

## CHAPTER 2

### PUBLIC SECTOR DEVELOPMENT PROGRAMME

The PSDP is an important public intervention to spur private investment by way of developing human capital and improving the infrastructure. The PSDP is aligned to the overall long-term development objectives of the government. Economically viable PSDP financed projects help boosting economic growth by bridging infrastructure and skill gaps.

The Vision 2025 is the roadmap for achieving balanced human, physical, social, and economic development that is inclusive and sustainable. To achieve the goals set in the Vision, projects falling under the purview of the seven pillars have been initiated, which include integrated energy, modernising infrastructure, institutional reforms in the public sector, value-addition in the commodity producing sectors, exports promotion, water and food security, private sector-led growth and promoting entrepreneurship. The PSDP 2014-15 was also a manifestation of the Vision aimed at attaining the objectives of human capital development, creating employment opportunities, reducing poverty, and modernising the infrastructure to increase exports and business activities. Achieving self-reliance in availability of water and energy are areas for the short to medium-term focus of the Vision 2025.

#### Performance review 2014-15

The National Economic Council (NEC) in its meeting held on May 29, 2014, approved the PSDP 2014-15 at Rs1,175 billion with the federal component of Rs525 billion and provincial Annual Development Programme (ADPs) at Rs650 billion. The National Development Outlay 2014-15 had Rs192 billion as foreign component [Rs102 billion in the federal PSDP and Rs90 billion under the Provincial ADPs]. The Agency-wise break up is presented in Table 1.

**Table 1: National Development Outlay 2014-15**

(Rs billion)

Agency	BE 2014-15			RE 2014-15		
	Rupee	F. Aid	Total	Rupee	F. Aid	Total
Ministries and divisions	265.4	30.9	296.3	272.9	30.9	303.8
Corporations (NHA, Power)	106.4	68.8	175.2	89.9	68.8	158.7
Special Federal Dev. Programme	36	-	36	10	-	10
MDGs Community Development	12.5	-	12.5	12.5	0	12.5
ERRA	2.5	2.5	5	2.5	2.5	5
Special Development Programme for TDPs and Security Arrangements	-	-	-	45	0	45
Prime Minister's Youth Programme	-	-	-	7	-	7
<b>Total (Federal)</b>	<b>422.8</b>	<b>102.2</b>	<b>525</b>	<b>439.8</b>	<b>102.2</b>	<b>542</b>
Provincial ADPs	560	90	650	584.2	61.8	646
<b>Total (National)</b>	<b>982.8</b>	<b>192.2</b>	<b>1,175</b>	<b>1,024</b>	<b>164</b>	<b>1,188</b>

During the implementation phase, the federal PSDP 2014-15 increased from Rs525 billion to Rs542 billion mainly because of provision of funds for the Temporarily Dislocated Persons (TDPs) of the FATA, and security enhancement. On the recommendations of provinces, the federal government provided additional funds for important projects, like Lowari Tunnel, Kacchi Canal, Mangi Dam Quetta, Green Bus Transit System Karachi and Lyari Expressway Resettlement Project. Similarly, additional demands of funds for some other important projects were also met, like the Karachi Coastal Power Project and EPI (health) through adjustment in the PSDP 2014-15.

The quarterly review meetings of the PSDP 2014-15 were held in October 2014, January, March and May 2015 to assess progress of the PSDP-funded projects. As a result of the allocation strategy adopted in the fiscal year 2014-15, about 122 projects costing around Rs59 billion are expected to be completed by the end of the current fiscal year. Based on inputs provided by the ministries and agencies during the quarterly reviews, it is expected that the PSDP funds would be fully utilised by the end of 2014-15. Broad sector-wise budget estimates and revised estimates of the PSDP 2014-15, and percentages of the sectoral shares are given in Table 2.

**Table 2: Sector-wise allocations in federal PSDP 2014-15**

(Rs billion)

Sector	Budget estimates*		Revised estimates	
Infrastructure	331.5	(63.1)	323	(59.6)
Social sector	87.3	(16.6)	88	(16.2)
Science and information technology	6.2	(1.2)	6	(1.1)
Governance	5.4	(1)	5	(0.9)
Special Areas (AJ&K, G-B, FATA)	37.7	(7.2)	38	(7)
Production sector	3.4	(0.6)	2	(0.4)
Special Programmes (Special Federal Programmes, Pakistan MDGs and PM's Youth Programmes)	48.5	(9.2)	30	(5.5)
ERRA	5	(1)	5	(0.9)
Special Development Programme for the TDPs and Security Arrangements	-	-	45.0	(8.3)
<b>Total size</b>	<b>525</b>	<b>(100)</b>	<b>542</b>	<b>(100)</b>

\* Figures in the parenthesis are percentages of the sectoral shares calculated from allocations.

