 8 MW Karora HPP in District Shangla	126	10	90
Construction of 8 MW Jabori HPP	193	10	90
Construction of Shushai – Zhendoli HPP (144 MW)	2,250	10	90
Construction of Shogo Sin HPP (132 MW)	1,629	10	90
Purchase of Land for Lawi HPP (69 MW) Chitral	327	-	-
Construction of Lawi HPP (69 MW) Chitral	1,224	10	90
Feasibility Study of Kalam Asrit (197 MW)	85	10	90
Construction of Daral Khawar HPP (36.6 MW) Swat	1,392	10	90

10.5.2 Punjab

The proposed programme/ projects to be undertaken by the Government of Punjab during 2012-13 are given in Table 10.7.

Table 10.7: Punjab Power Projects for 2012-13

(Rs Million)

Activity / Project	Cost	Source of Financing
Taunsa Hydel Project 120 MW	53	GoP share 20%
5 ADB Funded Small Hydel Projects (25 MW)	3,300	GoP share = 800 ADB share = 2500
5 HPP Sites (55 MW)	300	20% through ADP, 80% ADB loan. Feasibility completed.
5 Community Based Micro Hydels	51	GoP Share 128 million
20 MWs on Rice Husking Units	500	Revolving fund from BoP
Livestock and Dairy Development Farms (0.5MW)	10	GoP
Community Based Biogas Power Plant (0.6 MW)	10	//
Muzaffargarh CSP Project (50 MW	30	//
IUB(2.5 MW) Pilot Solar PV Project	856	//
Capacity Building and Research	50	//
Energy Conservation Cell	15	//
Pilots in Energy Saving Technologies Solarization of 50 Government offices Solar Gysers in Government offices	154 4 150	//
Media Campaign	30	//
Power Generation Development Fund	4,000	//
Power Generation Guarantee Fund	2,000	//
300 MW Coal Project, Muzaffargarh		//
Consultancy Services for 50 MW M3 and 25 MW VAC, Industrial Estate, Faisalabad Projects.	70	//
Consultancy Services for 9 MW, Power Solutions (PSIC) at Gujranwala, Daska and Khanewal & 25 MW Multi-fuel, PSIC, Faisalabad.	60	//

10.5.3 Sindh

The Power Department of the Government of Sindh has been created and is made responsible for perspective planning, policy formulation, processing of power projects and enactment of legislation with regard to thermal and hydro power generation and distribution and matters relating to development, generation, supply and distribution of hydro and thermal power. The department is in process of developing Sindh Power Policy 2012. The conservation strategies being undertaken by the department include setting up of provincial ENERCON cell, installation of solar geysers in various medical colleges and hostels in Sindh and a study on solar tube wells underway.

10.5.4 Balochistan

The Energy Department has recently been created by the Government of Balochistan, the department alongwith attached wings will include, Power, Alternative Energy and Oil & Gas Wings. Special focus will be on hiring and capacity building of the technical human resources.

10.5.5 Azad Jammu and Kashmir

At present, installed grid capacity of AJK is 426.30 MVA. About 23,440 km transmission lines have been extended to 1,629 villages out of a total of 1,654 villages and about 3.2 Million consumers have been provided with electricity connections. The per capita electricity consumption is 315 KWH and within next three years 100% population of AJ&K is planned to be provided with electricity connections. The Government lays great emphasis on generating electricity in order to meet the growing domestic as well as industrial requirements. It has been planned to launch a robust programme for constructing hydro power generation stations to exploit the tremendous potential of AJ&K by involving both public and private sectors. To overcome energy shortage in the country, potentials of AJ&K requires additional funding to ensure optimal harnessing the Hydel potential for nation consumption from AJ&K. Hydel Power projects of 17.5 MW are expected to be added during the year 2012-13.

10.5.6 Gilgit - Baltistan

The Water and Power Department has been created by the Government of Gilgit – Baltistan. 30MW Hydro Power Projects at Shagarthang and Thak Chilas in Skardu are underway whereas 65MW projects are under submission for approval.

Chapter 11 Water Resources Development

Pakistan is seriously water stressed and fast becoming a water-scarce country with significant gaps between water requirements and available resources. There is a strong possibility that the water economy will run dry leading to severe water crises. However, there are countries with even less water than Pakistan, but much stronger water economies. To be able to avert this situation, Pakistan needs to readjust investment priorities and realign strategies to optimize its water productivity. The irrigated agriculture contributes major share in the GDP. The industry like textile, mining and even coal exploitation depends on water.

11.1 Water Issues

The major water sector's issues are as under:

- Water scarcity and inefficient water use.
- Inadequate storage capacity. Water storage efficiency is 9% as compared to 40% of the world average.
- Extensive seepage losses due to poor operation & maintenance of irrigation system.
- Excessive groundwater pumpage.
- Inadequate measures for rainfall harvesting.
- Un-safe disposal of drainage effluent.
- Lack of private sector participation.
- Poor coordination among water, agriculture & rural development related research institutions.

11.2 Waters Resource Development Strategy

Under the Framework for Economic Growth, improvement of water efficiency, better management of water resources and enhancement of agriculture productivity have been envisaged the driving factors for GDP growth. Water availability has to be ensured for agriculture, industry and urban use. The potential of hydro power and coal has also to be exploited through water. Prioirty Areas of water investment have been identified as follows:

- Construction of small/medium dams.
- Program/projects (lining of irrigation channels, modernization/rehabilitation of irrigation system, lining of watercourses and micro irrigation system).
- Installation of high efficiency irrigation system in water scared areas.

11.3 Review of 2011-12

The water sector development program for the year 2011-12 focused on the construction of small/medium dams, new canals, rehabilitation/remodelling of existing irrigation system, safe disposal of drainage effluent and flood control sub-sectors. The maximum resources were allocated to complete the on-going projects and high priority water storages dams in an effort to overcome the scarcity of water through augmentation, conservation measures. However, the planned targets can not be achieved due to financial constraints, late and less releases of development budget. Overall implementation of all development program remained slow. It is expected that by the end of June 2012, Rs 30 billion will be released and utilized in water sector projects against the revised allocation of Rs 36 billion. The estimated water losses to be saved (at farm gate) and additional water available due to completion of small dams in Balochistan, Sindh and KP is expected about 0.75 MAF.

Under dams and canals sub-sector, the overall physical progress of fast track (high priority) projects namely Raising of Mangla, Satpara and Gomal Zam Dams remained satisfactory, whereas physical progress of construction of new canals (Kachhi and Rainee canal), Lining of irrigation channels and improvement of irrigation infrastructure in Punjab, Sindh and Khyber Pakhtunkhwa remained below the planned targets due to financial stress on development budget. An amount of Rs 500 million, Rs 1,200 million and Rs 100 million were allocated to Punjab, Sindh and Khyber Pakhtunkhwa for lining of irrigation channels. About Rs 10 billion, Rs 3 billion and Rs 1 billion are expected to be incurred during 2011-12 for dams, canals and improvement of irrigation system in Pakistan respectively.

Under drainage sub-sector, the progress of RBOD-I, II and III also remained below planned target. A sum of Rs 4 billion is expected to be utilized on the on-going activities of the RBOD-I, II & III. Under the Normal/emergent Flood Protection Program, Rs 894 million is expected to be utilized to complete the priority small/emergent nature flood schemes of all provinces including FATA, Gilgit Baltistan & A.J.K. Key physical targets of water sector during 2011-12 and achievements are given in the Table 11.1:

Table 11.1: Key Physical Targets and Achievements for 2011 -12 and 2012-13

Item	Unit	2011–12 Targets	2011-12 Achievements		2012-13 Target
			Physical	%age	
Irrigation					
• Water Availability (additional)	Mhm	0.23	0.09	40	0.12
• Earthwork for dams & canals/irrigation	MAF	1.89	0.75		1.0
• Concrete work for dams/canal/ irrigation	MCM	20.0	12.0	60	25.0
• Const. of delay action/check/ & mall dam	MCM Nos.	1.0 6.0	0.6 4 comp.	60 66	1.4 5
Drainage & Reclamation					
• Surface Drains (Earthwork) (Extension, rehab. & remodelling of drain)	MCM	4.0	2.0	50	3.0
Flood Control Program					
• Under Normal Flood Program	No	50	15	30	20

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

11.4 Program for 2012- 13

The main strategies and policies adopted for development in water sector are:

- Operationalization of public investment already made.
- High performance of existing assets.
- Knowledge management.

- Integrated water resource development.
- 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.

Water sector's share out of total development budget remained between 16 to 20% during the last 5 years whereas for 2012-13 the share of water sector has declined to about 13% of total federal development budget. The allocation turned out to be Rs 47.2 billion. Out of total proposed water sector budget maximum resources have been allocated for timely completion of on-going projects, including construction of small/medium dams, drainage projects, construction of new canals projects and improvement of existing irrigation network.

11.4.1 Water Augmentation

It is expected that the overall water availability at farm gate will remain about 17.52 Mhm (142.00 MAF) in 2012-13. This would include surface water supplies through canal withdrawals, canal lining/remodelling, irrigation system rehabilitation/improvement program, construction of small/medium dams, check dams and retention weirs. About 6.00 Mhm (48.63 MAF) of water would be included in the system from underground fresh water aquifer mainly by private tube wells. Water losses of the system through seepage would be improved through 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, the work on RBOD-I, II & III continue for this about 3.00 MCM of earth work for surface drains and concrete/stone work is planned for the next fiscal year 2012-13, more than 25 MCM of earthwork targets have been fixed for rehabilitation of existing channels, small/check dams, irrigation infrastructure/system improvement and construction of major /minor structures.

Under Normal/Emergency Flood schemes, it is planned to spend an amount of Rs 900 million to complete about 20 on-going/new small emergent nature flood schemes in Pakistan. The main programs/projects to be implemented during 2012-2013 are discussed below:

11.4.2 Irrigation

An amount of Rs 40.2 billion (87% of total water sector allocation) has been earmarked for 2012-13 for irrigation projects (small/medium dams, check & delay action dams, canals & improvement of existing irrigation system). The lining of irrigation channels in saline zones is being undertaken in Punjab, Sindh and Khyber Pakhtunkhwa to save the seepage and other losses. A sum of Rs 3 billion has been proposed to this program for lining of irrigation channels for 2012-13**.** Under this, sub-sector sufficient budget have been allocated to six new dams, (Ghabir in Punjab, Darwat, Nai Gaj (Sindh), Kurram Tangi in Khyber Pakhtunkhwa, Winder & Naulong dams in Balochistan, phase-I of two new canals projects (Kachhi & Rainee), and Extension of Pat Feeder Canal in Balochistan. In addition to this adequate funds have also been provided for revamping/rehabilitation of irrigation system of Sindh, Punjab and Khyber Pakhtunkhwa, Lining of Irrigation Channels in Punjab, Sindh and Khyber Pakhtunkhwa.

11.4.3 Water Management

All on-going water management related projects/activities have been shifted to Provinces after 18th Amendments. Following water management and conservation programs/projects worth of Rs 94.5 billion would remain in progress during 2012-13 (Table 11.2).

Table 11.2: Water Management National Programs 2012-13

(Rs. Billion)

Program	Program Cost		
	Federal	Provincial	National
Punjab			
Punjab Irrigated Agriculture Productivity Improvement Project (PIPIP), World Bank assisted.	---	36	**36**
Punjab Irrigation System Improvement Project (PISIP)	---	8.2 (F.Aid)	**8.2**
Punjab Barrages Improvement Project (Jinnah Barrage)	---	12.7 (F.Aid)	**12.7**
Sindh			
Procurement of Machinery for Rehab. of Irrigation Infrastructure, Sindh	---	1.5	**1.5**
Improvement of existing Irrigation System in Sindh	---	---	**16.8**
Sindh Water Sector Improvement Project, Phase-I	---	10.7 (F.Aid)	**10.7**
KPK			
Rehabilitation of irrigation System KPK	---	---	**8.5**
Balochistan			
Re-construction & Rehabilitation of Irrigation Canal System of Tehsil Usta Muhammad & Gandakha Distt Jaffarabad, Balochistan	---	0.1	**0.1**
Federal Programme	47.2	69.2	**116.4**
Total	47.2	138.4	**210.9**

11.4.4 Major irrigation projects

Major On-going Projects

- Raising of Mangla Dam. (dam completed, liabilities for resettlement to be cleared).
- Satpara Dam. Likely to be completed in June 2012.
- Gomal Zam Dam. Main dam structure has been completed while irrigation network is to be completed in 2013.

Other On-going Projects

- Kachhi Canal *(Punjab Portion 300 km lined).*
- Rainee Canal.
- Revamping/rehabilitation of Irrigation & Drainage System in Sindh.
- Punjab Irrigation System Rehabilitation Punjab.
- Lining of Irrigation Channels in Punjab, Sindh & Khyber Pakhtunkhwa.
- Extension of Pat Feeder Canal (Balochistan).
- Construction of 100 Small dams (Package-I &II) Balochistan.
- Construction of Shadi Kour Dam, Balochistan.
- 6 Nos. Flood Dispersal Structure on Nari River, Balochistan.
- Lower Indus Right Bank Irrigation & Drainage Project (RBOD-I).
- Right Bank Outfall Drain from Sehwan to Sea (RBOD-II).
- Balochistan Effluent Disposal into RBOD (RBOD-III).

Other Development Programs

- Flood Protection Program.
- Survey, Investigation and Research.

11.4.5 Provincial Programs

For various kinds of water development activities, all the four provinces have planned to allocate Rs 28.3 billion for 2012-13. Detail is presented in Table 11.3:

Table 11.3: Tentative Provincial Programs for the year 2012-13

(Rs Billion)

Province	On-going	New	Total
Punjab (Irrigation, Drainage, Small dams, Research/Survey & investigation & Miscellaneous)	10.0	3.0	13.0 (F.Aid Included)
Sindh (Irrigation, Drainage, Small dams, Research/Survey & investigation & Miscellaneous)	2.0	7.5	9.5 (Local Program)
KPK (Irrigation, Drainage, Small dams, Research/Survey & investigation & Miscellaneous)	1.7	1.1	2.9 (Local Program)
Balochistan (Irrigation, Drainage, Small dams, Research/Survey & investigation & Miscellaneous)	2.0	0.9	2.9 (Local Program)
Grand Total	**15.7**	**12.5**	**28.3**

Chapter 12 Urban Development

The aim of urban development is to support cities to provide social infrastructure, housing, water supply and sanitation facilities that make cities attractive and livable and to achieve high economic growth. Provincial governments undertake the urban development activities at local level, by preparing master plans, standards / regulations and monitoring the implementation of projects as well as sharing of financial resources with local governments. Under the influence of changing urban planning concepts, the cities across the world are reforming laws and regulations to promote competitive urban centers by permitting vertical and dense, pro-business, pro-poor and gender friendly development.

12.1 Situation Analysis

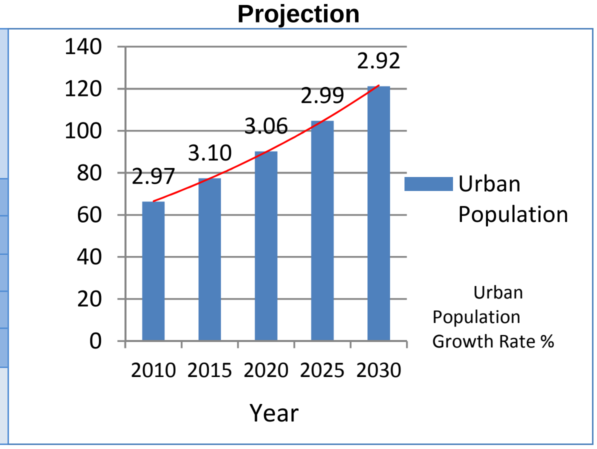
Pakistan is the fifth most populous country in the world and the second largest country in South Asia. Pakistan's urban population is expanding rapidly. In 1998 32% of total population was living in urban areas which is expected to be over 50% in 2025. Actual urbanization is probably much higher since the definitions of urban areas used in Pakistan is administrative rather than density-based. Projection of urban population in 2030 is presented in Table 12.1.

Table-12.1 Urban Population Projection

Year	Urban Population (Million)	Urban Annual Growth Rate (%)
2010	66.3	2.97
2015	77.4	3.10
2020	90.2	3.06
2025	104.7	2.99
2030	121.2	2.92

Source: World Urbanization Prospects 2009, Revision Population Database

Figure 12.1. Urban Population Projection



12.2 Issues and Challenges

Rapid urbanization brings with it multiple issues. Development of infrastructure both in terms of quality and quantity is not keeping pace with urbanization process. Poor infrastructure is adversely affecting living conditions of people and is impacting growth negatively. Further, current zoning and building regulations are in favor of suburban sprawl; therefore, cities are expanding into peri-urban rural areas. Resultantly, not only rich agricultural land is being taken up in some cases, but, delivery of urban services has also become very difficult and expensive. The present trend of city development is hostile to high-density / high-rise centers / cities; therefore, there is dire need to change this mindset and policy to encourage development of dense population high rise, and people and commerce friendly cities. Major issues of urban development are briefly described as under:

- Inadequate spatial planning framework
- Lack of policy and research linkages
- Cities have accumulated huge deficits in housing, water and sanitation, transport, utilities and road networks
- Lack of comprehensive urban land management system
- Lack of mass transportation system and inadequate traffic management
- Poor urban governance and urban finance mechanism
- Urban poverty

Framework for Economic Growth

Pakistan Framework of Economic Growth lays emphasis on density and commerce to achieve high inclusive and sustainable growth. Elements of the urban development strategies are:

- Shifting the role of government from provider to facilitator
- Promoting public-private-partnership by creating conducive environment for greater participation of the private sector in urban development
- Addressing housing shortage through facilitation of private sector
- Review zoning and building regulations
- Privatize unproductive state land
- Disseminate research based low energy efficient construction techniques
- Establishing coordination mechanism amongst urban development activities at federal, provincial and local levels

12.3 Review Performance 2011-12

During the financial year 2011-12, an amount of Rs 57 billion was allocated for implementation of urban development programs. Major allocations were made to the programs/projects related to government buildings, housing and water supply & sanitation facilities.

It is estimated that by June 2012, Rs 29 billion will be spent on development of 103 thousand residential plots in urban areas, serving an additional population of 2.27 million by water supply in urban and rural areas, provision of sanitation facilities to an additional 1.30 million population both in urban and rural areas, improved flood affected areas and construction 0.50 million square feet additional covered area for government servant housing / offices at federal and provincial levels.

Outlook for 2012-13

During 2012-13, Rs 25 billion are earmarked for urban development in federal PSDP. Initiatives to be taken during this period are briefly outlined as under:

- Implementation of Framework of Economic Growth to encourage cities to prepare “City Development Strategies” and “City Business Plans”
- Monetization of Housing Facility for Federal Civil Servants
- Preparation of National Disaster Management Policy in consultation with international organizations
- Preparation of National Urban and Regional Policy
- Creation of Urban Challenge Fund (Box 12.1)
- Prime Minister’s One Million Housing for Low- Income Groups
- Legal and regulatory reforms for improved pro-poor housing markets and slum up-gradation
- Construction / development of mixed-use, city centers in big cities on fast track basis
- Federal Government support to mega projects in large and medium size cities under matching grants between federal and provincial governments
- Complete the on-going schemes in urban areas to improve water supply and sewerage

Box 12.1: Urban Challenge Fund

A robust social infrastructure that plays an important role in making cities attractive and successful places to live. In most of the cities of Pakistan local governments face acute financial constraints to support development of social infrastructure and cities are losing their charm and quality. They are also not contributing optimally to the *national economic growth*. Therefore, the principal objective of Urban Challenge Fund (UCF) is to address the issue of resources of the local governments and provide them financial support from the federal government in the form of small grants and enable them to undertake small scale social infrastructure projects in their cities. The other objectives are to:

- Create strong, healthy and sustainable urban communities
- Improve social and cultural conditions in cities
- Promote local culture, heritage, knowledge and creativity
- Generating economic and employment opportunities

Major targets of sectoral programs and activities to be implemented during 2012-13 are given in Table 12.2.

Table 12.2: Major programs and Physical Targets 2012-13

Program	2012-13 Target (Population Coverage %)
Urban Water Supply	89
Urban Sewerage & Sanitary Drains	68
Rural Water Supply	61
Rural Sanitation	37
Katchi Abadis Slums Up-gradation	Additional 250
Prime Minister’s One Million Housing Program for low income groups	One Million
Government Buildings Construction of Office Buildings for Federal / Provincial Government Agencies & Civil Armed Forces	0.20 million square feet covered area

Chapter 13 Environment

13.1 Environment and Climate Change

Pakistan is fully aware that the environmental degradation and climate change are adversely affecting its economy, livelihood of the poor and sustainable development. Concern for environment- its protection, rehabilitation and enrichment – has been reckoned as obligation towards the betterment of all the citizens at large. The current environmental situation has arisen due to a number of factors including high population growth rate, lack of public awareness and education, mismanagement of water and other natural resources as well as unplanned urban and industrial expansion.

Forest in Pakistan covers 4.224 Million hectares, 5.2% of the total land area of 87.98 Million hectares which has unlikely shown any increase. Pakistan has a network of 225 Protected Areas, covering an area of 9,939,480 ha which is 11.3% of the total land area. Pakistan's network of 225 protected areas (PA) consists of 14 national parks, 99 wildlife sanctuaries, 96 games reserves and 16 unclassified. About 5,700 species of flowering plants are recorded in Pakistan. Energy sector is the top contributor with emission as highest among the direct and indirect GHGs. Most of the energy is consumed at the household and the community level.

Stationary sectors are the highest emitter of CH_4, of which 98.4% is residential sector at household and community level primarily due to combustion of biomass for domestic purposes. Almost 85% of rural households use wood biomass for cooking. Twenty-five percent of Pakistan's total energy consumption comes from biomass, contributing to 47% of all Green House Gas emission of the country. Almost 100% of biomass energy consumption and consequent emission are at the rural and small urban community level. Similarly CNG sector in Pakistan has increased manifold. As evident from the table there has been increase of vehicles operating on CNG. Environment indicators and targets for the year 2011-12, 2012-13 and 2015 are presented in Table 13.1.

Table 13.1: Environmental Indicators and Targets 2011-12, 2012-13 and 2015

Environmental Indicators	2011-12 Targets	2012-13 Targets	2015 MDG Targets
Forest cover including state-owned and private forest and farmlands (as percentage of the total land area)	5.1%	5.3%	6.0%
Area protected for conservation of wildlife (as %age of total area)	11.3%	11.5%	12.0%
GDP (at constant factor cost) per unit of energy use as a proxy for energy efficiency	27,600 MW	N.A	28,000 MW
No. of petrol and diesel vehicles using CNG fuel (000)	2500,000	2500,000	920*
Access to sanitation (national)%	50	55	90
Access to clean water (national)%	73	78	93
Number of continuous air pollution monitoring stations	7	9	--
Percentage of Sulphur (by weight) in high speed diesel	0.6	0.6	0.5 to 0.25

Already achieved (>2.0 million)

13.2 Environment Challenges

Environment and climate change challenges in brief are presented as under:

- Environmental degradation costing Pakistan's economy up-to Rs. 365 billion yearly
- Population growth-natural resources-poverty nexus
- Water and Air Pollution causing widespread diseases.
- Adaptation to the impact of climate change to energy, water and food securities.
- Preparedness for adaptation/mitigation due to climate change and to avail opportunities under CDM.
- Preparedness for an effective disaster management so as to avoid damages to the environment.
- Watershed degradation and deforestation
- Waste (solid, liquid, hazardous) Management
- Green economy initiatives and its impacts on Pakistan.
- Implementation of planned initiative with efficacy to increase forest cover and biodiversity, reduce land degradation.
- Effluent treatment at source to avoid discharge of polluted industrial and domestic sewage to freshwater bodies and marine environment.
- Increase energy efficiency, with focus on conservation measures.

13.3 Environment Strategy and Policy

The inability to address the environment challenges will result in high costs to the economy in future. It is therefore necessary to improve country's capacity to achieve environmentally sustainable economic development to meet the needs of present and future generations. In response to the environment and climate change challenges, strategy polices and a number of projects have been designed and executed by Federal and Provincial Governments of Pakistan to improve the environment sustainability in the country.

Framework for Economic Growth (FEG) 2011 has highlighted the environmental degradation as a significant contributor to GDP loss, due to air and water pollution, soil degradation and deforestation. Besides, coastal zone degradation, fisheries productivity loss due to climate change is yet to be valued in our economic calculations. Therefore, the strategy to realize accelerated GDP growth cannot afford to neglect the environment and climate change impacts on the economy. To achieve the objectives of environment protection focus will be on the following elements of the strategy:

- The Millennium Development Goals (MDGs) are the centre-piece of development efforts of the Government of Pakistan. The achievement of environmental sustainable targets (Goal-7) needs active persuasion at all levels.
- An action plan for implementation of National Climate Change policy is being finalized and would require adequate sharing of responsibilities at all levels for its implementation.

- Climate Change Adaptation Fund is proposed to be established in order to harness multiple opportunities available under environment and climate change multilateral organizations.
- In the wake of 18th Amendment environmental regulation of the country are reviewed and revised in consultation federal and provincial environmental protection agencies, civil society and private sector.
- Involvement of private sector and NGO's in specific relation to Public Private Partnership for effective and efficient conservation and management of natural resources.

The National Climate Change Policy as a follow-up of Planning Commission's Task Force on Climate Change has been approved by the Federal Cabinet in March, 2012. The policy will cater for mitigation and adaptation aspects to address the climate change impacts on food, energy and water securities. The objectives of the policy in brief are elaborated in the Box-13.1.

The environment Policy and action Plan in future will be adjusted in light of the outcomes of the **Sustainable Development Conference, Rio+20**, scheduled for June 20-22, 2012 in Rio de Janeiro, Brazil. A large number of thematic/cross-sectoral sustainable development issues will be discussed. A new treaty, hopefully, will be reached through a document titled 'The Future We Want". It will endeavor for renewal of political commitment, a road map for green economy in the context of sustainable development and poverty eradication, institutional framework for sustainable development, framework for action and follow-up including Sustainable Development Goals (SDGs) and means of implementation (finance, access to and transfer of technology and capacity building). The focus will be on strengthening, reforming and integrating economy, social and environment dimensions of sustainable development.

Box-13.1: Climate Change policy

To ensure that climate change is mainstreamed in the economically and socially vulnerable sectors of the economy and to steer Pakistan towards climate resilient development. The Climate Change Policy has been formulated. The objectives of the policy are to:

- Pursue the sustained economic growth by appropriately addressing the challenges of climate change
- Integrate climate change policy with other related national policies
- Facilitate and strengthen Pakistan's role as a responsible member of the international community in addressing the climate change challenges
- Focus on pro-poor gender sensitive adaptation while promoting mitigation to the extent possible in a cost effective manner
- Ensure Water Security, Food Security and Energy Security of the country in the face of challenges posed by climate change
- Minimize the risks arising from expected increase in frequency and intensity of extreme events: floods, droughts, tropical storms etc
- Strengthen inter-ministerial and inter-provincial decision making and coordination mechanism on climate change
- Facilitate effective use of the opportunities, particularly financial, available both nationally and internationally
- Foster the development of appropriate economic incentives to encourage public and private sector investment in both adaptation and mitigation measures
- Enhance the awareness, skill and institutional capacity of relevant stakeholders
- Promote conservation of natural resources and long term sustainability.

Source: *Draft National Climate Change Policy, Ministry of Climate Change, Islamabad.*

Negotiations between developed and developing countries for an agreed document are underway to build upon agenda 21 and focus on actions and concrete steps to address the implementation gaps and give shape and form to the future we want. Pakistan is an active player in the on-going negotiations and would like to safeguard its interest in terms of definition of green economy and actions required, setting of

Box 13.2: Glacier Behavior under Climate Change

Planning Commission organized a seminar on "Glaciers Behavior under Climate Change and its Impacts on Agriculture" in Pakistan. It provided an excellent opportunity to key stakeholders to present their on-going activities and offer suggestions for future course of actions on climate change implications for glaciers change in Pakistan. Overall 64 participants from national and international organizations participated in the seminar. Ten presentations were made by key stakeholders on climate change, glaciers melting, water resources, agriculture, sea level rise and impacts on coastal areas, application of isotope hydrology, and other related aspects. A report based on the presentations of the seminar was prepared to provide an integrated bench mark for further research.

The seminar seems to be the beginning of a large scale coordinated efforts to understand, estimate, plan and manage glaciers' water budget, climate change variable, river flows and impacts on agriculture. The long process may include proper estimation of ice/snow/glaciers, rainfall in the lower parts of glaciated area, monsoon rainfall in the Upper Indus Basin, the trend of climate variables like radiations, temperature, precipitation and wind in the glaciated area and finally measurement of stream and river flows at the end of glaciated area. After accurate field data is made available, the in-depth analysis of whole cycle of climate variables, glaciers' budget and river flows will result in the identification of the existing trend of the whole cycle. Future projections with most probable combinations of the variables (scenarios) will be simulated. Such projections will be analyzed in the context of the net irrigation water demand for agriculture and other uses of glacier melt water. This kind of comparisons will provide solid base for policy formulation and strategic action plans to devise annual water budget for agriculture and other uses to ensure effective and efficient use of the available fresh water. Similarly mitigation and adaptation (management) strategies could also be formulated for sustainable irrigated agriculture. Management of water resources will be strengthened from supply as well as demand sides. The ultimate aim of glaciers water assessment and management will be food security in Pakistan by ensuring optimum quantity of water availability for agriculture.

The Way Forward

- The Planning Commission will convene a meeting of key stakeholders to devise mechanism for a nationally integrated structure on the subject.
- The establishment of a common data bank will be entrusted to a single key organization, which will take input from all the stakeholders and will be accessible to all of them including civil society
- SUPARCO, WAPDA, Pakistan Meteorological Department, IUCN, ICIMOD and FAO have voluntarily offered their services for providing researchers and other facilities to strengthen institutional collaboration
- A small committee of legal experts and water professionals will be formed to review the existing water laws in the context of current water related issues
- WAPDA was requested to strengthen its activities on ice hydrology and coordinate with Application of Isotope Hydrology wing of Pakistan Atomic Energy Commission for using ice finger prints in the assessment of glaciers age, movement and volume

Source: *Report on "Glaciers Behavior under Climate Change and its Impacts on Agriculture", Planning Commission, Islamabad* institutional framework and SDGs as well as technology transfer and capacity building. Pakistan, being highly dependent for its irrigated agriculture on melt water originating from large scale glaciers' reserves, may be one of most climate change-affected countries. Climate change impact on glacier behavior is extremely crucial for the agriculture in Pakistan. Some of the issues and present status regarding glacier behavior under climate change with impact on agriculture Pakistan is given in Box 13.2. And results of the study on Himalayan Glacier Melt Trend and Energy & Climate Change are presented in Box 13.3.

Box 13.3: Climate Change and Energy

- Pakistan has one of the world's largest glaciers reserves in the Karakuram-Hindukush-Himalaya ranges. More than 65 % of the fresh water resources originate in these ranges during summer and supply water to the Indus River System, the world's largest irrigation system. The irrigated land accounts for 84 % of the total 23.39 Million Hectares (Mha) of cropped area.
- With global average temperature rising, glaciers, ice caps and ice sheets melt and shed water, which contribute to the increase of sea levels, threatening the populations of low-lying nations and islands. A separate study has found that Himalayan glaciers and ice caps as a whole were losing mass less quickly than once feared, offering some respite to a region already feeling the effects of global warming.
- Glaciers are receding at an alarming rate. Ancient seasonal patterns are shifting. Rainfall is coming in more intense and concentrated bursts, just as predicted by models of global warming.
- The 10 warmest years have all occurred since 1990, with 2005 breaking all records. We need to use less energy and find cleaner sources.
- We need to break down barriers – including lack of information – that slow the adoption of clean energy technologies.
- We need sufficient funding to bring down costs for clean technologies and polices that promote their adoption.

Source:

- *Himalayan Mountains Buck Glacier Melt Trend: Study, France's University of Grenoble, April 15, 2012*
- *Focus Area - Energy & Climate Change, Clinton Global Initiative, Annual Meeting 2006*

13.4 Review of 2011-12

There are more than 200 projects (Table 13.2) under implementation both at federal and provincial levels. These included capacity building, clean drinking water, environmental management, biodiversity, air pollution control and watershed Management, urban development, enhancing tourism, restoration of lakes/ water bodies, environmental awareness, waste management, wetlands. After 18th amendment the responsibility of devolved environment projects mainly have been undertaken by the provinces. In the purview of 18th Amendment, Environmental Protection Acts are being developed / revised to reflect the change situation.

The creation of a new ministry with the name of National Disaster Management in October 2011 recently has been renamed as "Ministry of Climate Change" at the

Federal level assigning it all the federal functions related to environment, to help streamline the Environment Sector efforts that were hampered due to scattering of these functions to different ministries. Under the National Impact Assessment Program (NIAP), Planning Commission, Ministry of Climate Change are helping the provincial Environmental Protection Departments in revising / remodeling the environmental Protection Acts.

The provincial government is expected to take lead in implementing national environmental policies such as National Sanitation policy, Climate Change Policy, National Environment Policy and National Drinking Water Policy. The provincial environment sector strategies are to be finalized and action plans have to be formulated for proper implementation of the environment sector portfolios and continuation of previous year projects / programs. The federal government has earmarked Rs 350 million. Provincial governments have also allocated sufficient funds for the implementation of forestry, wildlife and fisheries' sector projects.

Punjab, Sindh, KPK and Balochistan have respectively allocated Rs 1210 million, Rs 897 million, Rs 690 million, Rs 20 million. Gilgit-Baltistan and AJK have made allocation of Rs 43 million and Rs 279 million respectively. The Table 13.2 illustrates the programs / projects which were undertaken during the period of 2011-12.

Table 13.2: Federal, Provincial and Areas Development Programs 2011-12

(Rs Million)

Province / Territory	Projects (Nos)	Allocation
Federal Government	16	350
Punjab	42	1210
Sindh	30	897
Khyber Pakhtunkhwa	59	690
Balochistan	2	20
FATA	38	802
Gilgit Baltistan	8	43
AJ&K	16	279
Total	**211**	**4291**

The capacity for integration of environment and development planning at federal and provincial levels is being improved through the National Impact Assessment Program (NIAP). Some of major activities undertaken under NIAP are briefly outlined in Box 13.4.

Core group on Environment and Climate Change and sustainable development is regularly meeting for environmental and climate change integration in development planning. Further, The National Sustainable Development Strategy (NSDS) is being finalised by Ministry of Climate Change in coordination with the while Planning Commission to be presented at Rio+20 conference being held in June 2012 at Rio, Brazil.

Box 13.4: National Impact Assessment Program (NIAP)

National Impact Assessment Program (NIAP) is being jointly implemented by the Planning Commission, Ministry of Climate Change (Pakistan Environmental Protection Agency), Provincial Environmental, Planning & Development Departments and IUCN Pakistan. The program is funded by the Embassy of the Kingdom of Netherlands. Overall objective of the program is to contribute to sustainable development in Pakistan through strengthening of Environmental Impact Assessment (EIA) process and introducing Strategic Environmental Assessment (SEA) in the national development planning. Its Program Coordination Unit is housed in the Planning Commission of Pakistan.

The NIAP has achieved following targets for SEA Task Force and EIA i.e formulation of SEA Task Force where SEA Pilots are under consideration, awareness raising workshops for the policy and decision makers in order to make grounds for SEA, Capacity building through trainings on SEA, Case studies on SEA from Pakistan presented at international forums, EIA regulation review and revision, capacity building through extensive training programs and awareness raising seminars and workshops regarding EIA have been conducted.

Provincial Sectoral Policies and Programs

The 18th Amendment has been a turning point in Pakistan's environmental management history, presenting a challenge to the government to plan more effectively as institutions are to be restructured and realigned. Provincial governments will have the opportunity to take over the forestry sector development program for carbon sequestration, clean drinking water program, environmental monitoring, watershed management program, sustainable land management program, sanitation program to continue the effort for sustainable development.

The Government of Punjab had allocated 470 Million for the forest sector portfolio for 2011-12, while for the wildlife's 12 projects an amount of Rs.395 million and for fisheries sector's 6 projects Rs. 370 Million had also been allocated. Khyber Pakhtunkhwa's government had allocated Rs 434 million for 46 forest projects, Rs 183 million for 13 projects for Wildlife Sector and Rs. 400 million for two fisheries' projects. Balochistan's annual budgetary allocation for the forest sector projects during the year 2011-12 was Rs. 20 million for the forest sector projects, while in the same period Rs. 393 million was allocated for the 9 fisheries' sector projects.

In AJK, 4 projects in the Forest sector were earmarked to Rs 28 million, while Rs 15 million were set aside for 4 projects in the Wildlife sector for the period of 2011-12. The ADP 2011-12 of Gilgit-Baltistan had allocated an amount of Rs 41 million for a total of 6 projects, Rs 11 million for the forestry sector 4 projects, and Rs 3 Million for fisheries sector projects.

13.5 Outlook for 2012-13

During 2012-13 environment and climate change programs / projects will contribute towards achievement of the MDGs targets. Due to financial crunch as well as devolution process, environment sector could not receive desired resources and focus.

An estimated amount of Rs 300 million has been set aside for the Environment Sector Projects for the year 2012-13. Some of the important programs to be pursued are discussed as follows:

- Capacity building of the environment related institutions and human resource development needs to be focused in a manner to cater for the needs of effective implementation of the Pakistan's Economic Growth Framework at federal as well as provincial levels.
- Traditional hazards arising from poor water supply, sanitation and hygiene continue to be the predominant environmental risks to quality of life and health of the citizens, which needs to be addressed on urgent basis.
- A holistic ecosystem approach of forest management also safeguards other functions including water and soil conservation, wildlife protection, carbon sequestration. The target of forest cover of 6% by 2015, as committed in Millennium Development Goals will be advocated with a meaningful commitment of forestry development programs by the provinces.
- Climate change affects almost all the socio-economic sectors of our society particularly water resources, energy, health, biodiversity, with a major impact on agricultural productivity. The institutional set-up to tackle the climate change impact needs to be strengthened.
- Environmental management of polluted rivers and other water bodies to reduce pollution impacting lives of the people living nearby and contaminating downstream water and agricultural resources needs immediate attention. Efforts will be continued to formulate and implement projects for the purpose. Box 13.5 refers to the environmental management in Pakistan.

Box 13.5: Environment Management

- Environmental Management issues have become vital not only globally, rather in-home situation, these are on priority due to environmental degradations. The integrated irrigation network of Indus Basin, a backbone of economy of Pakistan, is under serious threat of water logging, hydro-salinity, adverse effects of pollutions and contamination of surface and ground water.
- All major projects and programmes have to provide inbuilt environmental management plan and process for approval and implementation. The basic issue to maintain healthy environment in all sectors of developments, operations and activities. Public and stakeholders participation in all stages of planning and development of programmes and projects has been considered a basic tool to protect the environment and sustain them environmentally.
- For sustainability of natural resources, it is very important to improve the management system of natural resources and their conservation.
- A sound environmental assessment of all the mega infrastructure projects and programmes is considered basic tool for sustainable development

Source: Pakistan Environmental Protection Agency, Islamabad, Ministry of Climate Change.

Pakistan continues to suffer from a plethora of natural and human induced hazards that threaten the lives and livelihood of its citizens – natural disasters including floods, earthquakes, landslides, cyclones, and drought to human induced disasters such as fires, civil unrest and terrorism, refugees and internally displaced people, health epidemics, transport accidents, industrial accidents and war. Some of the issues related to disaster management in Pakistan are highlighted in the Box 13.6.

Box 13.6: Disaster Management Strategy

Pakistan is known to be vulnerable to a wide array of natural and man made disasters. The October 2005 earthquake is the worst natural disaster that the nation has experienced in the recent history. Besides, the super floods of 2010 and 2011 have surpassed any recorded hydrological disaster in the country in terms of its magnitude resulting into huge losses to lives and preparation/infrastructure in the country.

Disaster management in Pakistan basically revolves around flood disasters with a primary focus on rescue and relief. After each disaster episode the government incurs considerable expenditure directed at rescue, relief and rehabilitation.

Applied disaster management policy sometimes carries strategic biases that are aimed at protecting locations and infrastructure of greater economic, political and strategic significance at the cost of areas and communities with lesser influence and importance.
Within disaster management bodies in Pakistan, there is a dearth of knowledge and information about hazard identification, risk assessment & management, and linkages between livelihoods and disaster preparedness.

District Government and the community are the two key entities in articulating disaster response on impact. Recent experiences have adequately highlighted their striking limitations. In the district situation it is the near absence of warning and planning instruments and a feeble outreach, while the communities are weak in social organisation and disaster coping mechanisms. An integrated intervention is, therefore, proposed, for building their disaster management capacities by drawing synergies.*

Source: National Disaster Management Authority, Ministry of National Disaster Management

Energy use in various energy consuming sectors of economy continues to be characterized by a high degree of waste and inefficient use. Conservation and efficient use of energy resources will be pursued for mitigating energy shortages in the short run, but the overall goal would remain greater productivity and value added per unit energy used.

Provincial Programs 2012-13

Government of Sindh has also formulated the Annual Development Plan 2012-13, in which programs under different Environment Sector portfolios have been devised and financial allocation made against each project for the period 2012-13. The on-going schemes which are amounting to Rs 125 million includes Establishment of Environment Management Unit, Feasibility study and remedial measures for restoration of lakes and other water bodies in Sindh, Establishment of Planning & Monitoring Cell in Environment and Alternative Energy Department, strengthening of environmental monitoring system in EPA, Sindh. There are new schemes in the environment sector amounting to Rs. 105 million, which are under the approval process. These include study of environmental and health impacts of pesticides and chemical fertilizer in Sindh province, awareness and preparation of action plan for improving hospital waste management in public sector hospitals and study on wetlands especially Ramsar sites, in Sindh province.

The physical target for AJK planned for 2012-13; include the plantation on an area of 20000 Acres, and 500000 Nos. Mulberry plantations. Rural water supply will reach out to 80 thousand population, while, sanitation facilities to 35 thousand population.

Part –V

Poverty Reduction and Human Resource Development

Chapter 14 Poverty Alleviation and Millennium Development Goals

Poverty reduction is one of the main objectives of the Government's reform agenda. More importantly, the concept of poverty has taken broader connotations in recent years. Poverty has manifestations in lack of asset ownership, unsustainable livelihoods, voice-lessness and powerlessness, lack of access to social services, and vulnerability to shocks. Poverty can only be brought down through a holistic approach i.e. by promoting pro-poor growth, creating opportunities for employment and income generation, providing access to basic social services, food and financial resources, improving governance, ensuring that fruits of devolution reach at the grass root and protecting vulnerable segments of the society.

14.1 Strategizing Growth for Poverty Reduction

The most compelling facts for formulation of Framework for Economic Growth (FEG) were preparing to reap the fruits of demographic transition, low and declining productivity and long standing search for macroeconomic stabilization. These three factors are impeding growth as well as breeding poverty. The pillars of FEG aim at skill development, employability and productivity of population especially youth, which in turn would result in poverty alleviation.

Economic growth in itself, is though necessary but not sufficient to achieve a sustained and substantial reduction in poverty. Past experience of Pakistan as well as in many other countries has repeatedly shown that periods of high growth that occurred at the expense of macroeconomic stability, do not tend to produce the desired outcomes with regards to poverty reduction in a sustainable manner. The challenge is, as always, how to make growth inclusive by spreading its benefits to large segments of population. The allocation of more resources for provision of basic services (education, health sanitation, and housing) particularly for those belonging to lower income groups, and targeted programs for the benefit of the poor in the broader framework of social protection, as is being done over the past two years, remain critical drivers of long run reductions in poverty.

Box 14.1: Inclusive Growth

Since the poor lack both human and financial capital, public policies that help poor to build their human capital; better manage their risks, and improve access to credit, are key for making growth more inclusive. Access to finance plays key role in this effort, as well as reducing the time it takes for business startups through removal of red-tape and artificial restrictions. The focus of FEG on productive youth and community development will help in poverty alleviation and generating inclusive growth.

The objective of high, sustainable and inclusive growth, as envisaged in the FEG, is primarily meant to accelerate a growth process which ensures broad based improvement in the quality of life of the people including equal opportunities for all. This broad vision of FEG includes several inter-related components: rapid growth that creates employment opportunities and thus leads to poverty reduction, better delivery mechanisms to ensure access to essential services in health, education, water supply and sanitation especially for the poor, equality of opportunities, empowerment through education and skill development, empowering women and good governance. Community participation and learning process is to be encouraged so as to mobilize people for participatory solution of problems and meeting needs of the community. Efforts also needed to reform, restructure and manage land, natural resources and environment to the benefit of the poor. Skill development and employment are discussed in detail in Chapter 7; whereas other aspects of human resource development are separately presented in Chapters 15, 16, 17 and 18 respectively on youth, education, health and women empowerment.

Framework for Economic growth asserts, *inter alia*, creating space for the private sector, better urban management to create opportunities of entrepreneurship, generating economic activities through providing space for construction industry, creating Youth Development Fund and City Challenge Fund to offer employment opportunities for the youth. Poverty reduction strategy based on inclusive growth is given in Box 14.1.

14.2 Poverty Alleviation and MDGs: A Review

Adopting UN Development Agenda of MDGs is itself reflective of Government's strong commitment to the fight poverty. Pakistan, being a signatory to the declaration, has adopted the international agenda of social development. The Government is regularly tracking progress towards achieving the Millennium Development Goals and reporting it to international community.

Table 14.1: Achievements in Education, Health and Population Sectors

Indicator	PSLM 2006-07	PSLM 2008-09	PSLM 2010-11
Education			
Gross Enrolment Ratio (Age 5–9)	91	91	92
Net Enrolment Ratio (Age 5–9)	56	57	56
Literacy rate (Age 10+)	55	57	58
Literacy rate (Age 15+)	52	54	55
Health			
Immunization (Children 12-23 months) Based on Recall and Record	76	78	81
Water Supply & Sanitation			
Housing units having flush toilet			
Rural	41	47	51
Urban	92	95	96
Overall	58	63	66
Housing units having tap water			
Rural	22	21	19
Urban	62	62	58
Overall	36	35	32

Source: PSLM 2006-07, 2007-08 and 2010-11 Pakistan Bureau of Statistics and PMDGR 2010

According to latest results of Pakistan Social and Living Standards Measurement (PSLM) Survey 2010-11, literacy rate (for age 10+ years) improved from 57% in 2008-09 to 58% in 2010-11, gross enrolment (GER) at primary level rose from 91% in 2008-09 to 92% in 2010-11. Though literacy and primary school enrolment rates have shown improvement over the years, these are still low compared to other countries of the region. In Health sector, full immunization of children (aged 12-23 months) based on record and recall, increased from 78% in 2008-09 to 81% in 2010-11. Overall 64% of pregnant women visited health facilities for pre-natal consultations in 2010-11 compared to 58% in 2008-09 (see Table 14.1).

UNDP introduced Multidimensional Poverty Index (MPI) in 2010.[1] This Index (MPI) is based on 3 dimensions represented by 10 indicators. The dimensions are: (i) education, with two indicators of possible deprivations, viz, years of schooling, and school attendance; (ii) health, with two indicators, viz, child mortality, and nutrition; and (iii) living standards, with six indicators, viz, electricity, drinking water, sanitation, flooring, cooking fuel, and assets. It does not however measure deprivations like political empowerment or gender inequality. According to the UNDP's Human Development Report, in Pakistan 49.4% of the population suffer multiple deprivations while an additional 11% are vulnerable to multiple deprivations. As shown in Figure 14.1, the MPI, which is the share of the population that is multi-dimensionally poor, adjusted by the intensity of the deprivations, is 0.264 for Pakistan. India and Bangladesh have MPIs of 0.283 and 0.292 respectively.

The United Nations Development Program (UNDP)'s Human Development Report, 2011 ranks Pakistan at 145th out of 187 countries as compared to 125th in 169 nations previous year under the Human Development Index (HDI) based on health (life expectancy at birth), education (years of schooling) and gross national income (GNI) per capita. Pakistan's HDI value is 0.504 as against South Asia's

[1] The MPI has been included in the UNDP's Human Development Report since 2010, building on the previous Human Poverty Index.

average HDI value of 0.548 and World's average HDI value of 0.682. It can be seen from Figure 14.2 that in HDI ranking Pakistan is performing better in the SAARC region if compared with Bangladesh and Nepal , which are ranked 146 and 157 respectively.

Consumption Profiles: 2007-08 and 2010-11

Table 14.2 compares the consumption profile of the population divided into quintiles. Consumption quintiles are used to distinguish the population according to their welfare: poorest households are grouped together into the 1st quintile, those with higher consumption into the 2nd quintile, and so on. Five quintiles rank the population from the poorest 20% to the richest 20%. The purpose of quintile-wise analyses is to see how social and economic indicators change in relation to welfare of people falling in different segments of income level. Quintiles are calculated for the four provinces so that the first quintile contains in it households from all provinces with the same welfare. However, if one province is relatively richer than others its population will not be evenly distributed in each quintile, but mostly concentrated in the higher quintiles. As such, each quintile contains 20% of the population. However, since distribution of income in urban and rural areas is not balanced, upper urban quintiles contain larger share of population compared to rural quintiles.

Table14.2 also shows the trends of percentage share of consumption expenditure by quintile for all four provinces of Pakistan as well as the rural and urban regions for the two time periods (2007-08 and 2010-11). Comparing 2007-08 with 2010-11, a significant increase in the percentage of population in bottom two consumption quintiles is observed in Balochistan. Moreover, in Punjab and KPK there is slight decline in the percentage of population in the bottom two consumption quintiles. In urban areas, there is slight increase in the lowest quintile which is offset by an improvement in rural areas.

Table 14.2: Consumption Shares by Quintile

Consumption share by Quintile (%)		Quintile1	Quintile2	Quintile3	Quintile4	Quintile5
PSLM 2007-08	Punjab	19.18	17.21	19.2	21.38	23.03
	Sindh	20.7	22.86	19.9	18.03	18.5
	KPK	16.88	24.09	23.58	20.41	15.04
	Balochistan	36.93	26.76	18.6	10.87	6.84
	Urban Pak.	10.2	15.23	18.12	23.12	33.34
	Rural Pak.	24.89	22.26	20.83	18.41	13.61
PSLM 2010-11	Punjab	20.47	18.39	18.85	20.05	22.24
	Sindh	19.98	19.99	20.6	19.59	19.84
	KPK	19.64	23.84	21.73	20.34	14.45
	Balochistan	15.91	27.46	25.35	20.41	10.88
	Urban Pak.	10.71	14.62	17.84	23.36	33.47
	Rural Pak.	24.64	22.67	21.08	18.33	13.28

Source: Pakistan Bureau of Statistics 2007-08 and 2010-11

PSLM data shows that the share of food in total monthly household consumption expenditure has been around 50% during 2000-01 to 2010-11 with the exception of 2007-08 when it was 43.5%. Though the share of transport in total household expenditure declined modestly between 2007-08 and 2010-11, the noteworthy decline is in health care. This share has been on the declined continuously from 4.5% in 2000-01 to 2.9% in 2010-11. Similarly, the share of house rent slipped down between 2007-08 and 2010-11. In 2010-11 the share of food in total household monthly expenditure was higher (55%) in rural areas compared to urban areas (42%).

It is noteworthy that growth in the share of food in household expenditure is the highest in the poorest quintile and the lowest in the richest group. Thus, the PSLM data reflects that the overall wellbeing of household in 2010-11 was better than in 2007-08. Relatively better situation of the poorest quintile may also have led to an improvement in inequality. Moreover, monthly consumption expenditures in 2010-11 are higher in urban areas than in rural areas. At the same time, it is also observed that the difference between urban and rural population in their consumption expenditure is larger among the richest group than in other quintiles.

14.3 Poverty Reduction Programs

14.3.1 Small and Medium Enterprises (SMEs)

SMEs are considered an important tool for poverty alleviation, human resource development, accelerating economic growth and employment generation. In Pakistan, SMEs contribute over 30% to GDP, 25% to manufacturing export earnings, 35% to manufacturing value addition and employ around 78% of non-agriculture labour force. In order to enhance the productivity and exports of the SME sector, Government stresses upon strategic shift of government's assistance to infrastructural development and establishing CFCs. These projects not only provide technical support to SMEs but also play an important role in poverty alleviation by generating direct and indirect employment in their respective areas. Some major issues in SME financing are given in Box 14.2.

Under PSDP, SMEDA is implementing 28 projects with a total estimated cost of Rs 2.8 billion in major SME clusters. The impact of these projects on over-all development and prosperity would be tremendous and will result in enhancing the standard of living, poverty alleviation and human resource development. In addition to the implementation of a PSDP project portfolio, 'Early Recovery &

Box 14.2: Issues in SME Financing

Demand Side Issues & Constraints

- Absence of proper accounts management, business planning, missing formal management
- Lack of collaterals to meet banks' requirements
- Low level of awareness about different financing options
- Absence of reliable and credit worthy data

Supply Side Issues & Constraints

- Shortage of credit evaluation, product design, marketing skills and non- innovative products
- Perceived to be high risk projects by banks
- Absence of credit scoring, cash flow based lending, program based lending, downscaling
- Absence of SME R & D in Banks

Restoration of Flood Affected Communities in Pakistan' project of SMEDA in collaboration with UNDP (estimated to cost Rs 256 million) entails establishment and operation of Business Support Centers in 29 districts severely affected by the floods. The aim is to provide communities support for economic development through extending small grants.

14.3.2 Pakistan Poverty Alleviation Fund (PPAF)

The Pakistan Poverty Alleviation Fund (PPAF) is an important anti-poverty tool. It is sponsored by the Government with an endowment of Rs 1 billion and funded by multilateral and bilateral donors like World Bank, International Fund for Agricultural Development, KFW Financial Cooperation Germany, US Department for Agriculture, Italian Government etc. The funding provided to PPAF is dedicated for microcredit, enterprise development, community based infrastructure & energy projects, livelihood enhancement & protection, social mobilization and capacity building institutional assistance for the partner organizations of PPAF.

- **Performance of PPAF during 2011-12.** During July 2011-March 2012, PPAF disbursed funds in urban and rural areas of 129 districts of the country to about 297,000 community organizations through 112 partner organizations of which 12 were focusing exclusively or predominantly on women. Since its inception, PPAF has financed 5.4 million micro loans. These interventions have resulted in completion of 27,417 projects in infrastructure, health and education sector and training of more than 488 thousand community members. In earthquake affected areas, PPAF provided financing to 122 thousand households to build earthquake resistant homes and trained over 108 thousand individuals in seismic construction and related skills.

- **Program of PPAF for 2012-13.** During 2012-13, PPAF plans to extend 1 million micro loans; to implement 3,500 small scale water and infrastructure schemes; to strengthen over 25,000 new community organizations in order to building livelihood in the most deprived districts, transfer over 300 assets to the deserving families and provide trainings to around 150 thousand community members, establish 50 new community health clinics and 200 new schools, rehabilitate over 6 thousand persons with disabilities and train around 3000 staff of partner organizations and over 25,000 community members.

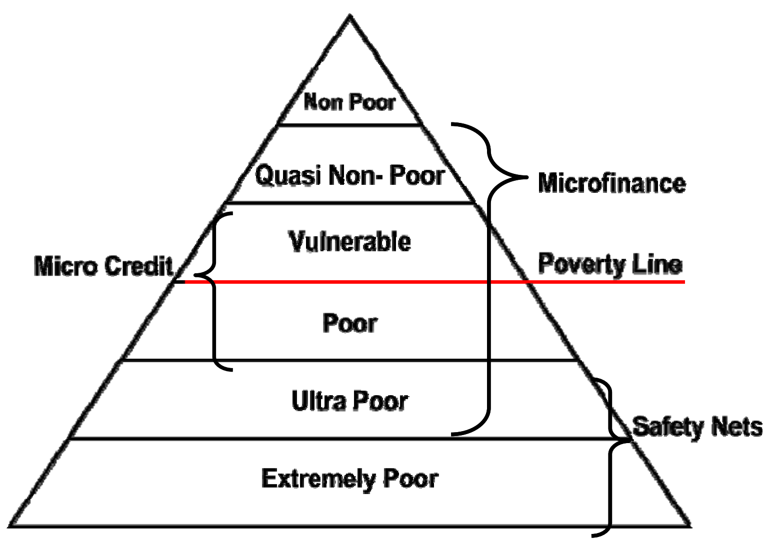
14.3.3 Microfinance

Microfinance has been recognized widely as a strategy to combat poverty by providing financial services to the excluded poor that enables them to become economically active. The credit programs offer a small loan to the beneficiaries for self-employment that enhance their income streams, and eventually make them self-reliant and move out of poverty. Although microcredit has been the main thrust in the past, today microfinance encompasses a wide range of financial services such as credit, savings, insurance and remittances. Strategic Framework for Sustainable Microfinance is given in Box 14.3.

Microfinance is a powerful instrument of anti poverty strategy as it is cost effective and sustainable, and also because donor money is recycled and reused to benefit many.

Access to microfinance to the poor segments in proximity of the poverty line can help the government create fiscal space and allow it to target its subsidies towards social safety net programs for the bottom poor (see Figure 14.3). These bottom poor can then be assisted to graduate to become microfinance credit clients and can be linked with service providers that offer services of savings, insurance and remittances.

Figure 14.3: Target Market for Microfinance



The microfinance industry broadly provides services in three categories viz. micro-credit, micro-savings and micro-insurance. The number of borrowers during Jul-Dec 2011 was 2.1 million. Outreach growth was limited to 0.7% in 2011 compared to 13% growth during 2010, primarily due to limited availability of funding due to 2010 and 2011 floods. However, the industry has seen a 13% growth rate for gross loan portfolio (GLP) in 2011 as loan sizes increased given the fall in value of money balances. Micro-savings have recorded a remarkable increment with active savers growing at 19.4% in 2011, and value of savings growing at 30.7%. Table 14.3 delineates an institution wise breakdown of the microfinance provider's (MFPs), number and size of disbursements as on December, 2011.

Table 14.3: Number of Microcredit Beneficiaries and Disbursements (July-March 2011-12)

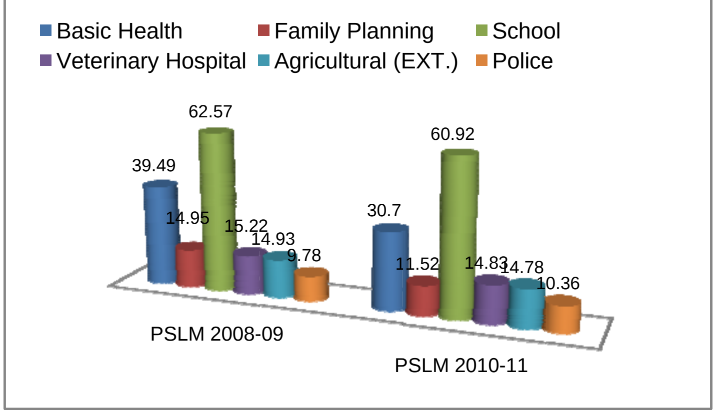
Microfinance Providers	Number of Loans ('000)	Disbursements (Rs Million)
First Microfinance Bank Limited	153	3,602
Khushhali Bank	375	5,280
Kashf Microfinance Bank	21	626
Pak Oman Microfinance Bank	7	150
Tameer Bank	151	6,881
Total for Microfinance Banks (MFBs)	**706**	**16,539**
AKHUWAT	43	569
ASA – Pakistan	149	2,810
ASASAH	10	185
Community Support Concern	13	315
Centre for Women's Cooperative Development	4	214
DAMEN	25	605
Kashf Foundation	151	3,306
Orangi Charitable Trust	26	440
SAFWCO	28	467
Total for Microfinance Institutions (MFIs)	**449**	**8,912**
National Rural Support Program	327	5,675
Punjab Rural Support Program	54	916
Sindh Rural Support Organization	62	979
Sarhad Rural Support Program	3	44
Thardeep Rural Support Program	47	670
Total for Rural Support Programs (RSPs)	**493**	**8,283**
Grand Total	**1,648**	**33,734**

Source: Pakistan Microfinance Network

14.3.4 Governance-Poverty Nexus in Pakistan

Good governance is increasingly seen as a means towards achievement of a number of development outcomes. It facilitates in bringing about the necessary framework within which poverty alleviation and broad based economic growth can be effectively realized. Good governance is predicated on a range of interrelated factors including equity in the exercise of authority, accountability, inclusive policy frameworks, efficient and effective management of resources, meritocracy, protection of individual rights as well as access to information, services and employment opportunities for all segments of the society irrespective of wealth, social status and position.