The infrastructure sector projects were allocated Rs323 billion (60 per cent) in the revised federal PSDP 2014-15. Within infrastructure, the transport and communication sectors received the highest allocation of Rs158 billion, followed by the energy sector of Rs109 billion and the water sector of Rs46 billion.

The social sector spending was at Rs88 billion. The health and population welfare sectors received the highest allocation of Rs29 billion, followed by Rs28 billion of education and training (including higher education), Rs6 billion on science and information technology, while Rs5.4 billion for governance, and Rs2 billion for the production sector.

The development of the Special Areas is responsibility of the federal government for which Rs38 billion (seven per cent of the PSDP) were provided for formulation of their respective ADPs.

## Outlook 2015-16

The PSDP 2015-16 at a size of Rs1,513.7 billion, including foreign aid component of Rs231.7 billion, was approved by the National Economic Council (NEC) on June 1, 2015. The federal component of the PSDP is Rs700 billion with foreign aid of Rs146.3 billion. The provincial governments will spend Rs813.7 billion through their ADPs, including foreign aid component of Rs85.5 billion. Agency-wise breakup of the National Development Outlay 2015-16 is given in Table 3.

**Table 3: National Development Outlay 2015-16**

(Rs billion)

Agency	Rupee	Foreign aid	Total
Ministries and divisions	229.9	23.2	253.1
Corporations (NHA, Power)	151.8	120.1	271.9
Special Federal Development Programmes	28	-	28
Pak. MDGs Community Development	20	-	20
ERRA	4	3	7
Special Development Programme for the TDPs and Security Enhancement	100	-	100
Prime Minister's Youth Programme	20	-	20
<b>Total (Federal)</b>	<b>553.7</b>	<b>146.3</b>	<b>700</b>
Provincial ADPs	728.2	85.5	813.7
<b>Total (National)</b>	<b>1,281.9</b>	<b>231.7</b>	<b>1,513.7</b>

The total size of the PSDP 2015-16 is 27 per cent higher in comparison to the revised PSDP 2014-15. The PSDP 2015-16 is 29 per cent higher to the last years revised size, while the provincial ADPs size is 26 per cent higher than the revised size of provincial ADPs for 2014-15.

## Federal PSDP 2015-16

The federal PSDP 2015-16 with allocation of Rs700 billion, including foreign aid component of Rs146.3 billion, has been aligned to achieve targets of the Vision. The sectoral allocations for transport and communication, energy, human capital development and other sectors have been made accordingly. The Vision promises better living standards, modern infrastructure, better health and education facilities and quality human resource.

### Resource allocation strategy

The following broader guidelines were adopted for allocating resources under the federal PSDP.

- Ongoing projects were protected for an early completion to avoid further cost and time overruns.
- Committed foreign project assistance was fully accommodated.
- The CPEC projects were fully financed for completion within the prescribed period.
- Programmes of the Special Areas (FATA, AJ&K and G-B) were adequately financed.
- Vertical programmes of health and population were provided allocations as per decision of the Council of Common Interests (CCI), which was taken on April 28, 2011.

- New projects were discouraged unless falling within the development agenda and supporting seven pillars of the Vision.
- Projects, initiated before 2009 and having throw-forward of up to 15 million, were deleted from the PSDP, and were provided funds for essential requirements during the year leading to their closure.

The Annual Plan Coordination Committee (APCC) met on May 26, 2015, and firmed up the recommendations for the NEC in consultation with the line ministries, provincial and Special Area governments. The broad sectoral allocations for 2015-16 are as follows, whereas the ministry-wise allocations are at Annexure-I.