Figure 14.4:Facilities and Use of Services



Good governance has different connotations for different people, however, irrespective of its formulations; it is inextricably linked to development outcomes. Now, good governance is seen as intrinsic to achievement of sustainable development and poverty reduction: The concept has thus assumed central importance in both donor driven and indigenous programs for poverty alleviation and development.

Good Governance ensures that benefits of growth, even at low growth, are more equitably distributed, and hence benefits poor. Accordingly effective implementation of pro-poor policies can only be pursued in an environment of good governance. To remove alienation and apathy and to ensure participation, poverty eradication programs needs to be initiated at the ground level so that general masses can see and benefit from basic facilities. Government is presently spending a considerable amount to improve the economic condition of people by providing different types of facilities and services. It is necessary to have an overview of how the people perceive their wellbeing against the government policies. Perception of the households about their satisfaction of the facilities and services provided by the government captured by the latest Pakistan Social and Living Standards Measurement Surveys (PSLM) 2010-11 and 2007-08 are compared in Figure 14.4.

Pakistan Social and Living Standard Measurement Survey (PSLM 2010-11) reports that 31% of population was satisfied in 2010-11 on government Basic Health Facilities compared to 40% in 2008-09, 61% were satisfied with Schools in 2010-11 compared to 63% in 2008-09, 15% with Veterinary Services pre-dominantly rural compared to 15% in 2008-09, 15% with Agriculture Extension all rural compared to 15% in 2008-09 and 10% was satisfied with police in 2010-11 compared to 10% in 2008-09 (Figure 14.4). Overall, around 40% of household in 2010-11 reported no change in their economic situation as compared to

44% in 2008-09, 43 % reported that they were in worse or much worse condition in 2010-11 compared to 33% in 2008-09). On the other hand, some 16% households reported to be in a better or much better position in 2010-11 while 22% households reported this in 2008-09 (Figure 14.5).

While the recent developments on governance in Pakistan have raised concerns in the masses, the situation is not very encouraging in other parts of South Asia either. Most of other South Asian countries have had democratic governments however, the state of governance has also been a matter of concern in respective countries. World Bank's Worldwide Governance Indicators on voice and accountability, political stability, governance effectiveness, regulatory quality, rule of law, and control of corruption, show that in all benchmarks, South Asia's governance quality has deteriorated. In Pakistan governance is constraining government's ability to cope with core social and development issues viz. sustainable economic growth, poverty reduction, education, health, water, energy shortages and radicalization of the society.

14.4 Social Protection and Social Safety Nets

Social protection and social safety net programs through Benazir Income Support Program (BISP), Pakistan Bait-ul-Mal (PBM), Zakat, Employees' Old Age Benefit Institution (EOBI), Workers Welfare Fund (WWF) and Social Welfare activities are deep rooted in Pakistan's Poverty Alleviation Strategy.

14.4.1 Benazir Income Support Program (BISP)

BISP was established by the Government in July 2008 with the primary objective of providing immediate relief to the poor enabling them to absorb the shock of rising prices of food and fuel. BISP has evolved over the past few years into the country's largest social

Box 14.4: Components of Benazir Income Support Program

Waseela-e-Haq
Under this program, microfinance in the form of returnable interest-free loans up to Rs. 300,000 are provided to recipients, selected through a monthly computerized random draw, for setting up of small businesses. To date 29 draws have been held and a total of 34,807 recipients have been pre-qualified. An amount of Rs. 943 million was disbursed to 6,281 recipients while 2,680 recipients started their own businesses.

Waseela-e-Rozgar
This initiative has been piloted in Karak, Battagram and Bannu districts. Training has commenced in the first quarter of 2012 and so far 964 persons have been trained while 4,044 persons are currently enrolled. It is expected that by June 30, 2012 the total number of trained persons would be approximately 20,000.

Waseela-e-Sehat
Life insurance cover of Rs. 100,000 for the bread winners of recipient families was launched effective January 1, 2011. During 2011-12, additional 2.07 million families were provided life insurance cover bringing the total number of families with life cover to 4.1 million.

Waseela-e-Taleem
Under "Waseela-e-Taleem" for the primary education of the children, 3 million children will be imparted education during 2012-2016. BISP has successfully negotiated additional financing of US$ 150 million from the World Bank and signed Project Agreement with the World Bank. The programme is scheduled to be launched in 5 districts during the current fiscal year and will thereafter expanded to the rest of the country.

safety net. BISP is committed to poverty alleviation and women empowerment. Within a short span, BISP has made remarkable progress by providing much needed relief to over 4 million recipients including IDPs, flood affectees and bomb blast victims all across Pakistan. BISP has disbursed an amount of Rs 108 billion to its recipients till March 2012. The number of recipients is expected to increase to 7 million once the on-going processing of data collected during the nation-wide poverty scorecard targeting survey is completed. Details of targeted programs of BISP are in Box 14.4. Basic characteristics of a successful program of poverty reduction in Mexico, namely “Oportunidades” are given in Box 14.5.

Performance during 2011-12

Nation-wide Poverty Scorecard Targeting Survey

The first ever nation-wide poverty scorecard targeting survey was launched from October 2010 in all districts of the country, including AJK and Gilgit-Baltistan, with an initial target to cover almost 25 million households**.** This new system of targeting aimed at a much higher degree of objectivity, using international best practices, to minimize inclusion and exclusion errors. The use of global positioning system (GPS) devices was also made mandatory in this phase to uphold the dignity of households by conducting the survey at their doorsteps. It also ensures that no house is left unaccounted for. 100% of the survey will be completed by June 30, 2012 and over 27 million households will be covered nationwide. The task for data entry was entrusted to NADRA. To date, 6.64 million beneficiaries have been identified and it is expected that this figure would reach almost 7 million families by June 2012, once all data processing is completed.

During 2011-12, Rs 33.5 billion has been distributed among 3.5 million recipients. This include over Rs 1.49 billion paid through Smart Cards to 162,789 recipients and Rs 826.4 million paid to about 120,000 million recipients through mobile phone banking. Rest of the cash transfers were made through Pakistan Post money orders**.**

In order to further improve the efficiency of the payment delivery mechanisms, BISP has signed agreements with several commercial banks during the current fiscal year to launch Benazir Debit Cards in over 100 districts of Pakistan by June 2012. Up to March 2012, 392,000 Debit Cards have been distributed and Rs 1.02 billion has been disbursed to the beneficiaries through these debit cards.

Programs for 2012-13

- Identification of new recipient families, bringing the total to 7 million recipients
- Payments to all beneficiaries through Benazir Debit Cards in 100+ districts
- Launching of Waseela-e-Taleem in 20 districts
- Provision of life insurance cover to the bread-winners of additional 1 million recipient families bringing the number of families with life insurance cover to 5 million
- Provision of demand driven vocational and technical training, in over 60 fields, to one person each from 150,000 recipient families
- Launch of Health Insurance in 4 districts (one in each province), and
- Provision of micro-finance to 10,000 recipients

Box 14.5: Oportunidades-A success story from Mexico

The Mexican Government launched a program of human development on the concept of co-responsibilities namely Oportunidades in 1997 to support the people in extreme poverty with special focus on improving education and health conditions and to stop transition of poverty cycle to next generation. The extreme poverty conditions engulfed 47 million Mexicans whose income was too meager to suffice their basic needs, and they faced greater incidence of drop-outs of their children from schools, diseases and malnutrition and little opportunities of finding productive jobs.

The program started with benefitting 0.3 million poor in limited locations. The program has now been expanded in states of Mexico, in more than 100,000 localities and covers more than 6 million people. Oportunidades benefits through conditioned cash transfer to fulfill their basic needs such as nutrition, health and education.

To estimate incidence of poverty, Mexican Government carried out an evaluation study based on: i) average education gaps; ii) access to health services; iii) access to social security; iv) household size and overall housing quality; v) access to basic household services; vi) access to nutrition; vii) current per capita income; and viii) social cohesion. The Study revealed that in 2008, proportion of people living in multidimensional poverty conditions was 44.2% of population (47.2 million people) suffering social insufficiencies; 33.7% of population (36 million people) had a moderate level of multidimensional poverty and; 10.5% of population (11.2 million people) were suffering extreme poverty.

Oportunidades precisely identifies beneficiaries through a socioeconomic and demographic survey. Only those families facing extreme poverty are included in the program, and they continue to benefit from the program by fulfilling their co-responsibilities i.e. regular attendance of their children to school and medical appointments for young. In short term, these incentives help families improve their socioeconomic conditions, while in medium term, it enhances the capabilities by promoting school attendance and medical checkups.

Benefits

- Mothers receive cash every two months for better nutrition, and nutritional supplements for all 6-23 months infants, undernourished children between the ages of 2-5 years and pregnant or breastfeeding women
- Food Aid for better living, and additional transfer to help overcome effects of hike in global food prices
- Child Benefit for a better living, a direct cash transfer for every child 0-9 years old in order to support their proper nutrition and development
- Basic health care and community based education workshops for the promotion of health, created mainly for teen beneficiaries
- Special cash transfers for senior citizens (70 years and older) who is a member of a beneficiary family
- Cash transfers to compensate energy consumption expenses

  Oportunidades has been extensively evaluated by external experts from diverse national and international institutions. External evaluation studies show that the Program has positively affected by increasing school attendance, sensitizing people regarding reproductive health, family planning, hygienic practices, reducing gender and ethnical inequity.

Program Characteristics

- Fully decentralized and devolved apolitical program, payments to beneficiaries are stopped for 30 days before elections
- Team work, existing Local Government, Local Health & Education departments fully involved in the program
- Social mobilization, beneficiaries are organized and own the program, contribute in implementation and monitoring
- All processes are transparent, every effort is made to satisfy the beneficiaries and keep them informed.

Source: *National Coordinator for Oportunidades Program, Mexico (http://www.oportunidades.gob.mx)*

14.4.2 Pakistan Bait-ul-Mal (PBM)

PBM is making a significant contribution towards poverty reduction through its interventions aimed at poorest-of-the-poor. PBM focuses on providing assistance to destitute, widow, orphan, invalid, infirm and other needy persons. PBM Individual Financial Assistance (IFA) helps the poor, widows, destitute women and orphans in getting medical treatment, education, rehabilitation and general assistance. An amount of Rs 674.4 million has been disbursed for benefiting 11,988 individuals countrywide during 20011-12. As pilot project, 28 Pakistan Sweet Homes (Orphanages) have been established, where 2800 Children have been enrolled (upto March 2012) where they are being provided free food, nutrition, medical treatment, lodging & boarding, as well as free education through well reputed educational institutes. An amount of Rs 261 million have been spent during the first three quarters of 2011-12.

PBM successfully piloted pioneer conditional cash transfers (CCT) program called Child Support Program (CSP) with the technical assistance of World Bank in selected districts viz. Bakhar, Tharparker, and Kohistan. The pilot has resulted in an increase of 12% in enrolment rate as evaluated by third party in above mentioned districts. From 2011-12, the CSP is planned to be piloted in conflict area of Swat with the assistance of UNICEF. PBM has also established vocational training centers for women for providing free training to widows, orphan and poor girls in different skills. So far, 157 centers have trained some 6,453 trainees. Since inception, an amount of Rs 478.5 million has been spent on these centers whereas cumulatively, some 59,897 female students have been trained from these centers.

14.4.3 Zakat

Zakat plays an important role in poverty alleviation. Zakat funds are utilized for assistance to the needy, indigent, poor, orphans, widows, handicapped and disabled for their subsistence or rehabilitation. These poor segments of society were provided Zakat funds either directly through respective local Zakat Committee or indirectly through institutions and hospitals. As a consequence of 18th constitutional amendment, the subject of Zakat has been devolved to the Provinces/Federal Areas. A total amount of Rs 3,669 million was distributed in bulk amongst the federating units as per the details given in Table 14.4:

Table 14.4: Zakat Distribution

Province/Area	Rs Million	% Share
Punjab	1,954	53.3
Sind	848	23.1
Khyber Pakhtunkhwa	483	13.2
Baluchistan	196	5.3
FATA	74	2.0
ICT	74	2.0
Gilgit/Baltistan	40	1.1
Total	**3,669**	**100**

In addition to above, an amount of Rs. 4, 131.474 million has also been released on March 2012 as reserve fund available in central Zakat Fund to Provincial/Federal Areas to provide financial assistance to *mustaheqeen* (the needy).

14.4.4 Employees' Old-Age Benefits Institution (EOBI)

Employees' Old-Age Benefits Scheme has been established primarily to provide subsistence pension and other benefits. Over the years, it has proved to be a salient factor in combating poverty in Pakistan. Since the scheme is financed through contributions by eligible employers and employees who pay a monthly contribution @ 6% and 1% of the minimum wages, therefore, its impact is limited. The scheme can be used as an important poverty alleviation vehicle provided its coverage is enhanced and total population is brought under the scheme through legislation. Since the actuarial valuation suggest that at present level of benefits and contribution, the funds would start depleting in the year 2022 and totally exhaust in the year 2029, therefore, any further increase would put extra strain on its viability. However, in the light of Labour Policy-2010 announced by the Federal Government, further increase in pension and other benefits is under active consideration. During 2011-12, EOBI has disbursed Rs 11.7 billion to some 358,800 beneficiaries while, next year disbursement is expected to be Rs 14.9 billion.

14.4.5 Workers Welfare Fund (WWF)

Workers Welfare Fund was established under the Workers Welfare Fund Ordinance, 1971 with one time initial contribution of Rs 100 million by the Government. The WWF is financing projects for establishment of housing estates or construction of houses for the Industrial workers, education of workers children, health, technical education and other welfare measures like, marriage grant @ Rs 70,000 per daughter per workers, death grant @ Rs 500,000 and scholarships for students (Table 14.5).

Table 14.5: Disbursement of Workers Welfare fund (2011-12)

Description	**Cases** (in Nos)	Rs Million
Marriage Grant	9,138	637
Death Grant	1,079	341
Post Secondary Scholarships	1,456	77

Source: Workers Welfare Fund

In the post 18th Amendment in the Constitution, Planning Commission has initiated policy dialogue with the Provincial Governments with regard to developing respective social protection policies. Planning Commission will coordinate with all four provinces to develop consensus on a framework for social protection, including the process, institutional arrangements, coverage of policy, compliance monitoring arrangements, legal and regulatory arrangements. The purpose of this exercise is to align Social Protection Policies with international commitments and achieving national goals. The policies will ensure that periodic national reports are prepared on various international and bilateral instruments/protocols on protection of the rights of the persons with disabilities.

14.4.6 Social Welfare Activities

Social Welfare initiatives are to empower poor, vulnerable and excluded population including children, women, and persons with disabilities, special children, elderly, and staff welfare services. The implementation of National Policy of Social Welfare, National Policy for Persons with Disabilities 2002 and National Social Protection Strategy 2007 and Plans of Action on Children was entrusted with the devolved Ministry of Social Welfare & Special Education and Provincial Social Welfare and Special Education Departments.

After devolution, however at federal level, some functions and coordination of key actions of social welfare have been entrusted to six national organizations: Directorate General of Social Welfare and Special Education (CADD), National Commission for Child Welfare and Development (Ministry of Human Rights), National Council of Social Welfare (CADD), Pakistan Bait-ul-Mal (Prime Minister's Secretariat), National Council for Rehabilitation of Disabled Persons (CADD) and Staff Welfare Organization (Establishment Division).

Some Social welfare activities and initiatives are discussed as under:

- Capacitating the deprived, vulnerable and marginalized segments of population
  - Mainstream vulnerable and marginalized sections of the population including for women, children, youth, elderly, patients and Persons with Disabilities (PWDs) through establishing quality social welfare institutions for the target groups
- Mainstreaming Persons with Disabilities
  - Increase livelihood opportunities for the PWDs
  - Increase employability for the PWDs through skill training/development
- Inclusive Education System
  - Provision of basic right of education to the disabled children
  - Mainstream disabled children in regular academic system
  - Increased enrollment and accessibility to regular schools
  - Focused emphasis on gender parity
- Social Safety Network
  - Improved quality of life for the disadvantaged
  - Reduction in poverty through broad based social protection system in the country
  - Capacity building of social protection and social welfare institutions for effective services delivery
  - Address systematic failure in delivery of basic health care services and
  - Sustainable rehabilitation of post natural calamities
- Achieving Sustainable Community Engagement
  - Empowered communities fostering socio-economic development addressing the provision of amenities at grass root level through:
  - Public-private partnership for community mobilization in the areas of basic health, education and skill development
  - Community action with NGOs technical support and small grants
- Child Protection and Rights
  - National & Provincial Plans of Action for Children for their survival, development, protection, and participation.

- Eliminate child labour including worst and hazardous forms of child labour
- Address the issues of child abuse, trafficking and any form of violence against children
- Compulsory birth registration and registration for all children without birth documents.

Issues and challenges

After devolution at national level, a well coordinated national planning is an issue to be addressed. The review and revision of existing social welfare policies, strategies and federal/provincial action plans are immediate concerns for effective services delivery of some welfare programs. Important issues and challenges are outlined as under:

- Qualitative and quantitative data/information on:

  - Target population of poor, vulnerable, marginalized and excluded children, women, youth & elderly and available services of each target group
  - Registered NGOs and their interventions
  - Mapping of community services to address the emerging social issues of disability, inclusive education; child welfare and protection; vocational training and skill development

- Existing programs of social welfare and protection are inadequate in coverage and funding.
- Community Development initiatives have been launched in thinly spread urban / rural areas to provide need-oriented services to underprivileged strata of population by promoting voluntary work, mobilizing local resources and effective community participation to capacitate the poor, marginalized and socially excluded population.
- Vertical approach of special education is not addressing the potential needs of special children and persons with disabilities. Out of approximately 4.5 million persons with disabilities, more than 1.5 million are children falling between the ages of 0-15. This indicates imminent demand of education for these children which is to be catered through the already existing network of regular schools. The total enrollment of special children of all categories and age is only 24,114 (1.5%). The province wise enrollment detail is given in Table 14.6.

Table 14.6: Enrollment of Special Children

(Nos.)

Federal/Provinces	Special Education Institutions	Enrolment
Federally Administered	75	5,650
Punjab	168	15,515
Sindh	28	1,070
Khyber Pakhtunkhwa	23	1,351
Balochistan	4	528
Total	**298**	**24,114**

Review of 2011-12

Before devolution during 2010-11, 25 PSDP funded projects were initiated across the country to achieve the targets envisioned in the social welfare policies and strategies. Of these, 10 projects have been transferred to provinces for implementation while 10 projects have been completed during 2011-12. The rest of 5 projects were handed over to CADD and Staff Welfare organization at federal level. The progress of the devolved projects is under review with the stakeholders including provincial social welfare and special education departments.

Financial and Physical Progress

During the year 2011-12, for 5 schemes PSDP allocation of Rs 54 million were prepared for social welfare activities, against which Rs 50 million have been spent. A category-wise detail of funds in relation to provision of services is summarized in Table 14.7. The main focus of these schemes was on the following services:

- Establishment of Braille press for printing of Braille books/reading material for 170 institutions of visually impaired children across the country.
- Establishment of child welfare and development complex at Humak, Islamabad.
- Residential facilities to employees of Directorate General of Social Welfare and Special Education at Islamabad.
- Vocational training/skill development facilities for more than 150 female dependents of federal government employees annually.
- Up-gradation of recreational holidays homes for federal government employees and their dependents at Ziarat.

Table 14.7: Social Welfare Activities, Allocation and Utilization 2011-12

Rs million

Category	Projects	Total cost	2011-12 Allocation	2011-12 Utilization
Special Education	2	136	42	42
Social Welfare	1	40	5	5
Staff Welfare	2	23	7	3
Total	**5**	**199**	**54**	**50**

Provincial initiatives

During 2011-12, the provincial social welfare and special education departments have undertaken the following programmatic interventions with estimated cost of Rs. 2,164 million:

- Under social protection program in **Punjab**, various development activities for social welfare, special education and vocational training were under progress including Model Children Homes for poor and marginalized children, upgradation and establishment of Old Age homes, rehabilitation of drug addicts, beggars' Home, hostel for working women. Upgradation and establishment of new special education centers in various districts and tehsils remained under progress during the year to cater the educational needs of special children.

- In **Sindh**, welfare services in various districts/locations were provided to women through establishing Darul-Aman, rehabilitation center for destitute and underprivileged women, community development centers to mobilize small scale NGOs and to address the issues of she males, strengthening of Darul-Atfal, and rehabilitation of street children through civil society Organizations.
- In **Khyber Pakhtunkhwa**, under social protection strategy, many social welfare projects for vulnerable and excluded were initiated. A separate social protection strategy of KPK was prepared in 2007 to mitigate social issues of the poor and vulnerable population. These initiatives included establishment of social welfare complex, health insurance/voucher scheme, stipends for postgraduate and senior citizen, micro finance for income generation, grants for vulnerable women, child support program and establishment of women development centers at district level. Under 'Communication for Effective Social Services Delivery Project' (CESSD), upgradation and strengthening of basic health, education, water and sanitation facilities in 11 districts of KP have been under progress. The project is being implemented with total cost of Rs 86 million funded by CIDA and AusAID.
- Coverage of social welfare programs in **Baluchistan** have remained low. The Child Protection Center Turbat, Inclusive Education Center Turbat and Special Education Centers established by the then M/O Social Welfare in Quetta, Khuzdar, and Sibbi are providing special education, training and rehabilitation facilities to the special children and disabled.

Outlook for 2012-13

New Policy Initiative / Reforms

The policies, strategies and programs of the social welfare sector are to be revisited in post devolution scenario and for implementation of Framework for Economic Growth. The national responsibilities and international commitments are to be fulfilled by galvanizing newly emerged federal and provincial institutional setup for implementation. In this regard, it is pertinent to point out that Pakistan is committed to report progress on UN Convention of the Rights of the Children, and UN Convention on the Rights of Persons with Disabilities, Education for All and part of the MDGs. The following actions would therefore be undertaken for effective improvements of social welfare services delivery:

- Establishment of national central repository of up-to-date reliable qualitative and quantitative information/data on nature and extent of various social welfare needs i.e. mapping of public and private sector services, institutions for women, children, youth, elderly, patients, community development, disability and activities of NGOs/corporate sector organizations, funding agencies, small grant programs, etc.
- The existing Social Welfare Policy was formulated during 1994.The review and revision of Social Welfare Policy in accordance with current scenario; FEG and MDGs and National Plans of Action for children and Persons with Disabilities would be a key element of this sector in the light of 18th amendment.

- New initiatives evolving new social welfare policy and approach towards inclusive education, training and rehabilitation of special children and persons with disabilities. Planning commission as a national apex body needs to take lead and coordinate for effective services delivery to the target population.
- Achieving sustainable community development initiative to support and promote grass root initiatives.

Financial and Physical

At the federal level, 4 schemes at a cost of Rs 199 million are underway. The specific targets during the year would be providing services of Braille books/reading material for VIC, child welfare, activities for poor and marginalized people and vocational training for federal government employees/dependents. The total federal financial development outlay for social welfare services comes as Rs 20 million for the year 2012-13. The two new projects for staff welfare at a cost of Rs 101 million with an allocation of Rs 6 million during 2012-13 will be implemented.

The initiatives of provincial social welfare developments during 2010-11 will continue in 2012-13 in addition to the new programs for which an allocation of Rs. 1,408 million has been made for establishment of new and up gradation of existing vocational training centers for poor and marginalized, child protection centers, inclusive education initiatives and Tehsils level special education centers in **Punjab;** community development centers to activate NGOs at district level, rehabilitation centers for street children through CSOs and for physically disabled persons in **Sindh**; establishment of social welfare complex, stipend for poor students and senior citizen, micro financing for self employment and shelter homes for vulnerable women under social protection strategy in **Khyber Pakhtunkhwa**; child protection center Turbat, and special education, training and rehabilitation centers for hearing impaired children, visually impaired children, physically and mentally retarded children in Quetta, Khuzdar and Sibbi in the province Balochistan.

14.5 Pro-Poor Budgetary Expenditure

The pro-poor budgetary expenditures during 2011-12 (by Federal and Provincial Governments) stood at Rs 920 billion (Jul-Dec 2011-12). In the next year 2012-13, it is projected to rise at Rs 1,615 billion, 8.1% of GDP in 2012-13 (Table 14.8).

Table 14.8: Pro-Poor Budgetary Expenditures (2011-12 and 2012-13)

(Rs Billion)

Sectors	2011-12 (Jul-Dec)	2012-13 (Projection)
Market Access and Community Services	42	146
Human Development	206	829
Rural Development	162	291
Safety Nets	516	300
Governance	94	48
Grand Total	**920**	**1,615**
As % of GDP		8.1

Source: Ministry of Finance

Chapter 15 Youth Empowerment, Sports, Culture and Tourism

Culture, Sports, Tourism and Youth activities have been devolved to the provinces. However, development work of Pakistan Sports Board, Pakistan National Council of the Art, Institute of Folk and Cultural Heritage, Pakistan Tourism Development Corporation, Department of Archaeology and Museum still remains the responsibility of the Federal Government.

15.1 Youth

15.1.1 Issues and Challenges

In Pakistan youth (15-29 years) constitute 28% of total population (around 54 million in number). With almost 2/3rd of the population (68%) concentrated below the age of 30, Pakistan experiences a youth bulge which will change the composition of future labor force over the next three decades with more than 1/3rd of youth lives in urban areas, this share is expected to reach to 1/2 by 2030. Some important features of youth demography are listed in Table 15.1.

Table 15.1: Youth Demography (15-29 Years) 2011-12

Total Youth Population (million)	54
% of Total Population	30
Male (million)	28
Female (million)	26
Rural Areas (%)	64
Urban Areas (%)	36
Youth Literacy Rate (%)	55
Male / Female Literacy Ratio (%)	67/42
Urban / Rural Literacy Ratio (%)	74/48

Lack of policies that actively promote youth development has affected the economy and society adversely. The poor quality of education in public schools gave rise to parallel education systems in the form of private English Medium Schools and Madrassahs.. Inadequate investment in education over the years, absence of right policy mix, deteriorated governance and poor implementation has pushed the Pakistani youth in a state of disarray. Universal primary education coverage is limited due to which youth in large number, is illiterate and out of schools. Public health coverage is limited while private health is not affordable and the result is that burden of diseases is high. Due to limited prospects in the economy and irrelevance of education, a large number of youth is unemployed.

The growing frustration among youth can be well understood from the prevalent educational and skill profile on the supply side and declining job opportunities on the demand side. The reasons and consequences of youth unemployment should be of particular concern. The social and economic costs of youth unemployment are enormous. It also pressurizes the way our society is administered; making it difficult to allocate resources for building social, human and economic capital efficiently. This phenomenon highlights the need for reforms in public educational and skill training systems in Pakistan.

We have to invest more in youth to utilize their energies and to ensure that next generation of Pakistan has better economic and social development prospects. If this unprecedented opportunity is missed, it may lead to deeper turmoil and dissatisfaction among youth. If the available young human resource of Pakistan, which is unprecedented in the history, is not utilized and harnessed, by 2045 when majority of Pakistan's population would be aged, there will be enormous pressure on the economy to look after that part of population.

15.1.2 Youth in the Framework for Economic Growth

The Growth Framework focuses on increased youth engagement, community development and social networking, for which, the following policy directions have been chalked out:

- Strengthening of the training institutes such as TEVTAs, the skill training centers and other private sector skill development activities.
- Launching of National Program for Skill Enhancement in the Provinces.
- Support for educational, sports and recreational activities where youth can be a principal player.
- Exploring jobs for youth in Middle Eastern and East Asian countries under an institutional arrangement through Overseas Employment Corporation.
- A larger role of National Vocational and Technical Training Commission (NAVTEC) as a coordinator in imparting training among the youth is envisaged
- Amend laws regulations and procedures preventing promotion of community centers, libraries and related mixed use spaces.
- Create Youth Engagement Committees for management and supervision of activities in community
- Increase capacity of local youth to support development activities
- Provide Technical and financial support to communities
- Engage youth in preservation of Heritage and environment
- Focus on activities to provide youth quality health services and ensure that the youth have access to information relating to health issues, drug addiction etc.
- Expand of the youth vocational training and employment promotion programs to cover all districts.
- Expand the Youth Development Centres (YDCs) to achieve the ultimate objective of one youth development in each district. The YDCs will be made centers of information for youth and eventually information technology (IT) centers.
- Conduct Youth Survey for compilation all data on Youth's situation along with a directory of the youth organizations & youth serving agencies.

- Place Young graduates in universities, colleges and schools in all parts of the country to assist and teach. Especially graduate females will be given internship in their respective districts/division in girls' schools where there is shortage of teachers.
- Encourage innovations and inventions by financing (micro-credit) innovative projects of youth.
- Less qualified youth especially the rural youth will be offered stipend based training in livestock, poultry farming and allied activities. Females would be preferred.

Based on the above policy directions, the provinces need to evolve their own youth policies and programs. Youth empowerment cuts across many social sectors and as such is discussed under gender, education, health, nutrition, population and employment & skill development chapters.

15.1.3 Provincial Programs 2012-13

Punjab

The latest initiatives and policies of Punjab Government to motivate, inspire and empower youth to become active citizens and meet future challenges are: Laptop Awards, PEEF Scholarships, Danish Schools, IT Labs, Competitions 2011 and Sports & Youth Development. It has been planned to launch international youth exchange program, development of youth centers, National youth award program, youth conferences, national youth camps, youth programs for computer literacy, youth conventions, youth literary competitions, Recognition of top position holders in education at national level, development of the Chief Minister's Youth Commission and Projection of Punjab Youth Councils.

Sindh

The Government of Sindh has launched a major initiative, titled "Benazir Bhutto Shaheed Youth Development Program", for addressing the issues of poverty and un-employment through human resource development in the province. The Program aims to provide opportunities for short-term employment and skill development to approximately 100,000 semi-literate unemployed youth in Sindh for a period varying between 3 months to one year.

The Provincial Government is planning to launch a similar program for Youth with World Bank grant of $ 2.75 million (Rs 234.75 million) under Japan Social Development Fund (JSDF) for emergency training of youth. The program aims at to provide employment opportunities for vulnerable jobless youth ranging from under-matric to post-graduate level. The project would be implemented through Benazir Bhutto Shaheed Youth Development Program.

Khyber Pakhtunkhwa

During 2011-12, the Government of Khyber Pakhtunkhwaha (KP) has initiated a project where promotion of youth activities, excursion, visits and events are being organized for engagement of youth in creative activities. A draft Youth Policy of KP has been prepared, which is in the process of approval. The development program also includes construction of Youth Centers at Chitral, Swat, Galyat and Naran. A youth exchange program at the regional, national and international level has also been planned. Provision of sports facilities to young generation is part of the government priorities.

Balochistan

The Government of Balochistan, after devolution has created Youth Department, still in its formative stage, with the objective to channelize the potential of youth by providing technical and social training and taping the energies of illiterate school dropout youth. During 2011-12 the Government of Baluchistan has not initiated any project/program for youth, but the Youth Department Baluchistan is planning to initiate skill development, education and employment generation programs for youth in the coming years. So far the only major contribution is the construction Youth Development Centre at Quetta with an estimated cost of Rs 24.6 million. The project is funded by the Federal Government. The program for 2012-13 includes construction of Youth Development Centre at Gwadar and other districts of Baluchistan.

15.2 Sports

There is need to remove bottlenecks in smooth functioning of the sports institutions organizing sporting events at national level and participation of Pakistani players in international competition/tournaments.

The Federal Government has suggested a broader program for sports development in the country with the following salient features:-

- Formulation of a plan for building sports infrastructure at national level with the involvement of private sector.
- District governments would ensure that housing societies have sports facilities. This should be enforced through Government legislation regarding housing societies. These facilities will associate themselves with the community living in that housing society and become their ‘club’. Encourage NGOs to include sports as part of their plans to develop local communities and to liaise with local government for the development of sports infrastructure at grassroots level.
- The Provincial Education Departments and HEC would establish effective interaction between them in the case of sports facilities so that the functions of each complement the other.
- All education institutions will have well equipped sports facilities.
- There will be sports training academies, sports stadia, sports complexes, swimming pools and synthetic hockey turfs in all districts of the country.
- All major cities will have boxing gymnasia and indoor gymnasia.
- Pakistan Sports Board, Provincial Sports Boards, provincial governments and the civil administration at district level should play their part to boost sports activities in their own domains.

15.2.1 Provincial Programs 2012-13

Punjab

To promote the sports, construction of state of the art gymnasiums in all districts of Punjab, development of Sports facilities at School clusters in all Tehsils in Punjab, up-gradation of sports grounds at Tehsil level in Punjab have also been planned.

Sindh

The salient features of program for Sports Development include: champion sports promotion in Sindh and inspire individuals, organizations, communities and governments to create a healthy culture of sports and well being, provide programs, services, tools and incentives that will enhance health and well-being besides improving skills of the athletes, harness the energy and commitment of other ministries, other levels of government, community partners, the private sector, the media and the public to promote sports in the province of Sindh, to make Sindh a leader in sports within Pakistan and internationally, create a physically active society, breed healthy society, carry out social reformation through sports, promote competition and fair play and recognize and honor leading athletes and sporting legends.

Khyber Pakhtunkhwa

Government is spending considerable amount on sports grounds and other facilities in all districts of the province. For this purpose an amount of Rs 550 million has been allocated for on-going and new sports development projects in 2012-13.

Balochistan

During the year 2011-12 sports facilities such as small sports stadia at grassroot level, football grounds are under progress. While the development program for 2012-13 for sports includes promotion and creation of facilities for games like football, shooting sports, boxing, cycling and car racing along with popular sports like hockey, squash, and cricket.

15.3 Culture and Tourism

Pakistan has a potential for special categories of tourism such as domestic tourism, cultural tourism, historical tourism, eco-tourism, rural tourism and pilgrim/religious tourism. This is only possible through tourism and Pakistan possesses enormous possibility for attracting people to its grand historical places from within and outside the country. Pakistan is richin enormous cultural and touristic treasures ranging from lofty mountains in the north, green plains in Punjab and the vast deserts in Sindh. The country has currently seven monuments inscribed on the World Heritage List which can be increased to at least twenty , if efforts are made to comply with the international requirements. Number of monuments and sites protected under Antiquities Act 1975 are presented in the Table 15.2.

Table 15.2: Monuments and Sites Protected under the Antiquities Act 1975

Province	Category-I (In good condition)	Category-II (Possible to be protected from further decay)	Category-III (In advanced stages of decay)	Total
Punjab	79	58	14	151
Sindh	50	52	27	129
KPK	26	32	33	91
Balochistan	07	08	14	29
Total	162	150	88	400

The federal & provincial governments and private sector need to take up the following initiatives under a professionally and technologically grounded operational strategy:

- Preservation and conservation of monumental sites and creation of infrastructure by the state departments.
- Rest of the cultural activities such as music, painting, fine arts, tourism and performing arts by the private sector, community and individuals
- Creation of Sustainable and economically viable consumer markets for cultural products internally and globally
- Industrial support and coordination for marketing of cultural products to domestic as well as international market.
- Expanded educational efforts which include teaching of culture at tertiary level and enhanced support to research and publication of cultural pursuits.
- Tourism support to Heritage sites initially through promotion of domestic tourism and then spreading its scope to other areas such as religious and cultural tourism
- A comprehensive mapping of all heritage assets (tangible and intangible) of the country.
- Taking Private Sector and Communities as key players.

The main issues in cultural promotion and preservation of heritage have been absence of a comprehensive inventory of cultural and heritage sites, orthodoxy of conservation exercises, lack of skill in the use of the modern technology in cultural and aesthetic endeavors, weak coordination between culture and tourism activities and failure to place culture in the mainstream development process. The other area which has remained neglected was proper projection of Pakistan's rich and enormous cultural treasures to the world. Not only the efforts are required for international consumption but also many of the Pakistanis are still not very well aware of their own culture and heritage; thus the cultural promotion has remained an isolated sector. It has taken six decades to realize that cultural development and tourism are the twin sides of a single coin and modern day industrial ventures have strong cultural linkages for marketing and promotion of goods and services. The economic policies in general, let tourism alone have been designed without taking into consideration culture as stimuli for advancement.

15.3.1 Provincial Programs 2012-13

Punjab

The cultural sites and monuments in Punjab are varied in nature and provide massive attractions to the tourists. The Government of Punjab has planned to invest primarily on preservations and conservations activities on the monuments located in Multan, Harrappa, Shalimar Garden, Badshahi Masjid, Lahore Fort and the Tombs of Jahangir and Noor Jehan at Shahdara, Lahore. Rehabilitation works at Rohtas Fort will also be given preference. These sites after initial investment during the year 2012-13 would become capable of generating funds for their operational expenditure through added tourist attractions.

Sindh

Sindh is the house of one of the oldest and internationally known archeological sites-Mohenjo Daro. The conservation and preservations works will start for which international support is being sought. Makli Hills Graveyard near Thatha is also inscribed on World Heritage List which will be given due attention in the year 2012-13. The Government of Sindh has also planned to generate the cultural activities in the towns by organizing Folk festivals. Domestic tourism will be promoted through enhanced investment on touristic spots such as the beaches and the town spots in metropolitan Karachi.

Khyber Pukhtunkhwa

Government of Khyber Pakhtunkhwa has chalked out a comprehensive program for preservations of monuments at Takht Bhai, Buddhist sites in Swat and historical places within the city of Peshawar. The province being hub of tourism will continue to invest on touristic attractions in Swat, Malam Jabba Ski Resort and other places. The province has also planned to organize festivals at various places round the year.

Balochistan

The country’s oldest civilization-Mehergarh is located in the province. Excavation and conservations works at the site will continue to explore and preserve the hidden treasures of civilization.

Chapter 16 School and College Education

The Framework for Economic Growth lays emphasis on education and productivity enhancement which derives economic growth. Children of age group 5-16 years are given constitutional right of education. Under the 18th Constitutional Amendment, provinces are the driving seat to provide education facilities to the youth living. Federal Government will be responsible for such matters as right of education for children, education policy and interaction with International Forums (UN and its bodies, ECO and SAARC). Planning Commission would carry out education planning, monitoring and evaluation of federal programs, to address the implementation gaps and short comings, to improve the quality and out-put of federal programs. Provincial governments are to take all necessary steps towards educational reforms and delivery of education services at grass root level.

16.1 Challenges

The following major challenges and deficiencies are faced by the current educational system that hinders attainment of targets of Millennium Development Goals and Education for All:

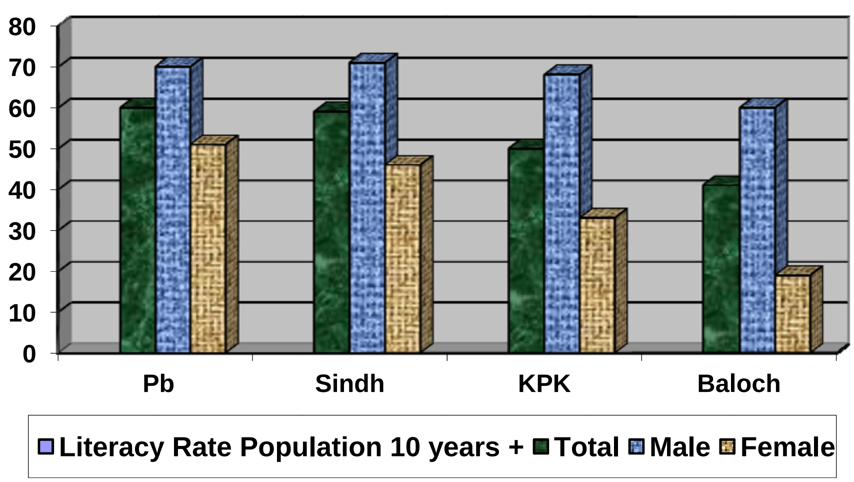
- Imperative of uniformity in Pakistan's educational system flows from the Constitution of Pakistan, which entrusts the State with the responsibility of organizing an equitable and effective education system, with an aim to enhance the overall well being of Pakistanis.
- Weak governance, limited access to educational facilities, poor quality of education and lack of gender equity.
- Commitment gap caused by lack of belief in education's true worth for socio-economic and human-centered development and lack of belief in the credibility of the goals themselves.
- Implementation gap: 20% to 30% non-utilization of development funds due to lack of proper planning & capacity and accountability. Political influence and favoritism is observed from the allocation of resources to the recruitment, training and posting of teachers and administrators by violating the merit.
- Education indicators given in the Table 16.1 and Figure 16.1 (Provinces) show that Pakistan is well below the targets of MDGs envisaged for 2015.

Table 16.1: Education Indicators 2010-11 and MDGs 2015

Indicators	Punjab	Sindh	KPK	Balochistan	Pakistan	MDGs 2015
Literacy Rate Population 10 years +						
Total	60	59	50	41	58	88
Male	70	71	68	60	69	89
Female	51	46	33	19	46	87
Youth Literacy Rate Population 15 years +						
Total	57	58	46	37	55	GPI=1
Male	67	71	65	56	67	
Female	47	43	28	15	42	
Gender Parity Index (GPI)						
Primary	0.95	0.84	0.79	0.62	0.88	1.00
Secondary	1.04	0.77	0.61	0.19	0.87	0.94

Source: PSLM Survey 2010-11, Pakistan Bureau of Statistics, Government of Pakistan.

Figure 16.1: Provincial Literacy Rates 2010-11 (%)



16.2 Objectives

Main objectives of basic and college education are:

- Universalization of primary education i.e. ensuring the completion of a full course of primary schooling by each and every boy and girl alike by 2015
- Enhancing Net Enrolment Ratio (NER) and Gross Enrolment Rate (GER)
- Enhancing adult literacy and gender equality

16.3 Strategic Action plan

The action plan prepared in the light of MDGs has been translated into specific programs and projects. The initiatives include:

- Free education up to secondary level
- Induction of vocational / technical streams in secondary schools
- All primary schools will move towards the goal of 100 percent female teachers
- The minimum qualification for all school teachers to be raised to Bachelor Degree with professional teacher training and increased teacher emoluments.
- Mainstreaming madrassas to bring them at par with national standards
- Introducing 4 year stream in Degree Colleges
- Provision of autonomy to Degree Colleges with Board of Governors / Trustees drawn from local community, academia and business
- 3 percent of educational budget will be used for monitoring Education Sector Reforms.
- Opening of literacy centers
- Opening of more Primary Schools, Up-gradation of Primary schools to Middle level, Up-gradation of Middle schools to secondary level
- Addition of classes XI-XII in secondary schools
- Strengthening of existing Teachers Training Institutes
- Stipend for girl students and scholarships for talented students
- Reforms for examination system like National Testing Service (NTS)

16.4 Review of 2011-12

Financial

During 2011-12, Rs 56.5 billion was allocated for the education. PSDP allocation for federal government was Rs 2409 million, Punjab Rs 25498 million, Sindh Rs 7627 million, Khyber Pakhtunkhwa Rs14436 million, Balochistan Rs 2776 million, FATA Rs 2750 million, Gilgit Baltistan Rs 448 million and AJ&K Rs 564 million. Detail is presented in Tables 16.2, 16.3 and Figure 16.2.

Table 16.2 Federal PSDP 2011-12

(Rs Million)

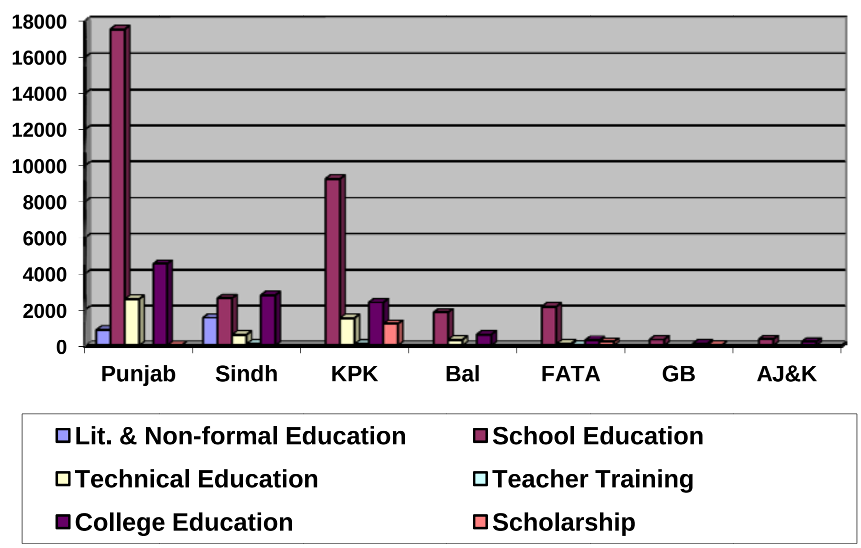
Schemes	Schemes Nos.	Allocation
Capacity Building of Teacher Training Institutions and Training of Elementary School Teachers	05	1,649
Establishment/strengthening/expansion of schools/colleges	32	679
Scholarship	04	81
Total	**41**	**2,409**

Table 16.3: Provincial Development Outlay of School & College Education (Allocations in Provincial / Area ADPs 2011-12)

(Rs Million)

Area of Education	Punjab	Sindh	KPK	Bal.	FATA	GB	AJ&K	Total
Lit. & Non-formal Education	856	1,542	-	-	-	-	-	2,398
School Education	17,538	2,620	9,245	1,841	2,152	333	352	34,081
Technical Education	2,573	596	1,523	323	87	-	-	5,102
Teacher Training	-	82	81	-	12	-	-	175
College Education	4,526	2,787	2,387	612	290	105	212	10,919
Scholarship	5	-	1,200	-	210	10	-	1425
Total	**25,498**	**7,627**	**14,436**	**2,776**	**2,751**	**448**	**564**	**54,100**

Figure 16.2: Education Sub-sector wise Allocation: Provinces and Areas 2011-12



Physical

Development work on the following development projects at the federal level remained under progress.

- The capacity building projects of teacher training institutions & training of elementary schools teachers in ICT, AJK, GB, FATA, Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan (CIDA).
- Establishment of Scout Cadet College Muzaffarabad, AJK, Cadet College at Chelas, Gilgit-Baltistan
- Polytechnic Institute for Boys at Gilgit, G.B

- Computer Literacy Centers in 12 Union Councils of ICT (Phase-II)
- Degree College Nowshehra (President's Directive), FG Degree College for Women, Sector I-14 and FG Girls Model School in I-14 Islamabad (PM's Directives), FG Degree College for Men Sihala, Islamabad (PM's Directive).), FG Degree College for Men Sihala, Islamabad (PM's Directive).
- Intermediate classes and up-gradation of IMCB F-11/3, Ibd, B.Com (Honors) 4 years classes of Ibd College for Women, F-10/3, Ibd. and MA Education and M.Ed. classes at Federal College of Education, Ibd.
- FG Junior Model School Margalla View Housing Scheme Zone-II, D-17, Ibd, FG Junior Model School CBR Colony (Zone-V), Ibd, FG Junior Model School Soan Gardens, Lohi Bher, Ibd.
- Provision of 119 Computer labs in Educational Institutes in Islamabad
- Expansion and up-gradation of FG Fatima Jinnah Degree College for Women, Model Town Humak, Islamabad (PM's Directive).

16.5 Outlook for 2012-13

Financial Allocation of Rs 4.4 billion has been made for the federal programs for 2012-13. Detail is presented at Table 16.4. Development work of the projects taken up in previous years will remain in progress. Development work of FG Degree College for Women at Bhara Kahu, Islamabad will also be taken up during the year. In addition to this, provinces and federal areas will continue their development work in the fields of literacy & non-formal education, school education, technical education, teacher training, college education and scholarship schemes.

Table 16.4 Federal PSDP 2012-13

(Rs Million)

Schemes	Schemes (Nos.)	Allocation
Capacity Building of Teachers Training Institutions and Training of Elementary School Teachers	5	1,368
Establishment/strengthening/expansion of schools/colleges	5	115
Literacy through Basic education community schools and National Commission for Human Development	2	2,462
Scholarship	7	166
Total	**19**	**4,111**

Chapter 17 Health, Nutrition and Population

17.1 Health

It is critical to move towards a health system which enables to address the challenges and prevent households from getting into the poverty trap. Efforts to improve health status of population will be limited until the health sector adopts a strategy that challenges fundamental structural conditions of limited and poor quality public health coverage, little knowledge of preventive health which contributes considerably to poverty. Although Pakistan is making progress, it is far behind other South `Asian countries in this regard. Though on decline, child mortality, under five mortality and maternal mortality are still unacceptably very high. Under-five mortality among the poorest has modestly improved in the last 15 years. . Pakistan lags behind its neighbors on immunization coverage. Gap between access to health services for the poor and the affluent and geographic differences are large. The quality of care in public facilities is low resulting in low utilization of public health facilities. Moreover, slow progress in achieving maternal and child health and reduction in their morbidity and mortality are major concerns in the progress towards achieving Millennium Development Goals (MDGs).

In pursuance to 18th Amendment to the Constitution, health sector has been devolved to the provinces with absolute administrative and financial autonomy. Accordingly Ministry of Health was abolished on 30th June 2011. The following residual functions have been spread to various Ministries/Divisions including Planning & Development Division, Cabinet Division, Inter-Provincial Coordination Division, Capital Administration & Development Division, Economic Affairs Division and Interior Division. The health functions retained at the federal level are:

- National Planning
- Coordination (with provinces and international development partners)
- Funding of Vertical Programs in Health Sector
- Regulation of Pharmaceutical Sector
- International Health Regulations
- Dealing with International Agreements and MoUs
- Training Abroad

Although vertical Programs in health sector have been devolved to the provinces, however, upon their request and in pursuance to the decision of CCI, funding for these vertical Programs during the 7th NFC Award shall be catered to by Federal Government.

17.1.1 Challenges

- **Post-devolution**: provinces are to pick up vertical projects of health and population after expiry of the 7th NFC Award activities, for that they have to take pro active measures Lack of evidence based planning and decision making
- Weak management and governance systems particularly at district and sub-district levels

- Partially functional logistics and supply system
- Poorly motivated and inadequately skilled as well as compensated staff
- Lack of adequate supportive supervision
- Low level of public sector expenditure and its inequitable distribution.

17.1.2 Economic Growth Framework

Economic Growth Framework seeks accelerated and sustained growth and development based on economic reforms with emphasis on productivity. In health sector the strategy envisages perusal of the following themes for implementation in short and medium term:

- Revamping/management of primary, secondary and tertiary healthcare (Rescue 1122; Strengthen DHQs; tertiary hospital autonomy)
  [Provincial Departments of Health; Federal government support as and when required]
- Healthcare Financing Reforms (Social Health Protection for poor; Health Insurance; other financing options)
  [Provincial Departments of Health; BISP; Federal Government support as and when required]
- Governance reforms in health sector (setting quality standards; essential services package; aid effectiveness; service structure; capacity; access to affordable medicine; Health Ombudsman; federal-provincial coordination)
  [Provincial Departments of Health; Federal government]

17.1.3 Review of Health Sector 2011-12

An amount of Rs 14.3 billion was provided in Federal PSDP 2011-12 against which utilization by end of March 2012 stands at Rs 9.7 billion (Table 17.1).

Table 17.1 Health Programs 2011-12 & 2012-13

(Rs Million)

Vertical Programs	Total Cost	2011-12 Allocation	2012-13 Allocation
National Program for Family Planning and Primary Health Care	77,101	8,000	11,000
Expanded Program of Immunization	24,983	2,716	2,793
Enhanced HIV/AIDS Control NIH Islamabad	1,931	247	247
National T.B. Control Program	1,184	124	124
Roll Back Malaria Control Program	659	124	124
National Program for Prevention and control of Blindness, NIH, Islamabad.	2,776	247	247
Prime Minister's Program for Prevention & Control of Hepatitis, NIH, Islamabad	13,904	600	684
National Maternal Neonatal and Child Health Program, Islamabad.	19,995	2,281	2,366
National Program for Prevention and Control of Avian Pandemic influenza, NIH, Islamabad.	331	37	37
Total	**142,864**	**14,375**	**17,622**

To improve health status of the people and to reduce burden of disease following programs and projects under implementation remained on track. Physical targets and achievements of health program for 2011-12 are presented in Table 17.2.

- **Program for Family Planning and Primary Health Care:** The program has recruited about 110,000 Lady Health Workers (LHWs) to date. More than 60% of total population and 76% 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. Their role in improving mother and child health is by now well recognized.

- **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% of disease burden in the country is shared by 56 highly endemic districts, mostly located in Balochistan (17 out of 29 districts), FATA (7 agencies), Sindh (12 districts) and Khyber Pakhtunkhwa (12 districts). Most of the reported cases from these districts are due to falciparum malaria which is 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. 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 and
  - National commitment.

- **TB Control Program**: Pakistan is 6th amongst 22 high disease burden countries. TB Control Program has achieved 100% Directly Observed Treatment System(DOTS) coverage in public sector and in the last five years the Program has provided care to more than half a million TB patients in Pakistan. The Program is moving steadily to achieve the global targets of 70% case detection. There are areas where NTP has to improve each as 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 advocacy communication and social mobilization (ACSM).

- **HIV/AIDS Control Program:** The major focus of the program is on behavior change communication (BCC), services to high-risk population groups, treatment of sexually transmitted infections (STIs), supply of safe blood and capacity building of various stakeholders. Till date 4,500 HIV positive cases have been reported to the AIDS Control Programs at federal and provincial levels .It includes 2,700 full blown AIDS cases. Around 1030 are receiving free treatment through 12 AIDS Treatment Centers.

- **Maternal & Child Health Program:** Maternal & Child Health Program has been launched by the government in order to improve Maternal and Neonatal Health 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 Mother and Child Health and Family Planning services, train 10,000 community midwives, comprehensive Emergency Obstetric and Neonatal Care (EmONC) services in 275 hospitals/health facilities, basic EmONC services in 550 health facilities, and family planning services in all health outlets.

- **Expanded Program on Immunization:** EPI Program provides immunization against the 7 killer diseases i.e. childhood tuberculosis, poliomyelitis, diphtheria, pertussis, neonatal tetanus, measles and hepatitis B. New vaccines would also be considered for introduction in due course. During the year 2010-11, 7 million children of 0-11 months and 6.5 million pregnant women were immunized against 7 deadly diseases and tetanus oxide respectively. 19 million packets of ORS were distributed. Under the preventive program, about 8.5 million children will be immunized and 25 million packets of Oral Rehydration Salt (ORS) will be distributed during 2011-12. Routine coverage is regarded as the basis of child protection.

- **Prime Minister's Program for Prevention and Control of Hepatitis in Pakistan (2010-15):** The program envisages meeting the challenge posed by the high prevalence of viral hepatitis in the country. The program aims at 50% reduction in new cases of hepatitis B and C by 2015 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 Transfusion and prevention of hepatitis A and E.

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

In addition to the above discussed major health programs, progress on some other health activities are presented as under:

- Establishment of 7 Rural Health Centers (RHCs) 30 Basic Health Units (BHUs) up gradation of 15 existing RHCs and 35 BHUs.
- Addition of 4000 new doctors, 450 dentists, 3000 Nurses, 4500 paramedics and 500 Traditional Birth Attendants.
- Under the preventive program, about 7 million children were targeted to be immunized and 19 million packets of ORS are likely to be distributed during 2011-12.
- 4500 HIV positive cases have been reported to the National and Provincial AIDS Control Programs .It includes 2700 full blown AIDS. Around 1030 patients are receiving free treatment through 12 AIDS Treatment Centers.

Table 17.2: Physical Target/Achievement 2011-12 and 2012-13

(Nos)

Sub Sector	2011-12			Targets 2012-13
	Targets	Achievements	(%)	
A. Rural Health Program				
New BHUs	50	30	60	40
New RHCs	10	7	70	10
Strengthening/Improvement of BHUs	50	35	70	45
Strengthening/Improvement of RHCs.	20	15	75	15
B. Hospital Beds	**5,000**	**4,000**	**80**	**5,000**
C. Health Manpower				
Doctors	5,000	4,300	86	5,000
Dentists	500	450	90	500
Nurses	4,000	3,000	75	4,500
Paramedics	5,000	4,500	90	5,500
TBAs	550	500	91	500
Training of LHWs	10,000	9,500	95	10,000
D. Preventive Program				
Immunization (Million NOs)	7.5	7	93	8
Oral Rehydration Salt (ORS) (Million Packet)	22	20	91	23

17.1.4 Outlook of Health 2012-13

Strategic Priorities for 2012-13

- Strengthening of primary health care facilities particularly in improvement of mother and child health through institutionalization of 24/7 Basic EmONC initially at ICT and later to be replicated at provincial level. US $ 2.1 Million (Rs 184.4 Million) are committed by SDF for this purpose
- Communicable disease control and funding of the relevant vertical Program from federal PSDP
- Mobilization of resources through international development partnership like WHO (JPRM), SDF , World Bank, DFID
- Initiate social protection/ social health insurance to assure provision of quality and affordable health care particularly to the vulnerable
- Health sector reforms (service structure, remuneration package)

An amount of Rs 20.0 billion has been earmarked for health sector in Federal PSDP 2012-13 for preventative and curative programs for achievement of MDGs. All the vertical Programs in health sector shall continue to be funded by federal government during FY 2012-13 (Table 17.1).

The targets for the health sector during 2012-13 included establishment of 10 Rural Health Centers (RHC) 50 Basic Health Units (BHUs) and up gradation of 20 existing RHCs and 50 BHUs. The human resource target included the addition of 5000 new doctors, 500 dentists, 4000 Nurses, 5000 paramedics and 550 Traditional Birth Attendants. Under the preventive program, about 7.5 million children were targeted to be immunized and 22 million packets of ORS were to be distributed during 2011-12. Physical targets for FY 2012-13 are given in Table 17.2.

Provincial Strategic Interventions

- **Preventive Health Care and Attainment of MDGs**
  The provinces have greater focus on preventive health care and attainment of MDGs. They have a unique situation of a double burden of disease. Yet, the preventable diseases still take heavy toll and diseases which are believed to have been rolled back re-emerge. The following interventions are going to contribute towards this end:
  - Millennium Development Goals Program (PMDGP) in Punjab
  - Safe Blood Transfusion Service Program (all provinces)
  - TB Control Program (all provinces)
  - Expanded Program for Immunization (all provinces)
  - Prevention & Control of Hepatitis Program (all provinces)
  - HIV/AIDS Control Program (all provinces)
  - Punjab Thalassemia Prevention Program
  - Maternal and Newborn Child Health Program (all provinces)

- **Focus on Rural Health Centers (RHCs) and Renewed Focus on Secondary Health Care**
  - Policy is to consolidate the existing health facilities instead of creating new infrastructure. Focus would be on strengthening Primary Health Care facilities (RHCs) based on yardsticks.
  - The emphasis is on up gradation of THQ and DHQ Hospitals as well as establishment of new ones.
  - Provision/Rehabilitation of Equipment in Secondary Care Hospitals.

- **Need Based and Result Oriented Allocation for Tertiary Health Care**
  - Being autonomous, the tertiary health care level is witnessing a great deal of dynamism and several innovations which need substantial funding and support. Although the tertiary health care allocations remain high but they have been made more need-based and targeted.
  - Schemes of all teaching hospitals involving latest diagnostic and treatment facilities.