**Table 4: Sector-wise allocations in the federal PSDP 2015-16**

Sector	Rupee (Bill)	Share (%)
Infrastructure	407.9	58.3
<i>Power</i>	317.1	
<i>Self Financed</i>	175	
<i>Transport &amp; Comm.</i>	219.8	
<i>Water</i>	30.6	
<i>PP&amp;H</i>	12.8	
Social Sector	60.8	8.7
<i>Education (Incl. higher edu.)</i>	24.1	
<i>Health</i>	23.2	
<i>Others</i>	13.5	
Science and information technology	6.7	1.0
Governance	6.5	0.9
Special Areas (AJ&K, GB, FATA)	38.7	5.5
Special Programmes	168	24.0
<i>Pak. MDGs Community Dev. Programme</i>	20	
<i>Special Federal Development Programme</i>	28	
<i>TDPs and security</i>	100	
<i>PM's Youth Programme</i>	20	
Production sector	4.2	0.6
ERRA	7	1
<b>Total Size (Federal)</b>	<b>700</b>	<b>100</b>

The above tabulated sectoral allocations suggest that the priority has been given to the infrastructure with overall allocation of Rs407.9 billion. Within infrastructure, the priority has been accorded to transport and communication sectors with an allocation of Rs219.8 billion, followed by power at Rs142.2 billion and Rs30 billion for conservation and augmentation of water resources, and Rs12.8 billion for physical planning and housing.

The development of the social sector primarily comes under the domain of the provinces after the 18<sup>th</sup> Constitutional Amendment. Despite this, Rs60.8 billion have been allocated for the social sector projects including education and higher education (Rs24.1 billion), health and population sector (Rs23.2 billion) and Rs13.5 billion for other social sectors.

To promote technological and scientific research, Rs6.7 billion have been allocated for the science and information technology sector. To support reforms, innovations and capacity-building, institutional programmes along with provision of security, Rs6.5 billion have been earmarked for the governance sector. To get food self-sufficiency by enhancing productivity, Rs4 billion have been allocated for the production sector.

For promoting balanced growth and uplift of the Special Areas, an allocation of Rs38.7 billion has been earmarked for the Special Areas [FATA, AJ&K and Gilgit-Baltistan] to formulate their respective annual development programmes according to their sectoral and regional priorities. Rs28 billion have been allocated for undertaking special projects in provinces and Special Areas under the Special Federal Development Programme. Rs20 billion have been allocated for the Prime Minister's Youth Programme to combat soaring unemployment. For rehabilitation and reconstruction of the FATA and for settlement of the TDPs, an amount of Rs100 billion have been allocated in the PSDP 2015-16.

### **Strategy for federal PSDP releases**

The Ministry of Planning, Development and Reform has been assigned the task of project-wise releases to executing and sponsoring agencies since the fiscal year 2010-11. Since the release of funds depends on resource availability, the MoPD&R has adopted a formula for quarterly releases in consultation with the Finance Division (FD) in 2012-13. Keeping in view the flow of revenues, the FD notifies a quarterly ceiling for the release of the PSDP funds each year. Accordingly, the MoPD&R authorises the releases to the sponsoring and executing agencies against the budgeted projects to ensure uninterrupted availability of funds to project authorities. During 2014-15, the FD indicated 20 per cent each in the first and second quarters, and 30 per cent each in the third and fourth quarters against budgeted allocations (rupee component only). The ministries and divisions can demand more funds for the specific ongoing projects during a particular quarter, while remaining within the overall budget ceiling of the ministry and division with justification. Moreover, while making request for release of funds, the ministry concerned is required to provide details of utilisation along with physical progress against already released funds.

On demand of the ministries and divisions, and to speed up provision of adequate releases during 2015-16, the proposal for quarterly formula of 20 per cent in the first quarter, 30 per cent each in the second and third quarters, and 20 per cent in fourth quarter is being taken up with the FD.

### **Salient features of federal PSDP 2015-16**

The following are the important features:

- A total of 936 projects and programmes, costing Rs5.3 trillion, will be financed under the PSDP during 2015-16 with an estimated expenditure of Rs1.5 trillion up to June 30, 2015, leaving a throw-forward of Rs3.9 trillion. Of these, 272 are new projects costing Rs1.7 trillion. In addition, 84 projects, relate to the power sector, are being financed by the WAPDA, PEPCO and NTDC from their own resources.
- Priority has been accorded to the power sector with an allocation of Rs317 billion, and of this Rs142 billion will be invested through the PSDP in power generation and distribution projects.
- Substantial investments are being made in the IPP-mode under the CPEC and other initiatives to meet the rising demand for electricity. The investments being made in

transmission and distribution systems by the public agencies are also designed to cater to the needs of these IPP-mode power generating facilities.

- The next priority has been attached to the transport and communications sector with an allocation of Rs219.8 billion to harness the potential of the regional integration. This includes: Rs159.6 billion for the national highways and Rs41 billion for the Pakistan Railways and Rs39.2 billion for other projects of the sector.
- The CPEC has provided an opportunity for changing the socio-economic fabric of the country. The government has succeeded to develop consensus on alignment of the CPEC; hence projects for the western alignment are being financed on priority, such as Gwadar-Turbat-Khushab (200 km), Gwadar-Ratodero (892 km M8 – cost Rs23.2 billion, widening and improvement of 185 km, Khushab-Nag-Basima-Surab 459 km – cost Rs22.4 billion, Zhob-Mughal Kot 81 km N-50 – cost Rs9.1 billion, and Rehabilitation of DI Khan-Mughal Kot – cost Rs4 billion. In addition, Rs10 billion have been allocated for land acquisition, construction of the CPEC projects under this alignment. An amount of Rs10 billion has been allocated for study and land-acquisition of Hasanabdal to DI Khan CPEC alignment. An allocation of Rs30.3 billion has been made for the projects included in the western alignment.
- Work on the northern alignment of the CPEC route will also be initiated during 2015-16. A sum of Rs27.8 billion has been earmarked for these projects, which are estimated to cost Rs143.3 billion. Projects are construction of Burhan-Havelian Expressway (59 km) and Thakot-Havelian (120 km).
- Similarly, the network of Peshawar to Karachi Motorway pending for last 25 years has been provided substantial funds through PSDP and leveraging the private sector to promote public private partnership.
- To promote employability of the unskilled manpower and move the textile sector on the value addition path, an initiative for creating clusters of the industrial textile and garments making units will be launched in all provinces. The objective is to install industrial stitching units in each province, train the unskilled labour force and supply skilled manpower to the textile and garments industry. In all, one thousand industrial stitching units will be installed for training the unemployed and unskilled labour force of the country. On the same analogy, cluster development-based Agriculture Transformation Plan and Industrial Transformation Plan will also be launched in all the provinces and Special Areas in line with the goals of the Vision to transform the production sector from the commodity sector to value-added sector.
- A Special Federal Development Programme, with an allocation of Rs28 billion, has been initiated with the objective to spur development in less developed areas of the country for promote balanced growth and supplement efforts of the provincial governments.
- In order to bring the less developed areas at par with the rest of the country, an allocation of Rs40.5 billion has been made for the federally administered Special Areas (FATA, AJ&K, G-B). In addition, the federal government is financing other projects located in the Special Areas.
- To further address the gaps of less developed areas, a number of projects have been added, which include: establishment of University Campus and Sub-Campuses in each district, Technical University in Nowshera and universities in Sibbi, FATA and Baltistan, construction of 200 dams in Balochistan and the Basol Dam and development of the Sui Town.

- In achieving the MDGs, Pakistan's performance has not been up to the mark. Though these areas fall under the provinces, the federal government initiated 'Pakistan MDGs and Community Development Programme' during 2014-15 with an allocation of Rs12.5 billion by involving communities for achieving Millennium Development Goals, now changed as the Sustainable Development Goals (SDGs). This programme envisages identification of projects in education, health, rural development, supply of electricity and gas, drinking water supply projects with the involvement of local communities. The allocation for this programme is being enhanced to Rs20 billion during 2015-16.
- There is strong connection between development, peace and security. To ensure conducive environment in the security challenged areas of the country, a substantive sum of Rs100 billion has been earmarked as a special development programme for enhancing security and rehabilitating infrastructure for facilitating resettlement and development for the TDPs of the FATA.
- In line with the focus on reforms in the Vision 2025, many important reform initiatives have been included in the PSDP, which include: Agriculture Information Portal, Prime Minister National Health Insurance Programme, Certification Incentive Programme for SMEs, strengthening the Technical Capacity of Pakistan Commission for Indus water, National Best Teacher Award Scheme, Science Farming Scheme for Top Science Talented Schools, Transformation towards Smart Classrooms at University level and establishment of Smart Schools in the Islamabad Capital Territory (ICT).
- Other important initiatives include: construction of building for the Legislative Assembly AJ&K, 20 MW Hydel Power Project Hanzil, promotion of the olive cultivation on commercial scale in Pakistan, Cancer Hospital Islamabad, Bureau of Infrastructure Development, Cluster Development Based Agriculture, Industrial and Mineral Transformation-V2025, Transmission Lines from Mititari to Lahore, Evacuation of Power from LNG Based Power Plants at Balloki, Bin Qasim, Dasu, establishment of the Expo-Centre Peshawar, Skills University Islamabad and Bridging the Job Market Skill Gap for the Post-Graduate Degree Holders.