- **Improved Diagnostic Facilities**
  The area of diagnostics needs to be strengthened appreciably to keep pace with the ever-changing demands of time and to make health and medical analyses more scientific.

- **New Strategic Thrust (in Punjab)**
  - Mobile Health Units have been introduced to make up for the deficiencies of static coverage and effective service delivery at remote areas. The Mobile Health Unit contains collapsible & non-collapsible diagnostic and invasive & non-invasive electro-medical equipment. It also contains health education material to disseminate the information strategically.
  - 6 Mobile Health Units are already in operation in Muzaffargarh, Rajanpur, Mianwali, D.G. Khan, Bahawalpur and Bahawalnagar since January, 2011.
  - Additional 50 Mobile Health Units (MHUs) are to be procured. 20 MHUs will be launched during 2012-13.

- **Enhanced Focus on Medical Education**
  - The inequity in Doctor to Population Ratio has impeded efficient service delivery as well. The current Doctor-Population Ratio stands at 1:2187 instead of the WHO recommended 1:1000. With a view to rectifying this mismatch, new medical colleges are being established.
  - In Punjab, Medical College, Gujarat is in operation since 2009. Establishment of four new Medical Colleges at Gujranwala, Sialkot, Sahiwal and D.G. Khan (Classes of 1st year MBBS have already commenced)
  - Similar other provinces are also in process of institutionalizing new medical colleges.
  - School of Nursing at Rawalpindi is being upgraded to degree level.
  - Capacity Development and Training of Nurses & Paramedics

17.2 Nutrition

Adequate diet provides basic nutrients for growth and development of individuals through ensuring food and nutrition security. Food security parameters related to nutrition are provision of sufficient quantity of safe food accessibility throughout the year. The economic growth framework envisages socially active and economically vibrant human force as a sustained growth engine. This and nutrition related MDGs-2015 targets would be achieved through multi-sectoral cost effective nutritional interventions by integrating & creating linkages and coordination among relevant stakeholders. The nutrition indicators of eradicating extreme poverty and hunger are; (a) prevalence of underweight children under five and (b) proportion of population below minimum level of dietary energy consumption are aligned with the economic growth framework.

17.2.1 Policy and Strategy:

Food and nutrition security remains government priority for basic food and nutritional needs of the population at household level. The nutrition interventions being a multi-sectoral are perused to reach targeted population groups through allied public and private sector such as health, food, education, agriculture, industry, social welfare and mass awareness etc. Nutrition strategy will follow:

- Monitoring Food & nutrition status
- Improved quality of food through fortifications, quality control
- Integrating nutrition interventions across allied sectors.

17.2.2 Review 2011-12:

- **Food Availability:** The major food items availability remained satisfactory during the year 2011-12 to meet the overall nutritional requirements. The average caloric availability during the year has been estimated at 2410 per capita/day. The availability of essential food items over the period is briefly given in the Table 17.2.1.

Table 17.2.1: Food Availability kg Per Capita/year

Year	Cereals	Pulses	Sugar	Milk (Ltrs)	Meat	Edible Ghee/ oil	Cal/ day (No.)	Proteins/ day(gms)
2010-11	158.7	6.6	30.9	94.2	20.5	12.8	2420	72.0
2011-12 Ests.	159.0	6.4	30.4	96.0	20.4	12.7	2410	71.5
2012-13 Targets	160.0	6.7	31.0	97.3	21.0	13.0	2450	72.5

- **Food Consumption:** The consumption of essential food items showed marginal improvement in calories intake from1650 to 1700 and protein 44 to 45 gm per capita per day in 2010-11 as compared to 2007-08. The food consumption information is available through cross sectional consumption/nutrition surveys. The detail is given in Table 17.2.2.

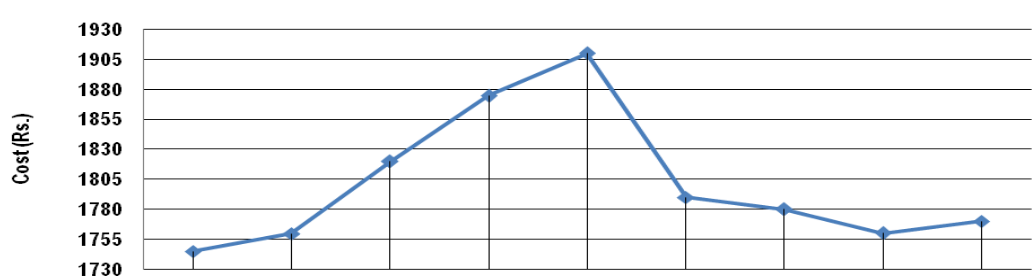
Table 17.2.2: Consumption of Major Food Items Kg Per Capita/year

Year	Wheat	Rice	Pulses	Sugar	Milk (Ltrs)	Fruits & Veg.	Meat	Edible Ghee/ oil	Cal/ day (No.)
2007-8	93.0	10.7	2.9	15.8	82.0	54.0	6.8	8.2	1650
2010-11	95.8	12.0	3.6	16.6	80.8	64.4	6.2	10.9	1700

Source: HIES 2007-08 & 2010-11, PBS.

- **Food Expenditure:** The food basket determine adequacy of food intake and cost of the food basket indicates inflationary pressure on food intake. The cost of food basket remained fluctuating during the year with an average of Rs 1800 for the period July 2011 - March 2012. The cost witnessed a maximum of Rs 1910 in the middle months of the year, however with a cumulative increase of about 1 percent from Rs 1745 to Rs 1767 in nine months. The difference in change of cost among provinces has been an increase of 5 percent in Khyber Pakhtunkhwa while decrease by 2 percent in Punjab. The monthly comparison is presented in the Figure 17.2.1.

Figure 17.2.1: Change in Cost of Food Basket-Monthly
July, 2011 to March, 2012



	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
Cost (Rs.)	1745	1760	1820	1875	1910	1790	1780	1760	1770

Nutritional Status

The supply of calories over the time through availability of major food items remained above the average Recommended Daily Allowance (RDA) and actual household food consumption. However, food consumption remains lower then food availability and the minimum food basket. The trend over period depicts resultant nutrition status.

The latest National Nutrition Survey 2011 revealed that malnutrition is prevalent in the country especially among children and women of child bearing age. About 31 percent children under five years of age are underweight and 15 percent wasted. Around 32 percent babies are born with low birth weight, which reflects inadequate nutritional status of mothers. Based on Body Mass Index (BMI), about 9.5 percent mothers are obese and 15 percent are underweight. The NNS 2011 also reflects a widespread micronutrient deficiency of Iron, Vitamin-A, Iodine and Zinc among children up to 5 years and mothers given in Table 17.2.3.

Table 17.2.3: Status of Micronutrient Deficiencies Mothers and Children

(%)

Children(0-5 Years)		**National**	**Punjab**	**Sindh**	**KPK**	**Baluchistan**
Vitamin A		21	19	19	34	38
Iodine level(6-12 years)		12	14	9	7	13
Iron deficiency Anemia		33	36	32	14	19
Zinc deficiency		39	38	37	45	39
Mothers						
Vitamin A		17	18	11	32	22
Iodine level		14	14	19	12	15
Iron deficiency Anemia	Pregnant	25	25	24	16	27
	Non Pregnant	19	19	23	6	14
Zinc deficiency		42	41	39	49	44

Source: National Nutrition Survey 2010-11

Financial

Rs 4 million were allocated in the PSDP for the year 2011-12, which has been released and expected to be utilized for ongoing program, "Establishment of Reference Laboratory for Food Quality Control System" at National Institute of Health (NIH), Islamabad. The expenditure on nutritional activities remains low, new program could not be initiated at federal level being a cross cutting multi-sectoral discipline due to 18th Amendment. The development of provincial nutrition programs remained in preparation with the consultation of the stakeholders. However, outside PSDP nutritional activities like food fortification & supplementation and nutritional awareness continued in private sector.

Physical

- Food quality control is an important food security concern. A Reference Food Laboratory for Strengthening of Food Quality Control System at Nutrition Division, National Institute of Health (NIH), Islamabad completed with a cost of Rs 25 million and has started work in 2012.
- Micronutrient supplementation of Vitamin-A and Iron continued through Lady Health Workers (about 98,000) across the country to control nutritional

deficiencies of Anemia, Vitamin-A in children under five and women of child bearing age.

- Food security and social safety net measures especially for poor households remained in progress to mitigate the impact of food inflation through Benazir Income Support Program (BISP).
- Micronutrient Deficiency Control Program to address major micronutrient decencies of Iodine, Iron and Vitamin-A&D through food fortification remained in progress through private sector with the support of public sector. The program during the year focused for increased production and expanded coverage of both salt and wheat flour.

17.2.3 Prospects for 2012-13

Better nutrition intake is targeted through improved consumption of essential food items, following desirable food basked. The availability of major food items will be sustained and is estimated to provide 2450 calories per capita per day to meet the average nutritional requirements of the population. Resultantly the food consumption of essential food items is estimated to improve during the year. The quality of basic food items will be ensured to control micronutrient malnutrition through food based nutritional interventions across sectors throughout the country.

Programs

- Integrated five year enhanced nutrition program for mother and children is in the process of finalization by all the provinces including Azad Jammu & Kashmir and Gilgit Baltistan except Punjab to improve nutritional status of the population especially vulnerable groups covering following areas:
  - Malnutrition in Children (06-59 months) and Pregnant & Lactating Women;
  - Micronutrient Deficiency;
  - Behavior Change Communication;
  - Strengthening Institutional Arrangements
- The Punjab Government plan to integrate nutrition concerns across allied ongoing initiatives.
- A National Zero Hunger Program of public sector and UN agencies is being finalized for its scope and coverage. The main focus is to pursue a set of nutritional interventions to address public malnutrition throughout the country at an estimated cost of $ 1000 million for a period of three years. The Government has committed to provide wheat 500,000 metric tons per year.
- Food fortification to control micronutrient deficiency will continue for increased production and expansion of wheat flour and salt. New initiatives to institutionalize internal and external quality of fortified food product will be started across provinces.
- Iron supplementation to women of child bearing age will continue through the Lady Health Worker's Program and Vitamin- A supplementation to children under five years of age as part of the National Immunization Days (NID's).
- Nutrition Surveillance System initiated during 2012 will be scaled up for better integration in the system and wider coverage.

17.3 Population Welfare

Population concerns are central to economic growth, poverty alleviation, employment generation, social harmony and improvement in quality of life of people. Conversely, sustainable development contributes towards containing the consequences of unavoidable population growth and facilitates demographic transition. Poverty is often accompanied by unemployment, malnutrition, illiteracy, low status of women, exposure to environmental risks and limited access to social and health services including family planning and reproductive health services. All these factors reinforce high level of fertility, morbidity and mortality, and lead to low economic productivity, hence contributes to rise in poverty. A control over rapid population growth will be necessary to narrow and ultimately eliminate the gap between population and economic resources that allows progress in the field of social services such as health, housing, clean water, food & nutrition and proper sanitation.

Pakistan still has the highest population growth rate (2.0%) in the world mainly due to rapid decline in mortality rate and slowly decreasing fertility rate, Total Fertility Rate (TFR) 3.5 is high whereas CPR is lowest at 30%. It is ranked 6th by position in the world and is expected to become the fourth largest nation by 2050.

What is striking about the recent few years is the recognition and realization that family planning services have not kept up pace with their increased demand. The high unmet need for family planning services, the high levels of unwanted fertility and the large number of induced abortions, to avoid having and rearing an unwanted child are reflection of this reality. These outcomes are largely a result of women, couples and families not having easy, accessible, affordable resort to means of preventing an unwanted pregnancy, which includes good quality information and services. The stagnation of the contraceptive prevalence rate at 30% is a testimony that there was disconnection between demand and provision of family planning services. More than one out of three women wants birth spacing but not using contraceptives. Furthermore, out of a fertility rate of 3.4, one child on average is unwanted.

17.3.1 Present Situation

Some important demographic indicators for the year 2011-12 are reflected in the Table 17.3.1, whereas population projections by age group for midyear 2012 are given in Table 17.3.2.

Table 17.3.1: Selected Demographic Indicators of Pakistan

	2011-12 (1st July)	2012-13 (1st July)
Total Population (Million)	177.1	180.7
Urban Population	65.3	67.5
Rural Population	111.8	113.2
Total Fertility Rate (TFR)	3.5	3.4
Crude Birth Rate (per 000)	27.5	27.2
Crude Death Rate (per 000)	7.3	7.2
Population Growth Rate (%)	2.03	2.0
Life Expectancy (years)	64.8	65.2

Source: National Institute of Population Studies (NIPS), 2012

Table 17.3.2: Population Projections by Age groups of Pakistan 2012 Mid Year

(Million)

Age group	Both Sex	Male	Female
00 - 04	22.2	11.5	10.7
05 - 09	20.6	10.7	9.9
10 - 14	19.7	10.2	9.5
15 - 19	20.6	10.6	10.0
20 - 24	18.2	9.4	8.8
25 - 29	15.7	8.1	7.6
30 - 34	13.4	6.9	6.5
35 - 39	11.2	5.8	5.4
40 - 44	9.3	4.8	4.5
45 - 49	7.6	3.9	3.7
50 - 54	6.2	3.2	3.0
55 - 59	5.0	2.6	2.4
60 - 64	3.9	2.0	1.9
65 - 69	2.9	1.5	1.4
70 - 74	2.0	1.0	1.0
75 - 79	1.2	0.6	0.6
80+	1.0	0.5	0.5
Total	**180.7**	**93.4**	**87.3**

Source: National Institute of Population Studies (NIPS), 2012

17.3.2 Strategy

The population welfare strategy has been designed in line with the Framework for Economic Growth (FEG). Ingredients critical to effective implementations of the population strategy are outlined as under:

- Strong commitment and political will at all levels.
- Close coordination among different sectors.
- Collaboration between public and private sectors.
- Integration between health and population sectors and improving availability of RH services at First Level Care Facility (FLCF).
- Well directed communication and media policy to disseminate population Program interventions related to optimal birth spacing, emergency contraception and more focused Interpersonal Communication (IPC).
- Improved managerial and service provision capacity at different tiers of devolution.
- Develop a strong reporting, monitoring and evaluation system.
- Improve performance of Program at all levels by introducing performance indicators for all categories of administrative and service delivery tiers these may include:
  - Performance based PSDP allocations and utilizations, universal access to FP/RH services, fertility level, population growth rate, crude birth rate, crude death rate, life expectancy, contraceptive prevalence rate, availability of contraceptives and service Delivery.
  - Strengthening Public Private Partnership.
  - Strengthening Population Section of Planning Commission to develop population welfare policy and reforms.

17.3.3 Interventions to achieve the desired targets/ goals

In order to achieve a desirable level of total fertility rate, a robust family planning Program is imperative to regain the momentum in fertility transition. With a very high unmet need for contraception (25 %), several barriers need to be overcome, including misinformation regarding family planning methods, difficulties to access the facilities and services, misinterpreted religious precepts regarding use of contraception, absence of client focused quality services, disrupted flow of information and availability of contraceptive methods. In this regard, strict monitoring and evaluation, accountability, assurance of quality services at the individual level, are envisioned to play an important role.

An effective communication strategy to address these barriers and build demand for family planning remains a major area warranting attention. All these issues also need to be incorporated in Health Policy so that ownership and collective resolve in an important cause is reflected. Quality of service, which includes availability and choice of methods, information to clients, technical competence of providers, good rapport between users and service providers, continuity of services and a constellation of services offered, all need to be comprehensively reviewed and accordingly addressed.

The need for a broad-based integrated reproductive health approach is considered a prerequisite for achieving any further breakthrough in the population sector under greater coordination between public sector, private sector and civil society. For achieving the long-term objective of attainment of a replacement level of fertility by 2020 or earlier as Millennium Development Goals (MDGs) require, the Population Welfare Program focuses on the new initiatives and priority Programs through focused interventions described as under:

- Implement a comprehensive reproductive health (RH) package, and improve coordination of the RH Program among the government (functional integration between Health and Population Sectors); multinational, bilateral agencies and civil society organizations including NGOs.
- Involve women organizations and other groups working for women’s needs in the planning, implementation, and monitoring of RH services and Programs.
- Promote men’s participation in RH Programs, through sensitization and creating awareness among them for responsible reproductive behavior in relation to women’s health benefits and overall improvement of quality of life and family welfare.
- Assure the high level of quality of care in providing information and services.
- Promote an approach that provides a constellation of linked or integrated services to meet the needs of clients.
- Make available as wide a range as possible of safe and effective modern methods of family planning, emergency contraceptives, and provide advice on the safe practice of traditional methods.
- Create awareness and a better understanding of the social, cultural and behavioral aspects of RH service provision through improved quality of care.
- Strengthening of a referral system
- Establishment of community based RH-Care base services, provided by LHWs

17.3.4 Review of 2011-12 and Prospects for 2012-13

Financial Performance

The following Table 17.3.3 depicts that during the financial year 2011-12, an amount of Rs 4.1 billion was allocated in the Federal PSDP to Population Welfare; against which Rs 5.1 billion have been utilized. For the next year Rs 3.7 billion have been allocated. Additional requirements are to be met out by funds provided by provinces.

Table 17.3.3: Population Welfare; PSDP Allocation and Utilization 2011-12 and 2012-13

Rs million

Project	Total Cost	2011-12 Allocation	2011-12 Utilization	2012-13 Allocation
Population Welfare Program Federal Activity (2010-15)	2,702	507	1	0
Population Welfare Program Punjab (2010-15)	19,628	1,549	2,154	1,549
Population Welfare Program Sindh (2010-15)	13,336	885	1,400	885
Population Welfare Program Khyber Pakhtunkhwa (2010-15)	6,234	477	815	477
Population Welfare Program Balochistan (2010-15)	5,426	391	409	391
Population Welfare Program GB (2010-15)	663	41	63	41
Population Welfare Program AJK (2010-15)	1,245	78	115	78
Population Welfare Program FATA (2010-15)	997	35	61	35
Population Welfare Program, Federal Services in Islamabad)	399	100	74	90
Establishment of Multipurpose Service Centre, Islamabad.	40	3	1	-
Grand Total	**50,670**	**4,066**	**5,093**	**3,546**

*utilization till March 2012

Physical Achievements 2011-12

During 2011-12, the Population Welfare Program constrained to expand its service delivery outlets due to insufficient financial allocations. The National Institute of Population Studies completed following studies during the year 2011-12.

- Evaluation of RHS-B Centers
- AJK Demographic and Health Survey
- Evaluation of Family Welfare Centers
- Existing Status of Population Education at Pre-Service Level
- AJK Demographic Health Survey
- Evaluation of Regional Training Institutes
- Islam and Family Planning.
- Perception and Practices at Silakot and Chakwal Districts.
- Rapid Booklet (Population growth and its implications).

Targets for 2012-13

During 2012-13, population Welfare Program will continue to provide reproductive health/ family planning services. Some of the broad performance targets set for the period 2012-17 are outlined as under.

- Reduce fertility level to 3 births per woman.
- Ensure universal access to safe family planning services.
- Reduce incidence of first birth, at age less than 18 years, by two-thirds.
- Promote birth-pregnancy spacing of more than 36 months from existing 30 % to 45%.

Reduce proportion of mothers giving late birth, at age beyond 34, to half.
The Population Welfare Program envisages to establish service delivery outlets during 2012-13. Cumulative figures for the period 2011-12 and 2012-13 are presented in the following Table 17.3.4.

Table 17.3.4: Physical and Contraceptive Users Targets

(Cumulative Nos.)

	2011-12 Target	2011-12 Achievement	2012-13 Target
Family Welfare Centers	3,427	2,891	3,427
Reproductive Health Services Centers-A	269	207	269
Mobile service units (MSUs)	300	292	300
Contraceptive users (Million)	10.2	2.7*	13.1
Reproductive Health Services Centers-B	184	133	184
Registered Medical Practitioners (RMPs)	27,576	9,297	27,576
Hakeem and Homeopaths	14,009	8,071	14,009

*Contraceptive users till December 2011.

NIPS has planned to carry out following studies during the year 2012-13.

- Evaluation of Management tiers
- Evaluation of RHS-A centers
- Evaluation of Mobile Service Units
- IEC survey
- Evaluation of Population education
- Pakistan and Demographic Health Survey

Government of **Sindh** has approved three new schemes costing Rs 900 million to be undertaken during 2012-13 and beyond. ADP allocation for 2012-13 at Rs 465 million has been earmarked for ongoing and new schemes. (Table17.3.5).

Table 17.3.5: Population Welfare: Sindh Schemes

Schemes	Estimated Cost	ADP 2012-13
Construction of PWTI Karachi (2008-14)	120	150
Safe mother Home Larkana (2010-13)	38	15
Construction of DPW offices (2012-15)	750	150
Revitalization of Devolved Institutes (2012-13)	100	100
Rehabilitation of RHS-A Centers (2012-13)	50	50

Government of **Punjab** has also decided to establish following service outlets during 2012-13 and beyond.

- Establishment of Model Family Planning & Health Centers.
- Social Mobilization through induction of Religious Leaders / Imams.
- Establishment of Family Planning Homes.
- Strengthening Linkages with RMPs.
- Food Supplement for Breast Feeding Mothers.
- Strengthening Monitoring System.

Chapter 18 Women Development and Empowerment

Women development, empowerment and gender sensitization has gained priority in the public sector policy discourse in the recent decade. Prior to devolution, the erstwhile Ministry of Women Development (MoWD) was responsible for initiatives for women empowerment. It facilitated legislation for women, granting 10% quota in public sector and reserved seats in parliament & at union council level and introduced Gender Reform Action Plan. Women Crisis Centers were formed and National Plan of Action for Women (NPA) and National Policy for Development and Empowerment of Women were formulated reflecting international commitments.

Subsequent to the 18^{th} amendment, Ministry of Human Rights (MoHR) has been entrusted to deal with human rights aspect of women empowerment and gender mainstreaming. However, purview of the MoHR remains restricted to the human rights dimension regarding women. Women development and empowerment is an essential parameter of the Framework for Economic Growth. Therefore human rights' enforcement is a necessary but not sufficient condition for the empowerment of women. Similarly, the "National Commission on the Status of Women (NCSW)" has been retained at the federal mandated to examine national policies, programs and plans for women's development and gender equality.

The issues pertaining to women development and protection are now being recognized as basic human rights. Several commitments at national and international forums ensure that the gender equality is to be featured at all levels. The major national commitments include Women's Empowerment Policy, the National Plan of Action, the Gender Reform Programs, and the Benazir Income Support Program (BISP). The international commitments comprise of "Convention for Elimination of Discrimination against Women (CEDAW)", the Beijing Platform of Action, the Millennium Development Goals (MDGs) and several other UN human rights conventions and covenants. The major outcomes during the year have been the passage of numerous bills and legislations such as Protection against Harassment at Workplace, and Domestic Violence Bill.

18.1 Issues and Challenges

Though there has been significant shift in the focus of the government towards the gender issues, women are still under-represented in economic, political and social spheres and thus remain impoverished as evident by low life expectancy (63 years), gender parity index in secondary level enrolment (0.79) and gender parity index in primary level enrolment (0.84) in 2010-11. Subsequent to devolution, women development has been rendered a national dimension and the major areas of concern can thus be identified as follows:

- Numerous gaps between the implementation of the national and international commitments
- Absence of an institutional mechanism at the national level impedes the process of mainstreaming gender across national governance structures
- National Plan of Action for Elimination of Discrimination against Women was drafted under the erstwhile MoWD but the operational plans for its implementation are yet to be developed.

- Lack of uniformity in gender policy discourse, legislation and compliance of international commitments
- Efforts regarding women development are more preventive than proactive
- Low level of resource investment in women compounded by negative social and cultural norms makes difficult the eradication of gender discrimination and disparities in all realms of society
- Coexistence of discriminatory legislation, parallel legal system, Jirgas, Panchayats and policies espousing equal rights to men and women
- Persistent gender disparities in the education, health, economic, and political spheres
- Long gestation period of programs and plans for greater economic opportunities for women resulting in low productivity
- Precarious domestic environment breaching human rights through gender based violence
- Lack of gender dimensioning in public policies and plans at all levels
- Need to revamp women crisis centers addressing need of security for the displaced women in line with best practices

18.2 Strategy

The Framework for Economic Growth also identifies “human capital” as the “software “of growth; since women comprise more than half of the human capital, a sustained development envisaged in the growth framework can be attained by economically, socially and politically developing and empowering the women. Therefore, the gender development and women empowerment corroborates with the development proponents of the growth framework; the economic growth can be fostered by prioritizing:

- Investments in human capital, especially girls and women's education
- Investments in physical capital, particularly women's access to the formal sector employment and labor productivity

The following initiatives at national level are considered vital to spur the social, economic political and legal empowerment and development of women:

Socio-economic Development

- Overarching policies and plans encompassing areas of health and education
- Expanding economic opportunities and developing multi-sectoral and inter-disciplinary approaches with horizontal and vertical linkages at all levels

Conducive Domestic milieu

- Rights-based framework protecting women’s legal rights and entitlements
- Ensuring equality and empowerment of women to transform them to effective human capital

Gender Mainstreaming

- Development of gender sensitive need based policy programs and projects
- Integration of gender issues into all sectors of national development
- Materializing national and international gender commitments

18.3 Review of 2011-12

The year 2011-2012 can be rounded up as follows.

Financial

- Subsequent to 18th amendment, the national umbrella projects amounting to more than Rs 256 million were devolved to the respective provinces. These projects comprise of establishment of Women Centers under the aegis of the provinces. The total expenditure of the provinces amounted to Rs 192 million
- An amount of Rs 6.5 million was allocated to Human Rights Division for implementation of development schemes including Family Protection and Rehabilitation Centre for Women, Islamabad and Establishment of Women Centers

Physical

- Though the MoWD was devolved and functions transferred to respective provinces and federal agencies, the infrastructure created under its aegis continued delivering services to the target population, with the exception of Punjab where women protection/crisis centers were reverted to the federal government
- Initiatives for the development of women continue at the provincial level under various projects such as Project for the Economic Empowerment of Women, Strengthening of Vocational Training Centers for Women and Establishment of Hostel for Orphan Girls
- Shaheed Benazir Bhutto Women Centers are operating in 26 districts inall provinces; besides the Women centers, several development projects are under way in the provinces, such as Sindh Women Economic Program, Chitral Indigenous Craft Development in Khyber Pakhtunkhwa and Project for the Economic Empowerment of Women of Balochistan. Similarly, 34 District Industrial Homes are operating in Punjab among 6 Dara-ul-Falah. Physical targets and achievements of women empowerment in 2011, prior to devolution are presented in Table 18.1.

Table 18.1 Women Empowerment; Physical Target and Achievement 2011

Sub-Sector	Project	Target	Achievement
Reforms	1	Mainstream gender at all levels of governance structure through institutional, policy and political reforms	Project has been institutionalized within the overall provincial frame work
Micro Credit	1	2,700 women	639 women
Skill Training	4	4,000 //	4,000 //
Family Protection, Rehabilitation & Crises Centers	5	5,500 //	3,969 //
Health Care	1	Construction of 10 Bashalanis in Kalash Valley	2 Bashalanis completed
Mobility Support	6	10 Buses	10 provided
Awareness Raising	2	2,00 women	2,100 women

- National Gender Reform Action Plan (GRAP) which was developed to mainstream gender at all levels of governance structure concluded in the preceding year. It introduced key reform in the areas of:
  - Institutional Restructuring,
  - Fiscal policies and procedures,
  - women employment in public sector and
  - Women Political Participation

- GRAP has also laid down foundation for building partnerships and forging linkages with various public sectors, Ministries/Divisions and District Governments to realize the goal of gender mainstreaming at all tiers of governance structure. The provincial GRAPS continue to function at the provincial level but the implementation is sluggish and their focus remains ambiguous.

- To safeguard women against exploitation, the following steps were taken:
  - The “National Commission on the Status of Women Bill 2012” was approved to protect women’s rights against discrimination. This provides financial and administrative autonomy to the Commission
  - The Prevention of Anti-Women Practices (Criminal Law Amendment) Bill was passed by senate making it unlawful to deprive a woman of her rightful inheritance through “deceitful or illegal means”; force a woman into marriage to settle a civil or criminal dispute; and "compel or arrange or facilitate” a woman’s ‘marriage’ to the Quran
  - In order to provide legal safety nets to working women the Protection against Harassment of Women at the Workplace Act, 2010 was made mandatory at organization
  - In order to curb sexual harassment “The Criminal Law (Amendment) Act, 2010 was passed with amendments in Section 509 of the Pakistan Penal Code relating to sexual harassment at the workplace

18. 4 Outlook for 2012-2013

Financial

The proposed allocation for Ministry of Human Rights is Rs 126 million for 2012-13. Besides MoHR, programs/projects amounting to Rs 82 million are envisaged to remain in progress under the aegis of various ministries/divisions. These major projects/programs are Women Economic Empowerment Centers at Muzaffarabad, Bagh, & Rawalakot, Women Business Incubation Center at Lahore and Quetta, Women Business Development Center at Karachi, Mingora and Peshawar and three Ladies Industrial Homes cum Work Order Centers at Lahore, Karachi and Peshawar.
At the provincial level, there is a total out lay of Rs 240 million for the forthcoming year. The major initiatives to be continued in the provinces are strengthening of vocational training centres for women in 12 Districts of Balochistan, construction of 10 Bashlani in Kalash Valley and establishment of hostel for orphan girls in Sindh.

Physical

The women development and empowerment approach as discussed in the earlier part of this chapter will continue to be pursued and projects/programs are envisaged for:

- Reinforcement of affirmative actions already in place, for instance reservation of seats in representative bodies and rights of voting and contesting in elections
- Mainstreaming of women in major economic sectors such as industries, manufacturing, services etc.
- Prioritizing gender mainstreaming in programs/projects/plans of the federally funded areas (such as Islamabad Capital Territory, Azad Jammu & Kashmir, Gilgit-Baltistan, etc.)
- Adequate investment in women capital within the framework of a rights-based approach to shift from a restrictive investment approach to broad policy based approach.
- Integration of components of international commitments in policy & planning both at National/Provincial Level.
- Co-ordination at national and provincial level on development issues for synergizing development initiatives on women empowerment at all levels
- Mandating women's presence in committees and bodies to prevent their exclusion from decision-making.

Identifying areas of inadequate data and developing systems of gender-disaggregated data collection and collation.

Chapter 19 Area Development

The stability and prosperity of a country is directly related to its economic strength, viable means of communication, investment friendly environment, competitive markets, strong institutions, youth empowerment, trade openness, creative cities and better governance. Balanced development by mainstreaming the backward and less developed areas has been recognized as an important element of the development strategy.

Key challenges faced by the less developed areas include poor governance, inadequate infrastructure (i.e. energy, transport, and irrigation), poor delivery of social services, lack of financial resources, poorly organized communities, insufficient participation of local community, lack of institutional capacity exclusion of women from public sphere and development process, low social capital, poor law and order, ethnic and religious strife and poor monitoring and evaluation of development initiatives. The Framework of Economic Growth calls for addressing these issues for fast and balanced growth in the country.

Less Developed Areas

Less developed areas in Pakistan mainly consist of the rural areas and the federally administered special areas such as FATA, AJK and Gilgit Baltistan, which remained deprived of the economic and social development due to their difficult terrain, lack of accessibility and adverse law and order condition. In terms of defining LDR's, an approach that integrates the economic (including financial) as well as social (including poverty, environmental and empowerment) dimensions of national development has been adopted. Floods 2010 further deteriorated the development situation in many of the LDRs. The following are the less developed/special areas in the country (Table 19.1).

Table 19.1: Less Developed Regions in the country

Federally Administered Tribal Areas (FATA & FR)	Tribal Agencies (i.e. Bajaur, Khyber, Kurram, Mohmand, North & South Waziristan and Orakzai). Frontier Regions (i.e. Bannu, D.I. Khan, Kohat, Peshawar, Tank and Lakki Marwat)
Azad Jammu & Kashmir	Whole AJ&K except Muzafferabd & Mirpur cities.
Gilgit-Baltistan	Astor, Baltistan, Diamir, Ghanche, Skardu
Islamabad	Ruarl Areas of ICT, Islamabad

Source: Working Group Report on Less Developed Areas and Rural Development, Planning Commission (2010)

Development of Special Areas

The socio economic indicators of Special Areas are substantially lower than national level. The socio economic indicators (i.e. per capita income, literacy rate, physical and social infrastructure and others basic facilities etc.) are lower than the national level. The need is to bring these areas at least at par with other relatively developed areas of the country. The selected indicators in less developed special areas are given in Table 19.2.

Table 19.2: Comparisons of Selected Development Indicators in Special Areas and National (2010-11)

Indicator	National	FATA	AJ&K	GB
Literacy ratio (both sexes, %)	58	17	64	50
Male literacy ratio (%)	69	30	-	62
Female literacy ratio (%)	46	3	-	38
Roads (per sq km)	0.23	0.17	0.41	0.06
Cultivated Land (%)	27	7	13	1
Area under productive forest (%)	5.2	1.2	11.6	9
Population Growth Rate (%)	2.03	2.7	2.41	2.01
Unemployment Rate (%)	6.0	-	6.5	18
Enrolment Rate Primary Boys (%)	101	-	95	-
Enrolment Rate Primary Girls (%)	88	-	88	-
Infant Mortality (per 1000)	69	87	58	79
Population per hospital bed	1,592	2,325	1,958	-
Population per Doctor	1,183	6,993	5,885	-
Immunization Coverage (%)	93	72	93	-
Maternal Mortality Rate (per 100000)	276	600	276	400
Rural Water Supply Coverage	61	30	67	55
Urban Water Supply Coverage	87	-	71	-
Electricity Coverage (%)	-	62	89	75
Power Generation(MW)	20,190	-	37.6	75
Per capita Power availability (KWH)	0.28	-	367	-
Villages electrified (Nos)	147,038	4,059	1,649	900

Source: Report on Special Areas for 10^{th} Five year plan, Planning Commission 2010 PSLM (PBS) and Economic Survey of Pakistan (2010-11)

Policy

The policy of the special areas development is designed to improve standard of living of the people of these areas. Main features of the policy are:

- Reinvigorating area / rural development.
- Raising agricultural productivity.
- Alleviating poverty and providing employment opportunities to landless labors.
- Promoting a sustainable environment for the uplift of rural community.
- Providing help, in accessing basic necessities and management of the rural commons.

Strategic Framework

Keeping in view the above policy measures it is understood that both public and private sectors can make their concrete efforts to reach out the poorest in the less developed regions. Thus there is need to focus the following strategic measures for the accelerated development in LDRs:

- Empowering youth and community through participatory development and social mobilization
- Developing nested hierarchy of Rural Growth Centers

- Improving basic necessities of life (Rural Roads, water supply & sanitation, transport, and village electrification, etc.)
- Enhancing rural / agricultural productivity by introducing advance technology
- Provision of social safety nets to the poor
- Human resource development through vocational training
- Incentives for private sector to run the industrial and commercial enterprises development.
- Ensuring timely release of funds to avoid the issue of throw-forward liabilities and for timely completion of the projects.

Review of 2011-12

Financial

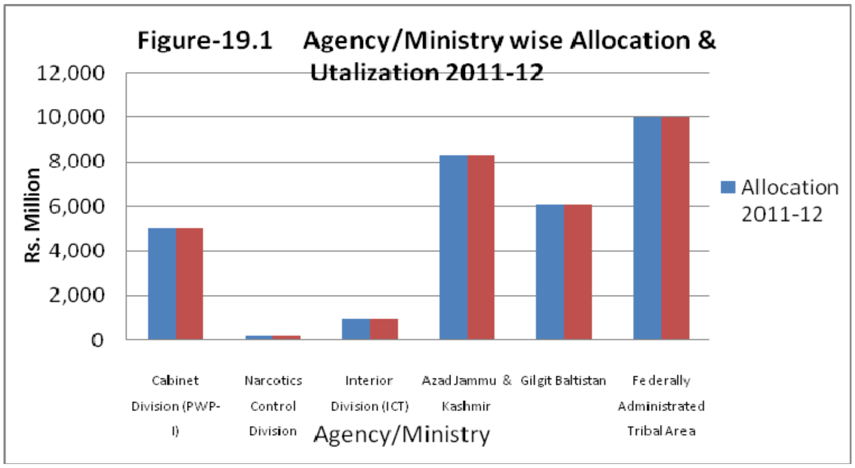
During 2011-12, an amount of Rs 30.6 billion was allocated for developmental activities in less developed regions, including special areas. These funds were provided through respective ministries / divisions (i.e. Narcotics Control Division, Interior Division, M/o Kashmir Affairs & Gilgit Baltistan and SAFRON Division). Out of total allocation, an amount of Rs 5.0 billion was provided to People's Works Program–I reflected under cabinet Division and Rs 1.2 billion were set aside for other projects reflected in Narcotics Control Division, Interior Division, for areas development projects and special packages for areas affected by militancy . Whereas, an amount of Rs 24.3 billion had been earmarked as block allocation for development activities in Special Areas. Administration of concerned are authorized to allocate funds to respective sectors according to felt needs of area. Details of allocation/utilizations for various agencies may be seen at Table 19.3.

Table 19.3: Agency wise Allocations for 2011-12

(Rs Million)

Agency/ Ministry/Division	Allocation 2011-12	Utilization 2011-12	% Utilized
Cabinet Division (PWP-I)	5,000	5,000	100
Narcotics Control Division	227	227	100
Interior Division (ICT)	971	948	98
Sub Total	**6,198**	**6,175**	**99.6**
Special Areas			
Azad Jammu & Kashmir	8,284	8,284	100
Gilgit Baltistan	6,070	6,070	100
Federally Administrated Tribal Area	10,000	10,000	100
Sub Total (Special Areas)	**24,354**	**24,354**	100
Grand Total	**30,552**	**30,529**	**100**

The comparison of the allocation and utilization to various ministries/Division and Special Areas for the year 2011-12 is given in the Figure 19.1, Which shows that the major part of the allocation has been utilized in special areas.



Physical

During the period under review, various activities were implemented through People's Works Program, area development programs in AJ&K, GB and FATA, Special Development Package in Islamabad for strengthening capacity-building institution. The objectives of these programs are improving the quality of life of the rural poor. However, due to poor law and order problem, terrorism, the desired targets could not be achieved fully. The Physical targets and achievements for 2011-12 may be seen at Table 19.4.

Table 19.4: Physical Progress of Development Projects at Federal level

Sector	Targets 2011-12			No. of Schemes completed 2011-12
	Area development Projects	ICT & IDP Schemes	Total	
Rural Roads (km)	19	50	69	12
Drinking Water Supply Schemes (Nos)	56	5	61	27
Hydel Powers stations (No)	11	-	11	4
Street Pavements (Nos)	-	10	10	7
Training of male / female (Nos)	1,250	2,400	3,650	3,000
Up-gradation of women training centers (Nos)	-	1,000	1,000	1,200

People's Works Program-I

The government launched the People's Works Program as part of its much-publicized land reforms and rural development programs. It included both rural and urban areas concentrated on introducing infrastructure schemes proposed by Parliamentarians for construction / improvement of roads, provision of electrification, provision of gas & telephone facilities, sanitation and drinking water supply amenities, street pavement, drains & street lights, works and equipment regarding health, education and veterinary health care facilities, small irrigation & land protection works and land development with the wider participation of people. The major objectives of the program are to provide an opportunity to participate to the people in planning and execution of development plans so that these programs could develop awareness and confidence among rural people.

During 2011-12, a total 2,659 schemes costing Rs 3.41 billion were approved by the Federal Development Committee of PWP-I for execution. Fund for schemes has been released and schemes are under implementation. Agency wise details of schemes (initiated, completed) and their costs under PWP-I are given at Table 19.5.

Table No 19.5: PWP-I Schemes

(Nos)

Agency	Schemes	Cost (Rs Million)	Schemes Completed
Pak PWD	962	1709	42
DCO /Prov. Government	783	911	6
PEPCO	685	548	15
LG&RD	199	170	9
SNGPL	13	32	-
Balochistan Dev Authority	7	33	1
KESC	5	3	-
SSGCL	3	4	-
Cantonment Board	1	1	1
Tele communication dept	1	2	1
Total	**2,659**	**3,413**	**75**

Source: Federal Development Committee Progress Report.

Program for 2012-13

Financial

During the fiscal year 2012-13, an amount of Rs 38.7 billion is proposed for Accelerated Development for Less Developed Regions in Pakistan. Out of total allocation, an amount of Rs 5.0 billion has been provided for People's Works Program–I reflected in Cabinet Division, Rs 0.19 billion has been set aside for other projects reflected in Narcotics Control Division, and Rs 0.35 billion for Interior Division, for areas development projects and special packages for militancy affected areas in Malakand Swat. An amount of Rs 33.2 billion has been earmarked as block allocation for development activities in Special Areas. Administrations of concerned areas are authorized to allocate funds to respective projects according to their own priorities. Details of allocation for various agencies may be seen in Table 19.6.

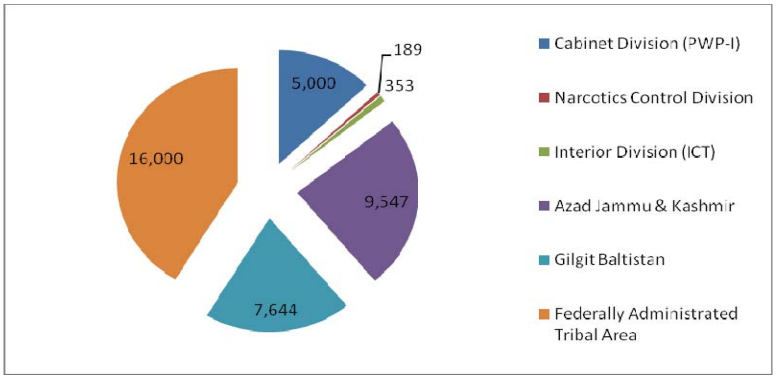
Table 19.6: Agency wise Allocations for 2012-13

(Rs Million)

Agency/ Ministry/Division	Allocation 2012-13
Cabinet Division (PWP-I)	5,000
Narcotics Control Division	189
Interior Division (ICT)	353
Sub Total	**5,542**
SPECIAL AREAS	
Azad Jammu & Kashmir	9,547
Gilgit Baltistan	7,644
Federally Administrated Tribal Area	16,000
Sub Total (Special Areas)	**33,191**
Grand Total	**38,733**

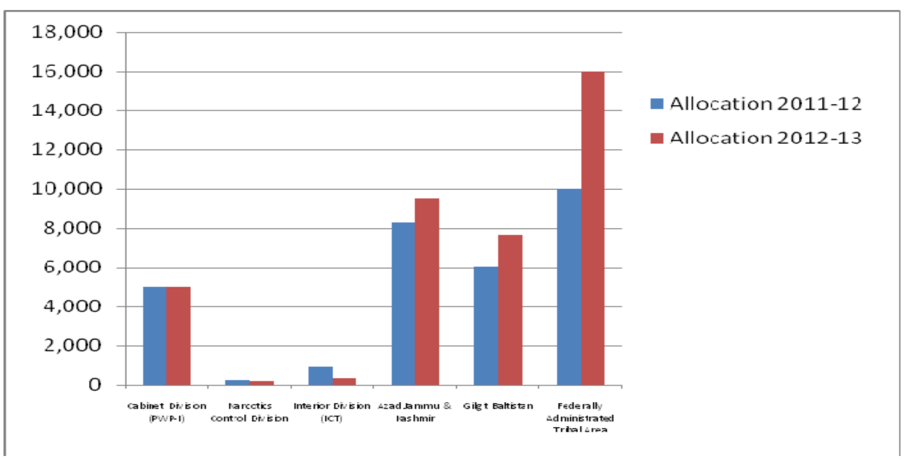
The agency and ministry wise allocation for the year 2012-13 is depicted below (Figure 19.2).

Figure 19.2 Ministry/Agency wise allocation 2012-13



The comparison of allocation for the years 2011-12 and 2012-13 given in the following bar chart indicating that the allocation for Ministries/Divisions has been significantly increased for 2012-13 (Figure 19.3).

Figure 19.3 Comparison of allocation for the Year 2011-12 and 2012-13



Physical

During the financial year 2012-13, highest priority has been accorded to those ongoing schemes/ projects which are near completion, so that the benefits of projects can reach the neglected segment of community. These development activities are supplemented to federal vertical program being implementing in various sectors such as power generation projects, health sector program, Family Planning, Expanded Program for Immunization, National Maternal, Neonatal, Child Care, Education Improvement Projects, Enhanced HIV/AIDS, National Program for Water Courses Improvement, Safe Drinking Water for All, Area Development projects in FATA against poppy cultivation etc. The allocations for these projects / program are reflected in their respective chapters. Targets for 2012-13 may be seen at Table 19.7.

Table 19.7: Physical Targets of Area Development Schemes

Sector	Area Development	ICT & IDP Schemes	Total
Rural Roads (km)	44	48	92
Drinking Water Supply Schemes (Nos)	52	9	61
Hydel Powers stations (No)	2	-	2
Street Pavements (Nos)	-	30	30
Training of male / female in different fields. (Nos)	-	2,400	2,400

People's Works Program-I

During 2012-13 an amount of Rs 5.0 billion will be earmarked for the schemes 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.

Part –VI

Connectivity

Chapter 20 Transport and Logistics

Transport and logistics sector comprises of physical as well as soft infrastructure. Physical infrastructure constitutes rails, roads, air and water transport; whereas, soft infrastructure covers such activities as packaging, delivery, storage and trade logistics and facilitation. Transport and logistics cost is an important component of cost of doing business and determines efficiency of connectivity. High freight, insurance, longer delivery times in Pakistan restrain growth in connectivity of people and places. Hence, connectivity features prominently in the Framework of Economic Growth. In designing reform agenda and implementation plan to improve connectivity for rapid economic growth, issues of all dimensions of physical and soft infrastructure will be addressed.

20.1 Strategy

The T&L Sector is required to be improved by modernizing through a continuous process of reforms supported by focused investments. The overarching objective is to bring down the costs of doing business by improving various sub-sectors of T&L. The sector claims 23 % share of PSDP 2012-13. Approximately two to three times more investment is required in T&L to support the growth process. In addition to public investment and reforms, effort needs to be made to promote PPPs and leverage higher investment from the private sector to accelerate growth in the shortest possible time. Framework for Economic Growth emphasizes participation of private sector / PPP in T&L as growth-driver in open market. This will further enhance productivity, competitiveness, efficiency, innovation and entrepreneurship in the economy.

20.1.1 Draft National Transport Policy

To implement growth strategy for sustainable growth, Ministry of Communications has prepared a draft National Transport Policy in consultation with all stakeholders. The Policy covers all modes of transport; roads, railways, ports & shipping and aviation, and is under the process of review under the National Transport Corridor Improvement Program (NTCIP). The broad objectives of the draft NTP are to provide safe, reliable, effective, efficient, affordable, accessible, sustainable and fully integrated transport system that will meet the needs of freight & passenger mobility requirements, improved service in a cost effective fashion that supports governments goal of increasing public welfare through economic growth, social improvement, poverty reduction and infrastructure development while being environmentally and economically sustainable and energy efficient "

An overall review of transport and logistics sector for 2011-12 and outlook for 2012-13 are discussed in the subsequent paragraphs.

Sector 2011-12

20.2.1 Federal Programs

The PSDP for 2011-12 provided an outlay of Rs 63.7 billion for the federal program. Against this expenditure of Rs 95.6 billion is expected to be incurred by the end of year (Table 20.1).

Table 20.1: Transport and Logistics – PSDP Allocation and Utilization 2011-12 and 2012-13

(Rs Million)

Executing Agency	2011-12			2012-13
	Allocation	Estimated Expenditure	Expenditure %age of Allocation	Allocation
National Highway Authority (NHA)	39,900	68,808	172	50,727
Pakistan Railways	15,000	20,950	140	22,877
M/o Ports & Shipping	727	27	4	325
M/o Communications	172	172	100	142
• National Transport Research Centre (NTRC)	4	4	100	0
• Const. Technology Training Institute (CTTI)	72	72	100	142
• National HW & Motorway Police (NH&MP)	96	96	100	0
Planning & Development Division (NTCMU)	400	137	34	600
Ministry of Commerce (TTFU-2 Project)	50	50	100	80
M/o Defence	1,177	227	19	649
• Pakistan Meteorological Deptt. (PMD)	30	25	83	28
• Maritime Security Agency (MSA)	35	14	39	21
• Airport Security Force (ASF)	12	12	100	0
• Civil Aviation Authority (CAA)	1,100	176	16	600
M/o Defence Production (KS&EW)	1,455	1,455	100	2,000
Finance Division (Provincial Roads)	3,597	2,518	70	2,605
Housing & Works Division (Provincial Roads)	181	181	100	1,010
AJK & GB Division (One strategic project of AJK)	1,046	1,046	100	700
Total Transport and Logistics	**63,704**	**95,570**	**150**	**81,715**
Breakup of Budgetary & Budgetary Corporation Program				
• Budgetary Program	23,804	26,762	112	30,988
• Budgetary Corporation Program	39,900	68,808	172	50,727
Total Transport and Logistics	**63,704**	**95,570**	**150**	**81,715**

Salient features of implementation of the program in respect of the each sub sector of transport are presented as under:

- **Pakistan Railways**

  Against an allocation of Rs 15 billion (FEC: Rs 2.5 billion) an expenditure of Rs 20.9 billion is reported to be incurred during 2011-12. The additional expenditure of Rs 5.9 billion over and above the allocated funds is due to less expenditure on account of local funds (Rs 12.5 billion) and excessive expenditure against foreign loan of Rs 2.5 billion which is directly disbursed by the donor agencies. The main thrust was at the improvement of existing infrastructure, signaling system and procurement and manufacture of rolling stock like locomotives, coaches, bogie wagons. Work on track rehabilitation, doubling of track from Khanewal to Raiwind, procurement / manufacture of 150 Diesel Electric (DE) locomotives, procurement / manufacture/up gradation of 602 (400+202) passenger coaches, replacement of old signaling gear system from Lodhran to Shahdara Section, rehabilitation of railways assets damaged during riots of 27th–28th December, 2007, establishment of inland container terminal dry port near Shershah Railway Station, Multan, replacement of metal sleepers and track renewal on Lodhran-Shahdara Section, rehabilitation of 27 number HGMU-30 DE locos, replacement of three brake down / rescue cranes with allied accessories continued with further acceleration including work on a pilot project for manufacture of 5 DE locos. Work on doubling of track from Lodhran to Khanewal, dry port at Prem Nagar, Lahore with the involvement of private sector, procurement / manufacture of 1,830 (1,300+530) high capacity wagons, conversion of meter gauge into broad gauge on Mirpur Khas to Khokhropar Section, feasibility study for rehabilitation & improvement of track between Quetta-Kohi-Taftan Section completed. It is expected that the completed projects would help in enhancing quality of public service, boost freight and passenger business and run Railways on commercial lines keeping in view the national interest.

  A major breakthrough has been achieved by implementing Track Access Policy under which an air-conditioned passenger train called “Business Train” has been introduced by the PR on main line section from Lahore to Karachi with travel time of 18 hours on non-stop basis. This train is run by a private company and infrastructure is being provided / maintained by the railways.

- **Ports and Shipping**

  Against an allocation of Rs 727 million, expenditure of Rs 27 million is expected to be incurred during 2011-12, giving a utilization of around 4%. Less utilization is attributed to the non-start of work on Eastbay Expressway road project since the project was yet to be approved by the competent forum. However, work on Civic Centre at Gwadar completed. The port is being operated by a Concessionaire namely Port of Singapore Authority.

- **National Highways Authority (NHA)**

  Against an allocation of Rs 39.9 billion (FEC: Rs.6.3 billion); expenditure of Rs 68.8 billion is expected to be incurred during the plan period giving a utilization of around 172 per cent. The additional expenditure of Rs 28.9 billion over and above the allocated funds is due to less expenditure on account of local funds (Rs 33.6 billion) and excessive expenditure against foreign loan funds of Rs 6.3 billion which is directly disbursed by the donor agencies. Against the allocated funds it was planned to gear up the slow moving on-going projects especially for Gwadar links and regional connectivity and inject funds to those projects which were nearing completion or on the verge of completion stage. Also emphasis on R&D was taken care of for which work on the establishment of Highway Research and Training Center (HRTC) near Burhan on M-1 in collaboration with government of Japan initiated. Work on land acquisition, property compensation and shifting of utilities for Faisalabad-Khanewal Expressway E-4 (184 km), Gwadar-Turbat-Hoshab (200 km) of Gwadar-Ratodero (M-8) [650 km], Hoshab-Nag-Basima-Surab Road (N-85) [459], Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (883 Km) - revised, Lowari Tunnel project, National Highway Development Sector Project (NHDSP) – revised for improvement / construction of 687 km of roads under the ADB financing, construction of 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan, Multan Inner Ring Roads including six interchanges, Widening and Improvement of Bosan Road, Multan, Larkana Bridge on River Indus, Dualization of Sakrand-Benazirabad (Nawab Shah) Road (24 km), Rehabilitation of Larkana-Naudero Lakhi Road (61 km), Dualization/ Rehabilitation of Larkana-Moenjo Daro Road (28 km), Construction of Amri - Kazi Ahmed Bridge over River Indus at Qazi Ahmed Amri including Sakrand Bypass, Construction of Gharo-Keti Bunder Road (90 km), Larkana Bridge, acquisition of land and compensation for construction of Hassanabdal-Havelian-Mansehra expressway, Peshawar Northern bypass, Kolpur bypass continued and reached at advance stage of completion. Main objective of the above projects is to enhance countrywide mobility, accessibility, safety in travel and productivity, reduction in travel time and costs thereby boosting trade and economic activities.

- **National Transport Research Center (NTRC)**
  Entire allocation of Rs 4 million is expected to be incurred for on-going works being taken up by NTRC. 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 (NH&MP)**
  Entire allocation of Rs 96 million is expected to be incurred on the on-going works for acquisition of land for establishment of Police Posts and Offices of NH&MP along N-5, establishment of Training Center at Sheikhupura and construction of NH&MP Complex at Rahimyar Khan. The NH&MP is playing an important role in maintaining discipline and safety on the National Highways and Motorways, which is role model for any public sector entity. Their contribution has helped in reducing the number of road accidents to some extent and other mishaps on the National Highways and Motorways.

- **Construction Technology Training Institute (CTTI)**
  Entire allocation of Rs 72 million is expected to be incurred on the on-going works under the project for Enhancement of Training Capabilities of the CTTI (Phase-IV).

- **Planning and Development Division**
  Against an allocation of Rs 400 million an expenditure of Rs 137 million is expected to be incurred on an ongoing project taken up under the Prime Minister's initiative on National Trade Corridor Improvement Program (NTCIP) to reduce the cost of doing business. Under this initiative National Trade Corridor Management Unit (NTCMU) was established in the Planning Commission for effective coordination with all stakeholders to implement NTCIP. This initiative started in August 2005 and by now marked progress has

been achieved under the umbrella of NTCMU. Work on study for National Trade Corridor Strategy also completed. Ports Master Plan, Railways / NHA Business Plans are being taken up under the program besides other studies related to transport sectors.

- **Commerce Division**
  Entire allocation of Rs 50 million is expected to be incurred on the project of "Trade & Transport Facilitation Unit (TTFU-2)" under NTCIP.

- **Maritime Security Agency (MSA)**
  Against an allocation of Rs 35 million an expenditure of Rs 14 million is expected to be incurred on continuation of works on construction of barrack accommodation at MSA base Pasni, establishment of MSA digitized operation room at new HQ MSA building at Karachi and construction of flexible carpeted road at MSA base Gwadar which reached at fairly advanced stage of completion.

- **Airport Security Force (ASF)**
  Entire allocation of Rs 12 million is expected to be incurred to complete the balance ongoing works in various provinces to complement the working conditions of ASF personnel.

- **Civil Aviation Authority (CAA)**
  Against an allocation of Rs1,100 million an expenditure of Rs 176 million is expected to be incurred on preparatory works for construction of New Gwadar International Airport (NGIA) at Gwadar; only project which is being funded through public sector due to strategic reasons. Restructuring of PIA has been undertaken. The main features of which are presented in Box 20.1

Box 20.1: Restructuring Plan of Pakistan International Airlines

A restructuring plan of PIA has been finalized which addressed corporate governance, human resource rationalization, financial and operational, restructuring, engineering improvement, procurement and logistics, marketing and fleet, airport services and dispatch reliability. Increased fuel cost has been a major downside risk to the financial strength of PIA and effective measures has been put in place to mitigate the effect. Various other cost minimization and revenue enhancement measures have been put in place to reduce revenue-expenditure gap in the medium term. Fleet renewal and addition is being planned. Route rationalization, code sharing and alliance are being pursued for moving to a new business model. Dispatch reliability will be improved through various initiatives including expansion of reliability system, use of reliability tools and standardized data exchange on maintenance. Strategic Business Units (SBUs) are being established for outsourcing of non-core functions of PIA. Rationalization of employment is being addressed through attrition and no new hiring is being undertaken except operational staff. Financial restructuring plan has been finalized which includes equity injection, rollover of loans and government guaranteed loans among others. A holistic view needs to be developed for revitalization PIA entailing industry dynamics, aviation policy and strategic needs which is the focus of the government.

- **Karachi Shipyard and Engineering Works (KSEW)**
  Entire allocation of Rs 1,455 million is expected to be spent for completing installation of new Ship Lift and Transfer System with lifting capacity up to 7,781 tonnes and Civil Works for upgradation of existing facilities.

- **Finance and Housing and Works Divisions**
  Against the total allocation of Rs 3.8 billion, expenditure of Rs 2.7 billion is expected to be incurred for completion of ongoing works of various provincial road projects sponsored by these two Divisions.

20.2.2 Provincial Programs

All provinces are endeavoring to expand and strengthened the existing road network through own resources as well as through federal funding under different packages. Government of the Punjab and Sindh are planning to devise policies and strategies to address urban transport problems through Mass Transit system. Government of Khyber Pakhtunkhwa and Balochistan are also in the process of providing swift and economical mode of transport to its commuters. KPK realizing the importance of the sector has created an independent “Transport Department”. Detail of the provincial programs is given below.

Punjab - Roads and Bridges

Punjab transport program for 2011-12 aims to enhance existing road densities through construction and upgrading of existing network. With transition of major part of the farm-to-market/ district roads network to the district governments since devolution, the provincial road sector through mainly responsible to consolidate and maintain the existing 9,000 Km of inter-district roads, continues to cater for the rural-access road demands.

Sindh

Sindh Government has approved the Policy on Public-Private-Partnership (PPP) to foster investment in infrastructure development. The policy aims at bringing greater efficiency both in implementation as well as management of a wide range of transport projects and programs. Main features of the PPP policies are:

- PPP Policy Board has been notified under the Chief Minister Sindh for facilitating policy decisions on the subject.
- PPP Unit has been established in Sindh, which would now provide the institutional support for all major initiatives on PPP.
- Departmental nodes have been notified for facilitating sector capacity building. A phased training program is being evolved facilitating greater technical know-how on the subject.
- Legal and regulatory framework being evolved for providing enabling environment for PPP projects.
- Project Development Facility (PDF) has been established for project development activities. Its guidelines are under preparation.
- Viability Gap Fund has been created with an investment of Rs 3 billion for providing VGF financing.

Khyber Pukhtunkhwa

The current development allocation for road maintenance is Rs 250 million, which is about 18% of the level required to prevent further deterioration or roads.

20.3 Outlook for 2012-13

The Transport strategy for 2012-13 is based on multi-modal transport system. Emphasis will be on:

- Asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system
- Enhancing the role of private sector participation in sector development and institutional capacity building,
- Research and development by adopting modern technology, procedures and processes to increase sector efficiency
- Improving the regional and domestic connectivity; regional connectivity will provide links to the Central Asian States, Iran, Afghanistan and India,

During the period, various measures would be adopted to improve transport planning and mobilization of resources from users and private sector. 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 also planned to revitalize the Railway system 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.

20.3.1 Federal Transport Development Program 2012-13

An allocation of Rs 81.715 billion has been proposed for the Development Program of T&L. This includes Rs 31.0 billion for the budgetary program and Rs 51.0 billion for NHA under the budgetary corporations program (Table 20.1). Salient features of the proposed program relating to T&L sector are outlined as under:

- **Pakistan Railways**

  A major step under the NTC initiative is implementation of restructuring of Pakistan Railways on commercial lines as discussed in Box 20.2. An allocation of Rs 23 billion has been proposed for 2012-13. Works on track rehabilitation of Pakistan Railways network, procurement / manufacture of 150 DE locomotives besides pilot project for manufacture of 5 DE locos trough indigenization, procurement/manufacture of 202 passenger coaches, doubling of track on Khanewal - Raiwind Section (246 km), upgradation and improvement of existing track between Khanpur and Lodhran (287 km both UP & DN lines), damages to Railway Assets during riots in December 2007, replacement of old & obsolete signaling system on Lodhran-Khanewal to Shahdara Section with modern state of the art system, rehabilitation of over aged 27 HGMU-30 DE Locos, replacement of metal sleepers and track renewal on Lodhran – Shahdara section, replacement of three brake down/rescue cranes with allied accessories and other on-going projects would continue.

  Under the new projects work for establishment of an Inland Container Terminal (ICT) / Dry Port near Shershah Railway Station, Multan on public-private partnership basis, procurement of 150 DE locos (all in CBU condition), procurement / manufacture of 75 DE locos (subject to clearance by the competent authority), rehabilitation of rolling stock and track in connection with bailout package, rehabilitation of track on Lahore-Lalamusa section with new signaling system (funded through ADB loan), doubling of track from Shahdara Bagh to Faisalabad (135 km) and Shahdara Bagh to Lalamusa (126 km), procurement/ manufacture of new 50 DE locos, special repairs to existing 150 DE locos, procurement/ manufacture of 500 high capacity bogie wagons, reconstruction of assets damaged during floods 201 and mechanization of track maintenance would be initiated. Besides this feasibility study for provision of new rail link from Gwadar to Mastung to facilitate functioning of the Gwadar Deep Sea Water Port would likely to be initiated. With the provision of new rail link, Gwadar will be linked with the Central Asian countries. Preparatory works on Karachi Circular Railway (KCR) under BOT would also be taken up.

Box 20.2: Restructuring Framework of Pakistan Railways

A restructuring framework for Pakistan Railways has been operationalized. New Board of Directors (BoDs) of PR has been constituted with an optimal mix of academia, management professionals, rail experts and executive functionaries. New BoDs will start working after an Amendment of Railways Order. Process for recruitment of professional Chief Executive Officer and other technocrats is being undertaken. Repair of locomotives has been prioritized for improving revenue generation and restoration of rail services. Freight operations are being prioritized. It has been decided that adjustment of fares and freight pricing will be determined according to market conditions and cost of doing business. An asset management company is being established for optimum utilization of PR's assets. Private sector involvement is the focus of moving forward. Chamber of Commerce and Industries, Lahore has been engaged for their freight transportation from Karachi to Lahore. Commercial management of rail operations and outsourcing of noncore functions is being initiated with an aim to improve efficiency of rail operations. Financial viability is being ensured through improving revenue and support by government.

- **Ports and Shipping**
  Under P&S sub sector, work on Ports Master Plan for Pakistan's three ports would continue which, after completion would establish the role / basis for the responsibilities of each port with a view to optimal / efficient use of port infrastructure either through competition among ports or by way of specialization of the port. 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 325 million has been proposed to initiate works for acquisition of land and construction works of East Bay expressway at Gwadar and to complete balance on going works at Gwadar.

- **National Highway Authority (NHA)**
  A policy and regulatory framework for private sector participation in National Highways would be adopted in consultation with different stakeholders to facilitate investment and increase efficiency. An allocation of Rs 51 billion has been proposed for the NHA. Among the on-going projects, works will continue on the projects for acquisition of land & property compensation for construction of 184 km Faisalabad-Khanewal Expressway E-4 & 103 km Khanewal-Lodhran Expressway E-5 and construction of Faisalabad - Khanewal Expressway E-4 (184 km), Basima-Khuzdar (N-30) [110 km], Construction of Northern Bypass from Qasim Bela to Shersha Road, Multan Bypass at Multan including Grade Separated Elevated Bridge over Railway Line at N-70 (12 km), Extension of

Motorway M-4 from Shamkot-Multan, 57 km, Dualization / Rehabilitation / Upgradation of Multan- Jalalpur Pirwala-Uch-TMP Road (138 Km), Phase-II, Construction of Additional 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan (Phase-II), Rehabilitation of Larkana-Rasheed Wagan-Nasirabad Road (34 km), Dualization / Rehabiliation of Existing Indus Highway Section (9.5 km) in Larkana City including Extension of Ring Road 2 Km, Bridge over River Indus linking N-5 with N-55 at Nishtar Ghat, construction of Bridge across River Chenab Linking Shorkot and Garh Maharaja, Bridge between Basti Dulwan (Tehsil Mianchannu) to Darbar Sharif Sandhilian Wah) Distt. Toba Tek Sing, construction of Ratodero-Daddu-Sehwan ACW (E-6B) (200 km), Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero (Khori-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road (N-85) [459], Hassanabdal-Havelian-Manshera Expressway (Land Acquisition, Property Compensation and Shifting of Utilities), Peshawar Northern bypass, Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (883 Km) - revised, National Highway Development Sector Project (NHDSP) – revised for improvement / construction of 687 km of roads under the ADB financing, Jalkhad-Chilas Road (N-15) [66 km], Kalat-Quetta-Chaman (N-25) [247 km], Kolpur Bypass N-65, Lowari Tunnel under the revised scope of work to be constructed as road tunnel, KPK RD & SC Project, Malana Jn-Sarai Gambila (117 km); rehabilitation / improvement of Peshawar – Torkham road, Bewata-Khajuri-Waigum Rud (N-70) [132 km], Alpuri-Besham Section (N-90) [34 km], construction of 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan, Rehabilitation / Upgradation of Jalalpur Pirwala-Uch Section (45 Km) of Multan-TMP Road, Multan Inner Ring Roads including six interchanges, Widening and Improvement of Bosan Road, Multan, Larkana Bridge on River Indus, Dualization of Sakrand-Benazirabad (Nawab Shah) Road (24 km), Rehabilitation of Larkana-Naudero Lakhi Road (61 km), Dualization / Rehabilitation of Larkana-Moenjo Daro Road (28 km), Construction of Amri - Kazi Ahmed Bridge over River Indus at Qazi Ahmed Amri including Sakrand Bypass, Karachi-Hyderabad Motorway (M-9) [136 km] and approaches for Larkana Bridge over River Indus.

Among new projects works for rehabilitation of existing NHA highway network damaged during floods 2010, rehabilitation / improvement of existing carriageway of Peshawar – Torkham section (46 km), Malakand tunnel on N-45, widening / improvement of 8 km road between Flyover at double Phattak and Chowk Nagshah at Multan, construction of Syed Wala bridge at River Ravi, construction of road from noshki to Landhi crossing (143 km of N-40), KKH-Skardu road (167 km) and realignment of KKH & Barrier lake Attabad (24 km) will be taken up.

The plan also envisages to developing industrial clusters, oil storage facilities and oil and gas pipelines along the proposed motorways and expressways corridors. These initiatives would open up new areas and potential hubs of trade with China, Central Asian Republics, India, Iran and even with western countries.

- **Ministry of Communications (NTRC, NH&MP, CTTI)**
  An allocation of Rs 142 million has been proposed for continuation of on-going works under the MOC for its attached departments.

- **Planning and Development Division:**
  An allocation of Rs 600 million has been proposed for continuation of works under the National Trade Corridor Management Unit (NTCMU) and to initiate works on institutional strengthening & capacity building of Transport & Logistics Section.

- **Commerce Division**
  An allocation of Rs 80 million has been proposed for continuation of works on the project of "Trade & Transport Facilitation Unit (TTFU-2)" under the NTCIP.

- **Ministry of Defence (Pak. Met, MSA & CAA)**
  An allocation of Rs 848 million has been proposed for continuation of on-going and initiation of new works under the MOD for its attached departments.

- **Karachi Shipyard & Engineering Works (KS&EW)**
  An allocation of Rs 2,000 million has been proposed for continuation of on-going works for Installation of Ship Lift and Transfer System to provide docking and repair facilities for big ships of upto 7,781 tonnage at the KSEW and Civil works for upgradation of existing facilities at KSEW.

- **Finance and Housing & Works Divisions and AJK**
  Total allocation of Rs 3.6 billion has been proposed for continuation of ongoing works besides initiation of new provincial road projects in all the four provinces including AJ&K sponsored by these divisions.

20.3.2 Provincial Programs 2012-13

Punjab

The vision for Punjab's road sector aims at upgrading, augmenting and maintaining a modern road network in the province under most cost-effective, optimal and efficient development and management regimes. Sectoral priorities identified for Punjab's road sector are as follow:-

- Preparing an Asset Management Plan for the provincial road sector and undertaking planned rehabilitation of roads that have outlived their design life.
- Construction of missing road links.
- Developing province-wide secondary arteries (covering north-south and east-west corridors) linking national motorways / trade corridors to foster economic opportunities via meeting expanding domestic and international travel and trade demands.
- Improving average road densities to achieve optimal traffic density levels in consonance with increasing transportation requirements and targeted economic growth in the province.
- Implementing initiatives to improve road safety and axle-load conditions to achieve substantial reduction in road accidents and avert premature road distress.
- Undertaking widening / improvement of existing roads to 20` / 24` width for roads with traffic densities exceeding 800 vehicles per day (VPD), targeting to achieve full coverage by year 2014-15.
- Dualization of main arteries with 8,000 vehicles per day (VPD)
- Improvement of existing roads geometry and removal of black spots.

- Undertaking improvements in road design and specifications.
- Development, Rehabilitation and up-gradation of Urban Road net work in mega cities.
- Undertaking new underpasses and overhead bridges to streamline smooth flow of traffic on congested routes.
- Encouraging the execution of mega project on BOT mode.

An allocation of Rs 35.6 billion has been made for roads & bridges sector; out of which an allocation of Rs.26.22 has been made for on-going projects and balance of Rs 9.4 million for new projects. One major new initiative is for “Construction of Lahore Ring Road (Southern Loop) on BOT mode”.

Sindh

An allocation of Rs 16 billion has been made for T&C sector; out of which 80% will utilized on on-going projects and 20% on new projects**.** One of the major new initiatives is “Construction of Nawabshah – Sanghar road (61 km)”.

Khyber Pukhtunkhwa

The objective of the transport sector of KPK is to improve the quality of the existing road network to reduce the costs of transport and to add new connections to high priority areas. Development priorities of transport sector are:

- Sustainable maintenance, with a major increase in funding through a road asset management system, user pays principle; and a road maintenance fund
- Involvement of communities in road development and maintenance
- Optimal utilization of existing capacity through rehabilitation and upgrading
- Innovative private public financing mechanisms in construction and maintenance
- Adequate incentive-based funding for districts to maintain roads
- Strengthening of provincial and district road institutions
- Ensuring effective co-ordination between the Frontier Highway Authority and National Highway
- Authority
- Priorities for new roads, to include bypasses and improved road links to industrial zones
- Longer-term planning for improved regional transport links.

An allocation of Rs10.7 billion has been made for road sector; out of which Rs 9 billion has been made for on-going projects & Rs 1.7 billion for new projects. Major new initiatives are:

- Dualization of Charsadda – Tangi Road i/c Utmanzai Bypass District Charsadda (23 km)
- Dualization of Nardan – Charsadda Road i/c Dargai Bypass and Rehabilitation of existing dual carriage way to Charsadda City “Phase-II (14.5 km)
- Dualization of Haripur – Hattar – Farooqia Section of S-1 (22 km)

Balochistan

For the year 2012-13, an allocation of Rs 8.17 billion has been made for road sector; out of which Rs 4.51 billion has been made for on-going projects & Rs 3.66 billion for new projects

Azad Jammu and Kashmir (AJK)

The major portion of the resources is allocated to improvement and up gradation of road communication network down to village level. Most of the resources will be allocated to the ongoing projects. Major new initiatives include construction of 11 road tunnels for trade and tourism development, construction of Kashmir Trunk Road (KTR) and Kashmir Highway, upgradation of roads linking with Pakistan & leading to crossing points across line of control, construction of new airport at Mirpur and expansion of airports at Muzaffarabad & Rawalkot.

Chapter 21 Information Technology, Communication and Mass Media

The Information Technology and Communication (ICT) is an area which diffuses uniformly into all sectors of economy. In the Framework for Economic Growth (FEG) 2011, connectivity is one of the focus areas, with special reference to ICT connectivity. It has a high potential in promoting innovation and creativity as well as accelerating the pace of economic growth through real-time connectivity. The sector also holds a promising prospective in creation of jobs and new business avenues, especially for the youth. The strategic emphasis in the FEG is on formation of clusters, empowering people and increasing productivity. The strategic objectives are given in Box 21.1.

21.1 Information Technology (IT)

Information Technology is now considered a necessity for delivering solutions for provision of economic and social services which could result in sustained growth and help in reduction of poverty. The increasing inter-connectedness is resulting in worldwide exchange of experience, knowledge and services amongst people and communities in an unparalleled way. Hence it fosters innovation and entrepreneurship.

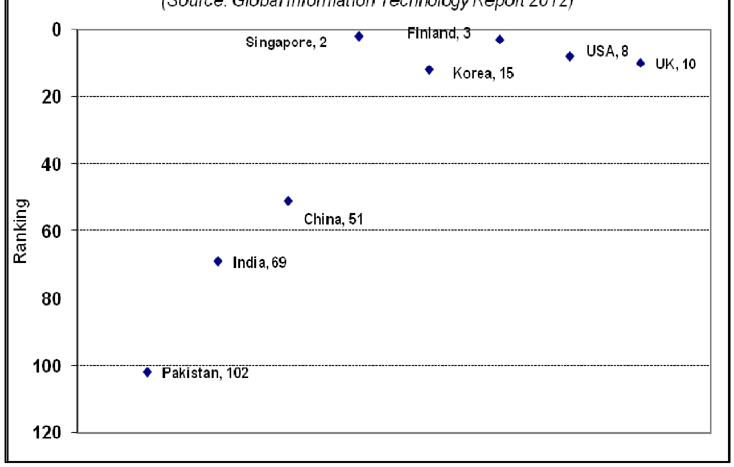


Figure 21.1: Network Readiness Index Ranking
(Source: Global Information Technology Report 2012)

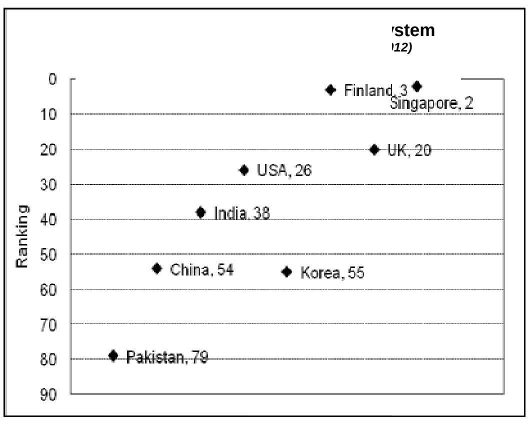
In Pakistan, the difficult economic situation during the last few years coupled with continuing security concerns have also affected the IT Sector. Pakistan is not able to keep pace with the transformation taking place worldwide as a result of 'inclusiveness' of ICT. In the overall Network Readiness Index, ranking of Pakistan has dropped to 102 in 2012 as compared to 88 last year. Comparison of Network Readiness Index ranking of selected countries shows that Pakistan still ranks much lower than our regional competitors (Figure 21.1).

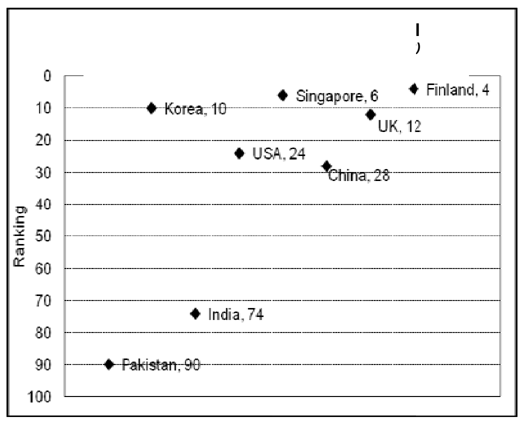
21.1.1 Sectoral Issues and Strategy

Education and Human Resource Development

The effective use of ICT is based on level of literacy and quality of education at all levels. Development and innovation in ICT requires adequate supply of high quality skilled human resource. Pakistan is far below the international standards with regard to sustaining competitiveness in highly complex and competitive world. ICT being a very attractive sector for young entrepreneurs requires that they be groomed for producing high value innovative products and services.

Global recession is forcing many countries to reform their economies. With high unemployment rates, only highly skilled and internationally competitive human resource will be able to avail the best opportunities in the future. Therefore, it is high time that we focus on quality IT education to meet both the domestic demand of IT industry as well as cater to the international requirements and tap excellent source of foreign remittances in the future. A comparison of various countries for *"Quality of the Educational System"* (Figure 21.2) clearly depicts that Pakistan has to strive hard to become globally competitive. Pakistan also needs to increase the internet access in schools to improve its ranking in *"Internet Access in Schools"* (Figure 21.3). The strategic direction to develop HRD in IT sector is delineated in Box 21.2.





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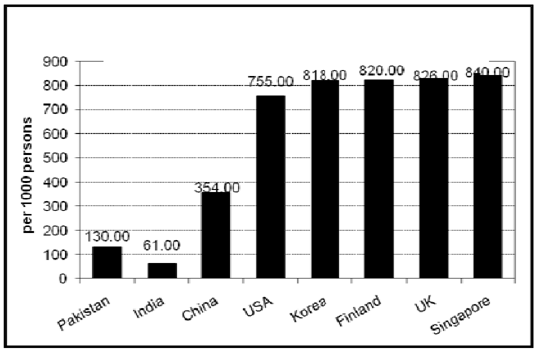
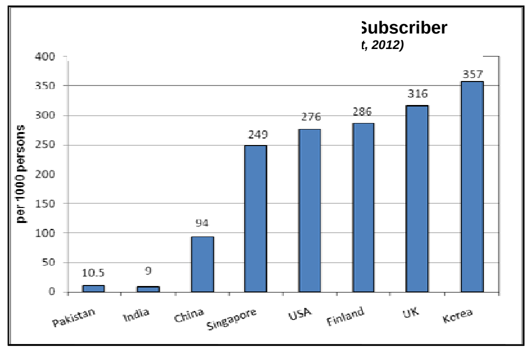
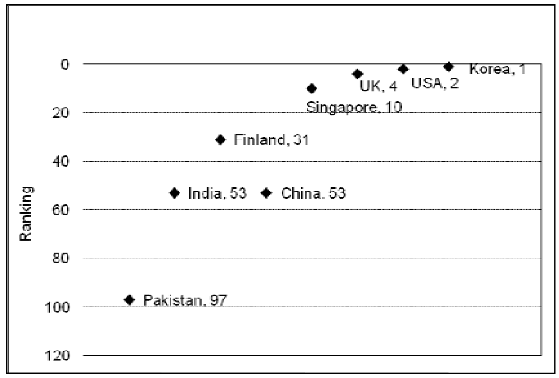
Development of Information Technology Industry

In Pakistan, overall IT exports have been consistently low in terms of value compared to the potential in the country. IT exports of Korea were at US $ 158.8 billion, Ireland's IT exports is expected to reach US $ 67 billion and India's IT export is projected to be US $ 68 billion in 2011-12 (*OECD Fact book 2011-12 and NASSCOM, India*). Job creation in ICT costs much less compared to traditional sectors. Turkey provided incentives and reduced taxes to boost ICT and consequently created new job opportunities at a lower cost. Strategic direction for development of IT Industry and increasing software exports is given in Box 21.3.

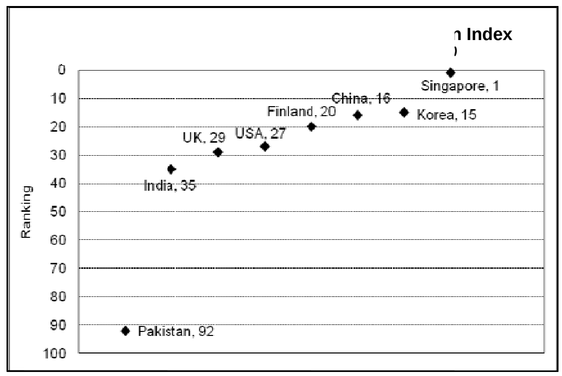




E-Government



With increased ICT use, government needs to expand the network of online services to facilitate the citizens, enhance efficiency and transparency in governance. In spite of expansion of information and participatory tools on government websites, access to basic services such as health, education, agriculture need to be expanded for general public. Thus, increasing the overall economic and social impact of ICT usages. The use of ICT by government to increase the efficiency in delivery of its services is still very low as compared to other countries (Figure 21.6).



Pakistan needs to plan to make best use of ICT for improving overall competitiveness and improve the comparative position presently prevailing (Figure 21.7). The e-government initiative has to be re-oriented to bring more government services online. Continued ownership at the highest level can make it a success.

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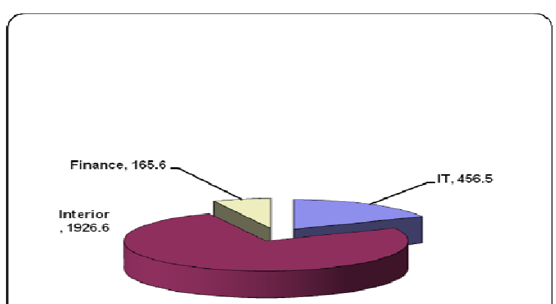
A major issue in sustainability of e-government projects is induction and retention of IT professionals. The government's current priority is skewed towards telecom. There is need to balance it with IT. Adopting public service as a career is a low priority amongst IT professionals due to very lucrative packages offered by the private sector for the same skills and experience level. To attract IT professionals in the public sector, development of an IT Cadre at competitive salaries is essential. For sustainability of e-government initiatives, strategic direction is briefly delineated in Box 21.4.

21.1.2 Review of 2011-12

Financial



Source: Planning Commission

In the PSDP 2011-12, Rs 2.5 billion was allocated for information technology for 68 projects worth Rs 25 billion (Figure 21.8). The graph shows the distribution of PSDP allocation among the Ministries/ Divisions. As per the revised estimates, the utilization for 2011-12 will be 81% of allocated funds.

Physical

In the Information Technology, many of the PSDP-funded projects are near completion and are expected to be completed by the end of this fiscal year. The three main focus areas in Information Technology are Human Resource Development, Information Technology Industry Development and E-Government. Major achievements for 2011-12 are delineated below:

- **Human Resource Development**
  Important projects executed during 2011-12 for human resource development include:
  - National ICT Scholarship Program for students of non-metropolitan areas to have access to quality IT/Computer Science education in the country.
  - Pilot Project for End-Users and System Administrators – Training on Open Source Software to raise the skills in the use of open source softwares.

- **Information Technology Industry Development**
  It is expected that IT exports in 2011-12 will reach US$ 250 million approximately. This small export is mainly attributed to the overall uncertain situation that continued to prevail during the year 2011-12, making the international investors reluctant to invest and undertake business in Pakistan and many local companies in expanding initiatives within the country. Following projects were executed during the year 2011-12 for development of I.T industry:
  - Automation of Domestic Industry on Open Source Systems is providing local companies to develop expertise in open source arena as well as automation at low cost for domestic industry.
  - Standardization of Pakistani Software Industry on CMMI is facilitating the software companies to standardize their processes and attain certification to be able to compete internationally.

- **E-Government**
  Important e-government projects executed during 2011-12 included the following:
  - Machine Readable Passport/ Machine Readable Visa Project - Phase-II.
  - Automation of Central Directorate of National Savings (CDNS) project
  - E-Services for Chief/ Deputy Commissioner’s Office, Islamabad.
  - Automated Fingerprint Identification System (Phase-II)

Initiatives by Provinces and Other Institutions

In the Information Technology, provincial governments as well as private sector are taking various initiatives. A flavor of some of the important initiatives is discussed below.

Punjab

- Agreement between Google Inc. and Government of Punjab to get Google Street View for Cultural Sites. This will enable Internet users to have a 360 degree street level view/imagery of the heritage and cultural sites in Punjab. It will help in promotion of tourism in the province.
- Microsoft will train students in internet based self-employment methods.
- Cisco Network Academy will be established by Cisco.
- Tera data will establish a modern development center in Lahore
- Laptop Scheme launched for free distribution amongst talented students of Punjab. Initially, 110,000 laptops have been distributed. In the next phase, 200,000 laptops are planned to be distributed amongst the students of the province.
- Land Record Management Information System in all districts of Punjab.
- PITB has launched Android Training and Games Development Contests for encouraging youth in developing innovated games and mobile applications.

Sindh

- IT Training of Sindh Government employees by IT Board of Sindh
- Sindh Cloud computing initiative
- Introduction of e-Police system in Sindh. The system will be implemented at 500 sites and will include Traffic Management System, e-Driving License, police record, surveillance system, call center for emergencies.

Khyber Pakhtunkhwa

- Virtual Teachers for Schools in KPK. It will include establishing virtual teaching labs in 48 schools and the course content in subjects of Math, Physics, Chemistry
- Property Tax system in KPK to be implemented in all urban cities/areas of KPK.
- IT Park in Peshawar comprising 25,000 sqft has been established and another IT Park is planned in Abbottabad to attract IT companies and promote IT industry in the province.
- Hunarmand Rozgar Scheme will facilitate skilled youth of the province to have self-employment and establish small business especially in the field of IT.

National ICT R&D Fund

- National Grassroots ICT Research Initiative for final year projects by students of public and private universities will be funded for high caliber R&D projects. This will enable innovation and creativity amongst students and also help in creating linkages between academia-industry-government.

Intel Education Initiative in Pakistan

- Development of ICT curriculum for Grade 1 to 7 in collaboration with a private school chain.
- Intel Teach Program in collaboration with AIOU to provide IT skills to the population, thus reducing the digital divide gap.
- Intel Easy Steps Program MOU signed with Government of Sindh.

Technology for People Initiative

- Technology for People Initiative (TPI) launched by LUMS as a joint venture to empower people through connecting them digitally. Google Inc. will provide US$10 million funding for this initiative. Also, Research Initiative on Internet and Society (RIIS) has been launched by LUMS.

21.1.3 Outlook for 2012-13

Policy Reforms

In order to achieve the strategic objectives and enhance the economic growth of Pakistan, following policy reforms are envisaged:

- Human resource generation duly qualified as Microsoft professionals and Oracle professionals are already being produced all over Punjab. Every 15 months about 45,000 persons are being produced. This process should be extended to all provinces of Pakistan. IT professionals can earn foreign exchange for the country when they find jobs in Middle East and Europe. At the end of every training course, the Punjab Government offers a three months language course and also advises on job placements. Microsoft is providing free software and training packages to generate human resource, whereas providing computer hardware and other training facilities is the responsibility of provincial TEVTAs.
- The computerization of revenue record in Punjab is being implemented in all districts. Documents like *Fard* of property are now available on line. The Federal Government has invested heavily on development of software for this project. Other provinces are making efforts to obtain this software from Punjab.
- Internet needs to be extended to farthest corners of the country (at least upto Tehsil level) so that students, businesses, research institutions and commerce can benefit from the information technology.
- Private entities needs to be encouraged to put information on websites and provincial governments should guide them in this regard.
- All data obtained by remote sensing satellite of SUPARCO as well as through surveys carried out by the Agriculture Departments and Crop Reporting Services (CRS) should be integrated in one central Agricultural Productivity Website of the country. This will help develop fair food policies for rice, sugar, cotton, wheat for next season.
- Individual local markets (*mandis*) selling agricultural produce needs to be linked through websites in order to apprise the traders and government of current prices of various products and help deal with situations of surpluses and deficiencies. The government policies of agriculture ministry and TCP should be based on feedback of this website.
- Software exports have increase manifolds in last ten years (reaching US $ 250 million, *PBS data/* US $ 1 billion, *PSEB estimates*). The PSEB provides advisory services to small software development units and facilitates them in boosting their exports. In order to safeguard the interest of smaller software developer, the government needs to move them into viable clusters in Software Parks where these small development companies can manage larger IT development projects mutually. The software houses should operate as small industrial cities on the same lines as Textile or Garments Cities, where uninterrupted electricity and broadband internet may be provided by government. Required infrastructure can be built from cess levied on software

export available with MoIT while computer hardware and human resource can be managed by the small individual companies. The small individual units may be provided free floor space in the IT city as long as its productivity remains significant. In case of non-productive companies the facility of free space in IT city may be withdrawn.

Program for 2012-13

Financial

In the PSDP 2012-13, an amount of Rs 4.6 billion (Figure 21.9) has been earmarked for IT sector for 43 projects costing Rs 22.9 billion.

Commission

Physical

The PSDP earmarked for 2012-13 is meant for ongoing projects. The emphasis will be on human resource development, IT industry development, strengthen e-Government and infrastructure development. Major thrust in IT for the 2012-13 will be as follows:

- **Human Resource Development**
  Following main projects are included in PSDP 2012-13:

  - National ICT Scholarship Program. The target for the year is to provide scholarship to 400 students for 4-years Bachelor's degree programme in various national universities.

- **Information Technology Industry Development**
  PSDP 2012-13 emphases on improving the IT infrastructure to attract more international IT companies to undertake business in Pakistan alongside the domestic IT companies. In this regard, some of the important projects included in PSDP 2012-13 are:

  - Standardization of Pakistani software industry on CMMI will facilitate in improving the processes within the companies by adopting internationally accepted best practices and thus attract international business.
  - Open Source Resource Center will keep on acting as a resource hub of open source technologies for IT professionals and companies.

- **e-Government**
  E-government projects will continue to be the center-piece of public sector information technology initiative. The major e-government projects in 2012-13 include:
  - Establishment of Federal Government Data Center to provide physical infrastructure facility for hosting the applications and data services for the public sector at the Federal Government level.

- Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-II targets to deploy the system at key foreign missions in the next year.
- National Response Center for Cyber Crimes (NR3C) – Phase-II plans to establish new forensic facilities at Peshawar and Quetta and inform public about the cyber crimes benefits of forensic facilities.

21.2 Telecommunication

Telecommunication sector in Pakistan has seen a phenomenal growth during the last decade and has reached tele-density of 71.6% as of March, 2012 (*Pakistan Telecommunication Authority*). A slow down seen in the previous two years is now over, and the telecommunication sector is all set to once again pick up speed. With plans of auctioning of 3G licenses in the near future, the telecom sector will enter into the next phase of its growth. For services and infrastructure providers, this will bring even bigger challenges and opportunities. The broadband subscribers have doubled in the last two years, which is encouraging the broadband service providers to bring better and affordable packages for customers.

21.2.1 Review of 2011 - 12

Pakistan Telecommunication Authority (PTA) is a regulatory authority mainly responsible to regulate telecom business in the country, licensing telecom operators, monitoring quality of services, and protecting the interest of consumers. PTA's proactive approach has contributed towards accelerated growth in the telecom sector. PTA has won accolades in the international fora for being the most dynamic regulator in the region. The regulator has been active in bringing in new initiatives and services to protect the interest of both consumers & producers and foster competition in the market. PTA has launched "National Rabta Portal" to facilitate general public in accessing Pakistan-based content. Furthermore, it has drafted Regulations for Technical Implementation of Mobile Banking 2012 which will be helpful in providing a platform to operators and banks to interconnect with mobile users and thus lowering the cost of services to their consumers as well as reaching out to un-served population. PTA has also launched services for resolution of complaints, controlling spamming, obnoxious and fraudulent communication, etc. Furthermore, it conducts Quality of Service (QoS) surveys on a regular basis to ensure provision of quality services. PTA has also launched an academia linkage program to groom future professionals in IT and telecom related research.

The two telecommunication organizations working under the government, namely National Telecommunication Corporation (NTC) and Special Communication Organization (SCO) are providing services to the government at Islamabad, AJK and GB. NTC at the moment operates 132 exchanges in the country with total 129,851 working connections. SCO presently operates 159 exchanges and has 66,000 working connections and 138 GSM cell sites with 415,182 mobile connections. SCO also operates 138 BTSs with 40,500 WLL connections, 2748 DSL and 153 DXX connections.

The important projects executed by NTC as well as SCO during 2011-12 are as follows:

- National Telecommunication Corporation (NTC)
  - Hosting of GoP Portal and Government Websites.

- Special Communications Organization (SCO)
  - Laying of Optical Fibre Cable (OFC) to connect remote areas of Gilgit-Baltistan and AJK.
  - Re-location of already laid SCO's telecom assets due to up-gradation of Karakoram Highway (KKH) from Raikot to Khunjrab.
  - Interconnect Billing and Customer Support for AJK.

Performance of Private Companies

Presently, there are 5 private cellular companies operating in the country. The number of connections as reported by PTA are shown at Tables 21.1and 21.2.

Table-21.1: Number of Fixed+WLL Telecom Connections
(As of Jun. 2011 and Mar. 2012)

(Million)

Item	2011	2012	Growth (%)
PTCL Fixed Lines	2.88	2.96	2.7
Other Fixed Lines	0.14	0.14	0.0
PTCL WLL	1.35	1.43	5.9
Other WLL	1.39	1.55	11.5
Total Fixed+WLL	**5.76**	**6.08**	**5.5**

Source: Pakistan Telecom Authority

Table-21.2: Number of MobileTelecom Connections
(As of Jun. 2011 and Mar. 2012)

(Million)

Company Name	2011	2012	Growth (%)
Mobilink	33.38	35.79	7.22
U – Fone	20.53	23.12	12.62
Telenor	26.67	29.35	10.05
Warid	17.39	14.40	-17.19
Zong	10.93	15.66	43.28
Total Mobile	**108.89**	**118.32**	**8.65**
Total (Fixed + Mobile)	**114.65**	**124.40**	**8.50**

Source: Pakistan Telecom Authority

Broadband Services

The broadband connections increased from 1.49 million in June, 2011 to 1.91 million in February, 2012. This increase is mainly attributed to continuous aggressive launching of products like EvDO, WiMax, FttP in the broadband arena by telecom companies namely PTCL, Wateen, Wi-tribe, Nayatel and Qubee wireless broadband services at affordable prices.

21.2.2 Roadmap for Future

'Vision 2020' of Pakistan Telecommunication Authority (PTA) envisages telecom sector to become a major contributor in the economic growth of the country. The roadmap forecasts that mobile telephone subscribers will cross 160 million mark and broadband subscribers 19.5 million by 2020, while fixed line subscribers will remain in the range of 5 million. Broadband will be the main medium of personalized communication from which users will be able to effectively and affordably access any service from any device or network. In the next ten years, 4G technology will usher into usage of new applications such as IPTV and Web-TV. The telecom roadmap for 2020 is likely to witness 100% NGN infrastructure where wide range of services will be available on converged infrastructure platform. In future, PTA will be concentrating on re-farming of spectrum to cater the increased demand of broadband and wireless technologies. It envisions telecom to become the communication highway for sharing of knowledge as well as reaching out to a large segment of population in education and health services delivery.

Program for 2012 - 13

In PSDP 2012-13, Rs 1.13 billion have been earmarked for SUPARCO, SCO and Ministry of Information Technology to execute 16 approved projects worth Rs 11.1 billion. Following are some of the important projects that will be executed in 2012-13:

SCO

- Construction of Cross-Border Optical Fibre Cable for Alternate International Connectivity.
- Laying of OFC to connect Remote Areas of Gilgit-Baltistan and AJK.

SUPARCO

- Development of Various Laboratories for National Satellite Development Program in Lahore**.**
- Human Resource Development for National Satellite Development Programme (NSDP)**.**
- Development of Compact Antenna Test Range (CATR).
- Satellite Bus Development Facility (Phase–I).
- Development of a Satellite Assembly Integration and Test (SAINT).
- Altitude & Orbital Control System (AOCS) Center.

21.3 Mass Media

In Pakistan electronic media is predominantly operated and managed by the private sector while Pakistan Television Corporation, Pakistan Broadcasting Corporation and Associated Press of Pakistan are responsible for providing information and entertainment in the public sector. The terrestrial medium wave and short wave transmissions are in the hands of public sector media under the existing policy. The Government also supports Associated Press of Pakistan for dissemination of information to electronic and print media. Efforts are being made to strengthen electronic media in private sector and also to ensure that a healthy content mix reaches the people both through state owned and private media. Print media is totally a private sector activity.

21.3.1 Strategic Framework

The salient features of the strategy to develop mass media are:

- Reduction of the role of public sector to policy guidelines and addressing the commercially less viable areas
- Gradual policy shift from total government investment in electronic media and infrastructure expansion to localized media initiatives to be launched by the community through private sector.
- Provision of healthy content mix through terrestrial network by the public sector media.
- Switchover to digital transmission to meet the analogue cutoff date of 2017.
- Making the media capable of surviving in a challenging market environment.
- Liberalization of regulatory framework for creating maximum space for the stakeholders outside public sector.
- Encouragement for specialized broadcasting (narrow-casting) to generate maximum commercial inputs
- Create conducive environment for all private sector electronic media with Pakistani content to operate from Pakistan.
- Expand the reach of cable television services to all households of the country.
- Provide television signals through terrestrial network to all households.
- Encourage and facilitate private sector to launch direct to home Television service, interactive cable television network, community television and Community Radio service throughout the country.
- Install powerful transmitters for regional and international coverage.
- Rationalize the role of public sector electronic media in terms of scope and size.

21.3.2 Review of 2011-12 and Outlook for 2012-13

The revised allocation for mass media for the year 2011-12 is Rs 530 million against which utilization is expected to be around 51% at Rs 270 million owing to low releases due to financial constraints. Allocation for 2012-13 is Rs 412 million. Agency wise picture is given in Table 21.3.

Table 21.3: Mass Media Allocation and Expenditure 2011-12 and 2012-13

(Rs million)

Agencies	Revised Allocation 2011-12	Estimated Expenditure 2011-12	Allocation 2012-13
PTVC	335	142	262
PBC	160	103	120
APPC	35	25	30
Total	**530**	**270**	**412**

Pakistan Television Corporation

A major achievement during the year 2011-12 is inauguration of TV Station Multan in December 2011. The Studio Block of the building has been completed and is in operation. However, some minor works are still in progress. The significance of T.V Station, Multan is that it is the first T.V Station of Southern Punjab for catering the requirement of Sariaki belt. The construction work of Multan TV has been completed with Rs 379 million.

A key task of PTV is to provide TV signals to the entire population of the country through terrestrial network. This target has been almost achieved except some left-out pocket in Baluchistan, Gilgit-Baltistan, KPK and AJK. For this purpose a number of Rebroadcast Stations (RBSs) are being constructed and work will continue during 2012-13. A high powered transmitter is being installed at Mian Channu to reach the population in and around Khanewal, Sahiwal, and surrounding areas. The Civil works are nearing completion and funds have been provided for installation of transmitter.

Pakistan Broadcasting Corporation

Two 100 KW SW transmitters and high frequency aerial system is being installed at Landhi, Karachi for providing Radio Pakistan signals to Middle East, South Asia and East Asia. For providing quality MW Radio signals to Muzaffabad, Hyderabd and Multan a 100 KW MW transmitter is being installed at each location replacing the old ones. Under the USAID programme the 10 KW MW transmitter at D.I.Khan has been replaced by a 100 KW MW transmitter for providing signals to tribal areas and across the border Funds have been allocated for installation of 100 kwMw transmitter at Gwadar.

Associated Press of Pakistan Corporation

Electronic news gathering service of APP remained in progress during 2011-12 and will be completed in 2012-13. The project is operational since October, 2007 at APP Headquarter Islamabad, four (4) Bureaus, one in each provincial capital. The hardware component of the project has been acquired and is operational.

Part –VII

Better Governance

Chapter 22 Better Governance

The Government is committed to create conducive political, legal and economic environment for building individual capabilities and encourage private initiatives. Development activities under the governance sector revolve around effectiveness, accountability, transparency, rule of law, knowledge management, organizational restructuring, institutional reforms, judicial reforms, law & order, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty though implementation of growth strategy, allied policies and programmes. As growth generates income, good governance trickles down the effects of growth to the masses, particularly to the poor.

22.1 Strategy

The Framework for Economic Growth emphasizes on improving governance, strengthening institutions, fostering markets and initiating reforms in the areas of judicial system, civil service, systems and procedures, tax administration, procurement, financial management, enforcing property rights, and Public Sector Enterprises. Governance reform agenda spans over medium to long term frames. The strategic elements to be pursed under the Annual Plan during 2012-13 are as under:

- Improve efficiency of legal framework through training, alternative dispute resolution and timely and effective resolution of cases.
- Improve efficacy and accountability in police system through capacity building, provision of better equipments and resources.
- Strengthen tax collection system at local and provincial governments, improve tax audit system, establish commercial courts, improve labor laws and promote trade.
- Improve delivery of critical municipal services through enhancement and strengthening local government system.
- Involve civil society and other stakeholders in the design and implementation of policies, programmes and projects.
- Improve transparency to reduce corruption.
- Strengthen regulatory framework for effective implementation of economic policies.
- Improve public sector management by
  - Reforming tax administration;
  - Reforming public financial management;
  - Implementing E-Governance;
  - Public sector capacity building and civil service reforms, promoting professionalization of civil services and qualitative improvements through continuous training and skill up-gradation with a view to improve transparency, accountability, efficiency, fair play and honesty;
  - Simplify procedures and automate systems to implement transparency and efficiency;
  - Remove unnecessary rules and regulations;
  - Enhancing quality and coverage of data and statistics.

22.2 Review 2011-12

An amount of Rs 5.6 billion including foreign aid of Rs 3.1 billion was allocated for the Governance Sector projects during 2011-12. As of 30th March, Rs 4.5 billion have been spent, showing a utilization of 81%. Some of the major on-going programs and new initiatives undertaken during 2011-12 are discussed as under:

22.2.1 Public Sector Management Efficiency

Access to Justice: Under Access to Justice Programme (AJP) (costing Rs. 21 billion) improvements in judicial system, quick disposal of pending cases and non-judicial legal services were ensured. 52 consultants were hired, 104 workshops/ trainings programmes arranged, 227 booklets published, 559 development schemes completed, 96 development schemes are on-going and 7 new development schemes have been launched under the programme.

Tax Administration Reforms: Under tax administration program which started in 2003 and closed in 2011 following initiatives have helped in improving domestic resources mobilization by introducing RGST on Goods & Services in integrated mode, minimizing exemptions; domestic zero rating and special rates elimination, harmonization of tax administration, strengthening risk based audit, improving efficiency of tax administration and introducing broadening of tax base. Detail is presented below:

- 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 procedure, re-introduction of tax payers audit and launching of an electronic refund system.
- Reduction in litigation cases and introduction of a mechanism of alternate dispute resolution.
- Taxpayers' education and facilitation.
- Setting up of model Custom Collectorates.
- Rationalization of GST and introduction of single rate of 16%
- Introduction of integrated tax management system (e-filing, e-registration, e-notices
- Registration in sale tax increased from 100 thousand to 209 thousands during 2003 to 2011.
- Income tax return files increased from 1 million to 3.35 million during 2003 to 2011

Improvements in Audit and Accounts: A reform programme is being implemented to separate audit and account functions, providing effective accounting and reporting system in line with the international best practices. It strengthens financial management practices, provides basis for enhancing public sector accountability through financial monitoring and control, and produces timely and reliable information for decision making and policy formulation. The Office of the Auditor General of Pakistan has launched Phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at cost of Rs 9.6 billion to sustain the ongoing activities under PIFRA. Under the project, 123 Financial Accounting & Budgeting System (FABS) out of 130 District Account Office (DAO) sites, five FABS against the targets of 4 departmentalized Account Offices, and 53 System Application Programme (SAP) competency centers out of 53 have been established

Public Information and Statistical Management: The report of Pakistan Social and Living Standard Measurement (PSLM) Survey containing National/ Provincial and District Level data for the fifth (2010-11) round has been released. Data collection/processing for the sixth round (District level 2011-12) of PSLM project is under process and report will be made available as per schedule. Project on Strengthening National Statistics (SNS) in Pakistan has been completed. The project has improved the capacity of Pakistan Bureau of Statistics (PBS) in collection, processing, relevance and dissemination of statistical data to support evidence based decision making. PBS has been established as an autonomous body for collection of reliable and timely data however, its structure and improved systems and procedures are to be operationalized. There is need to build capacity of this consolidated organization after taking charge of various responsibilities to handle data as a result of 18th constitutional amendment.

Devolution and Police Reforms: For improvement of law and order in the country, three important projects had been launched. 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. However, the Government of Balochistan has reverted all the districts into B Areas. The third project relates to Procurement/ Installation of Non-Intrusive Vehicles X-ray Inspection System (NVIS) (Phase-I) costing Rs 1.0 billion which provides security protection to individuals and business.

22.2.2 Other Major Initiatives

During the year 2011-12, following other major reforms initiatives have been launched by the Government to improve the Governance in the country:

- Monetization of official transport for entitled officers (BS-20 and above)
- All capacity building projects have been reviewed and thirty of them including 14 projects of the Planning Commission have been curtailed to economize the government expenditure.
- Limits imposed on borrowings of Federal and Provincial governments through amendments in State Bank of Pakistan Act.
- Austerity Measures for expenditure adopted
- Supplementary grants limited to 10 % of budget appropriations with mandatory cabinet approval
- Permanent Committee of (Federal and Provincial) Finance Ministers established for budgetary oversight through 18th Amendment.
- Substantial progress has been achieved in terms of reconstitution of Professional Board of Directors and turn-around plans.
- Power Sector reforms are underway which include improved governance framework, ensure autonomy to DISCOs/ GENCOs/ NTDC through dissolution of PEPCO; sustain power sector financing (resolving circular debt); improving efficiency of generation/transmission/ distribution system); strengthen regulatory role of NEPRA and improve energy mix.
- Restructuring of PSEs other than of power sector is also underway. Objectives of restructuring, its features, progress so far and future strategy is presented in Box 22.1.

BOX 22.1: Restructuring of PSEs

Restructuring of Public Sector Enterprise has been initiated as a roadmap for improved economic governance. An overall framework for restructuring of PIA, PSM, PEPCO, Railways, NHA, PASSCO, TCP and USCs has been devised.

Key Objectives of restructuring are to improve overall corporate governance of PSEs, curtail hemorrhaging, improve services delivery, reduce fiscal burden on exchequer and increased public sector saving.
Key features of restructuring model include restructure Board of Directors by including a mix skill including academia, management experts, professional managers and technocrats, induct professional management including CEOs, CFOs and key mangers; develop viable turn around plans; ensure implementation of plans in an independent manner with the support of government under mandate of Cabinet Committee of Restructuring (CCOR), and ensure monitoring by CCOR.

Progress: A framework for hiring of professional CEOs has been approved by the CCRO of PSEs to create transparency. BODs are being empowered to induct professionals from the market. Turn around plans for PIA, PRs, PSM and PSM are under implementation and consequently loses have been curtailed in these PSEs. Substantial progress has been achieved including restructuring BODs of 9 DISCOs, NTDC, PGCs and CPPA. BODs of Pakistan Steels have been reconstituted. Process for selection of a professional CEO of PSM has been finalized. New BODs of Pakistan Railways has been constituted with an optimal mix of academia, management, professionals, rail experts and executive functionaries. An overarching restructuring plan of PIA has been finalized which addresses corporate governance, human resources rationalization, financial and operational restructuring, engineering improvement, procurement and logistics, marketing and fleet, airport services and dispatch reliability among others.

Future Strategy: A framework for ensuring well functioning BODs and to engage them in turnaround plans of the PSEs will be developed envisaging a transparent process of Board nominations, capacity building of BODs, clarifying role of BODs, monitoring performance of BODs by setting key performance indicators and preparing plan for privatization of FESCO and IESCO. Task Force on Corporate Governance of PSEs has finalized corporate governance regulations for PSEs. SECP has also notified draft governance regulations of PSEs for public opinion.

Source: Economic Reform Unit, Finance Division

- Archiving economic efficiency through devolution which includes transfer of concurrent subject to provinces under 18th Constitutional Amendment and equitable resources transfer to provinces under 7th NFC Award.
- A Committee on Structure of Pay and Allowances has been constituted on 3rd June 2011. It will examine the structure of pay, perks, privileges and allowances across the public sector including civil government, judiciary and defence forces paid out of Federal Consolidated Fund. It will suggest measures to bring equity and fairness keeping in view the nature, responsibilities and efficiency to service delivery so that a clean, transparent and monitorable wage system could be implemented across public service.
- The Committee on monetization of housing facility for Federal Civil Servants has prepared its recommendations and forwarded the same to Finance Division for further implementation/ process.
- Committee on rationalization of current and development expenditure has been constituted under the chairmanship of Deputy Chairman, Planning Commission

to rationalize, appraise the role, goals/ functions/ objective, budgetary requirements, organizational setup of the ministries/ divisions

22.3 Procedures for Approval and Financing of Development Projects

Planning Commission has proposed revised procedures for the approval and financing of development projects. The revised procedures will be adopted after approval of the ECNEC / NEC. Salient features of the proposed revised procedures are as under:

22.3.1 Procedures for Approval of Development Projects

- Infrastructure and social sector projects respectively costing up to Rs 2 billion and Rs 0.5 billion are to be supported by in house feasibility study and those costing above these limits to be supported by professional feasibility studies.
- All PC-Is must be signed by Federal Secretary and Chairman/ACS P&D Board/Depts.
- DDWP forum will cease to exits
- All PSDP funded projects should reach P&D Division for consideration of CDWP/ECNEC.
- Projects funded by provincial governments should finally be approved by respective PDWP. IRSA certificate is required in case of water distribution projects.
- Concept clearance from CDWP for seeking foreign assistance for federal projects should be strictly adhered to
- PC-Is of only firmly committed foreign assistance projects to be prepared for consideration of CDWP/ECNEC.
- Loan agreement should only be signed after ensuring land availability and approval of PC-I.
- Project Director plus 2 supporting staff for project costing above Rs 5 billion to be appointed temporarily, to prepare PC-I, through Project Preparatory Fund
- Time limit of 6 week fixed by ECNEC for scrutiny of projects in P&D Division to be strictly adhered to
- CDWP to be held last week of every month
- Projects received in P&D Division must be processed within 3 months. Projects not considered in 2 consecutive CDWP meetings to be returned for resubmission with updated cost/scope.
- CDWP would give clear decision of approval or disapproval or deferment of project.
- Project not executed within 2 years of approval or couldn't achieve financial utilization up to 25% of cost would require new PC-I.
- Revision in cost/scope within 2 years of approval/execution of project wouldn't be accepted.
- Change in scope and cost beyond 10% of the original approved PC-I requires new PC-I.
- Ministries would be required to fix responsibility of those projects which are implemented beyond 10% original approved scope/cost without approval of competent forum.
- Project in phases will not be accepted by P&D. Fresh PC-I be required for revised/enhanced scope of work.
- Summary for ECNEC must be prepared by P&D within 1 month after recommendation by CDWP.

22.3.2. Procedure for Financing of Development Projects (Aftermath of 18th Amendment and 7th NFC Awards)

- Federal govt. may not commit financing of devolved sectors (social & agriculture) projects
- Allocation to un-approved important projects, if not approved by 15 December of that year be withdrawn
- Throw forward liability may not to exceed aggregate of 4-5 years PSDP
- No token allocation to any projects to avoid increasing overall throw forward
- No block allocation except Special Areas (AJK, GB and FATA)
- Devolved sector projects received under Directives only be financed from PWP – II
- Partial funding of projects from PWP – II and PSDP be discouraged
- Rules for disbursement of foreign loans/grants be framed in consultation with EAD and Finance Division
- Projects of commercial orientation be kept outside PSDP e.g. energy projects of WAPDA/PEPCO and PAEC.
- Independent companies to be set up to receive and repay the loans.
- Simplified PSDP Performa developed

22.4 Monitoring and Evaluation of Projects

Policy of the Government is to efficiently utilize natural and economic resources of the country for socio- economic development of the people. This objective is achieved through better planning and vigilant execution of development projects..

During 2011-12, 596 projects were to be monitored, whereas 366 projects have been monitored by the Projects Wing up to March, 2012. The low level of achievement was due to uncertainty of the continuation of the contract employees of the projects.

Result Based Monitoring and Evaluation

Monitoring and Evaluation is conducted based on the concept of Results based management. It is a powerful management tool that lays emphasis on results, outcomes and impacts. It tracks the status and progress made in policies, programs or projects, provides timely information to the relevant stakeholders and allows for greater accountability, sets the basis for establishing key goals & objectives and provides a justifiable basis for budget requests. RBM adopts a participatory approach in monitoring and evaluation. Participation is increasingly being recognized as being integral to the M&E process, since it offers new ways of assessing and learning from change that is more inclusive and responsive to the needs and aspiration of those most directly affected. It is important to ensure that stakeholders are involved in all stages of planning, monitoring and evaluation.

Major findings of the monitoring activities are listed below. These are shared with the executing agencies to improve pace of implementation of the development projects.

- Implementations of projects have suffered mainly due to low releases as compared to PC-I phasing, and lack of capacity in project management.
- Thinly, allocation of resources to a large portfolio resulted into delays and cost overrun in majority of projects.

- Poor preparation/ designing of PC-Is resulted in the delays, cost over runs, change in scope of work and revision of PC-Is.
- Change in the scope of civil works without approval of the competent forum.
- Procedural deficiencies in implementing the HRD components and delayed selection
- Large numbers of projects are being handled on additional charge basis and not by independent Project Director.
- Execution of projects without approvals of Extension of Time

Evaluation of completed projects is undertaken for assessing their efficiency, effectiveness relevance, impact and sustainability in relation to planned targets, goals and objectives. During the year 2011-12, 15 projects, of various sectors of the economy were targeted for evaluation, of these 8 projects have been evaluated. The evaluation reports were forwarded to the concerned ministries/divisions for taking necessary action and guidance for future projects 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 deliverance of benefits to the target groups.

Outlook for 2012-13: During the year, 576 and 24 projects respectively will be monitored and evaluated. All the Ministries/Divisions not yet electronically connected to PMES will be connected for effective flow of data and information of projects for sharing among all stakeholders.

22.5 Governance Reforms in Provinces

Punjab

The government of Punjab (GoPb) has laid down an ambitious Vision 2020 aimed at doubling per capita income over the next decade. In this regard, Government of Punjab has launched second-generation reforms at the fourth Punjab Development Forum in April 2007. These reforms are centered on creating an effective public sector and fostering a dynamic private sector to achieve the Vision 2020 goals.

The key pillars of the second-generation reforms includes efficient public financial management, increase the fiscal space for higher pro-poor spending; a fully funded and well-governed civil service pension system to support prudent fiscal management and ensure retirement income security for civil servants; civil service reforms for a responsive, efficient, and effective civil service; broad measures supporting private sector development, for economic growth, job creation, and poverty reduction; attainment of the Millennium Development Goals (MDGs) by 2015; and improved access to justice, for greater legal and regulatory certainty and enforceability in all economic spheres. Impact sustained high economic growth in the Punjab, with lower poverty incidence and improved delivery of public services.

During 2011-12, Government of Punjab implemented number of projects to improve capacity/ efficiency of government departments which include Supporting Punjab Resource Management Reforms, Punjab Capacity Building Programme, Establishment of Urban Sector Policy & Management Unit and Capacity Building of Civil Servants for Policy Making.

Sindh

Government of Sindh initiated Sindh Reform Programme with the support of US $ 100 million Budgetary Support from the World Bank under Structural Adjustment Credit (SSAC). The Sindh Reform Program, supported by SSAC had primarily three major components which includes fiscal restructuring and financial management reforms; improving delivery systems for basic social services including health, education, water & sanitation; civil service reforms and decentralization; regulatory reforms, privatization and infrastructure improvements.

These reforms had far reaching effects and enabled the Government to move towards debt restructuring; tax reforms; expenditure management reforms as well as regulatory reforms. The fiscal restructuring reforms initiated under SSAC including debt repayment; payment of liabilities and multiple tax reforms have helped in improving the overall financial position of the Government in more than one ways. These reforms helped in creating the fiscal space, which in turn was used for providing higher allocations in poverty reducing sectors including the ADP.

In addition to the above, Government of Sindh implemented number of projects during 2011-12 to improve capacity and efficiency of government departments which includes Strengthening and Improvement of P&D, HR Development through Capacity Building of Finance Department and Revenue Board.

Khyber Pakhtunkhwa

The government of Khyber Pakhtunkhwa has taken important initiatives in the recent past to improve governance and development outcomes in the province which includes launch of the Comprehensive Development Strategy (CDS), the introduction of Output-Based Budgeting (OBB), and the development of the Health Sector Strategy (HSS), Education Sector Plan and Social Protection Strategy, as well as the establishment of the office of the Provincial Ombudsman, all pointing to improved conduct of Government business.

As part of these reforms, the provincial government recently approved a comprehensive Monitoring and Evaluation (M&E) Framework. This framework seeks to consolidate and streamline M&E processes in the public sector and, as part of this effort, aims where possible to incorporate citizens' voice in the assessment of the impact of development programmes and projects.

During 2011-12, Government of Khyber Pakhtunkhwa implemented number of projects to improve capacity and efficiency of government departments which includes Governance, Public Policy and Social Protection Reform Unit, Capacity Building of Excise and Taxation Department.

Balochistan

The Government of Balochistan has completed a project titled "Assistance to Governance Reforms and Practices in Balochistan (AGPR-B)" with the financial assistance of UNDP Governance Unit. The main aim of project was to improve the institutional capacity of District Governments in particular and Provincial Government in general by providing them with effective tools and enabling environment for the planning, monitoring and management capacity of public services and resource allocation as well as the institutional capacity building at all tiers of Local Governments for improving the governance in an integrated manner (Union, Tehsil and District level.). This initiative has improved the Public Services deliver mechanism based on key components of institutional policy reform, capacity building and community participation through the replication of successful models like Participatory Information System and Balochistan Land Record Management Information System, already demonstrated in five districts of the province

In addition to the above, Government of Balochistan implemented number of projects during 2011-12 to improve capacity and efficiency of government departments which includes Strengthening PRS Monitoring Project, Capacity Building for Officers of P&D Department etc.

22.6 Outlook for 2012-13

Governance is perhaps the single most important factor in ensuring objectives of effective service delivery. Steps are needed to address issues relating to enhancing effectiveness of devolution, improving people's participation and involvement of civil society, especially voluntary organizations. Empowerment of marginal and excluded classes as pressure groups can help check deterioration in governance and exploitation of the public. Corporate governance issues are also needed to be addressed, including improvement of public-private interface, and development of legal and regulatory frameworks. Public sector management needs to be made more efficient through a variety of measures; civil service reforms; procedural reforms; procedural regulations and controls; tax and judicial reforms. E-governance and IT need a big push to increase transparency, fair play and make systems faster and user friendly. Effective monitoring and evaluation should be encouraged and supported. The reforms programs/initiatives in the area of governance mentioned above and have already been under implementation at Federal and Provincial levels will continue during 2012-13. A new capacity building project has been prepared in the Planning Commission which is under approval process. The proposed project will cater for requirements of all federal ministries/ divisions. To simplify the releases process, Planning Commission has proposed 100% release of allocated funds against approved project on 1st July, 2012 and onward and ministries/ divisions will be authorized to issue sanctions against allocated funds.

An amount of Rs 3.6 billion including foreign aid of Rs 1.5 billion has been allocated for the governance sector in 2012-13. The allocation indicates a decrease of 36% over the last year's allocations.