Annexure-I

**National Development Programme 2014-15 & 2015-16**  
**(Ministry and division-wise summary)**

(Rs million)

S. No.	Ministry and division	PSDP 2014-15 (Revised)			PSDP 2015-16		
		Foreign assistance	Rupee	Total	Foreign assistance	Rupee	Total
A.	Federal ministries						
1	Aviation Division	0	1395.1	1395.1	2700	1200	3900
2	Cabinet Division	0	5767.1	5767.1	0	654.2	654.2
3	Capital Administration & Development Division	80	1726	1806	138.1	905.2	1043.3
4	Climate Change Division	0	25.1	25.1	0	39.8	39.8
5	Commerce Division	0	363.7	363.7	0	875.6	875.6
6	Communications Division (other than NHA)	0	5152.5	5152.5	0	364.7	364.7
7	Defence Division	1648	2637.8	4285.8	800	1658.2	2458.2
8	Defence Production Division	0	937.3	937.3	0	900	900
9	Economic Affairs Division	0	5	5	0	0	0
10	Establishment Division	0	165.4	165.4	0	148.5	148.5
11	Federal Education & Professional Training Division	0	3375.3	3375.3	0	2207	2207
12	Federal Tax Ombudsman	12.8	0	12.8	9.7	0	9.7
13	Finance Division	1213.2	12861.5	14074.7	250	8884.5	9134.5
14	Foreign Affairs Division	0	255.2	255.2	0	60	60
15	Higher Education Commission	459.3	24583.0	25042.3	271.1	20228.9	20500
16	Housing & Works Division	0	4414.6	4414.6	0	2590.4	2590.4
17	Industries & Production Division	0	1151.4	1151.4	0	790.9	790.9
18	Information, Broadcasting & National Heritage Division	79.4	311.2	390.6	0	390.9	390.9
19	Information Technology & Telecom Division	51	474.7	525.7	150	772.8	922.8
20	Inter Provincial Coordination Division	0	1067.3	1067.3	0	609.6	609.6



21	Interior Division	100	3830.2	3930.2	100	8199.5	8299.5
22	Kashmir Affairs & Gilgit Baltistan Division	765	21325	22090	875	22362	23237
23	Law, Justice & Human Rights Division	0	2352.2	2352.2	0	1500	1500
24	Narcotics Control Division	240	87.8	327.8	135	95.4	230.4
25	National Food Security & Research Division	0	1071.3	1071.3	0	1500	1500
26	National Health Services, Regulations & Coordination Division	2797	25017.7	27814.7	0	20701.9	20701.9
27	Pakistan Atomic Energy Commission	17180	42095	59275	15461	14947.5	30408.5
28	Pakistan Nuclear Regulatory Authority	0	230	230	0	321	321
29	Petroleum & Natural Resources Division	0	166.7	166.7	0	348.9	348.9
30	Planning, Development & Reform Division	20.0	6244.8	6264.8	10.0	13670.7	13680.7
31	Ports & Shipping Division	100	2476.1	2576.1	0	12000	12000
32	Railways Division	400	39166.0	39566	0	41000	41000
33	Religious Affairs & Inter Faith Harmony Division	0	0	0	0	3	3
34	Revenue Division	29	218.5	247.5	2	333.1	335.1
35	Science & Technological Research Division	0	1211.3	1211.3	0	1060.4	1060.4
36	States & Frontier Regions Division	1920	17180	19100	373.3	19326.7	19700
37	Statistics Division	0	278.4	278.4	0	100	100
38	S U P A R C O	0	700	700	300	500	800
39	Textile Industry Division	0	329.3	329.3	0	165	165
40	Water & Power Division (Water Sector)	3800	42257.7	46057.7	1600	28520	30120
Total (Federal Ministries):		30894.7	272907.1	303801.9	23175.3	229936.5	253111.7

B.	Corporations						
1	WAPDA (Power)	33660	15592.8	49252.8	56161.4	56126.9	112288.3
2	National Highway Authority	35133	74312.4	109445.4	63950	95650	159600
	Total (Corporations):	68793	89905.2	158698.150	120111.4	151776.9	271888.3
C.	Pak MDGs & Community Dev. Programme	0	12500	12500	0	20000	20000
D.	Special Federal Development Programme	0	10000	10000	0	28000	28000
E.	ERRA	2500	2500	5000	3000	4000	7000
F.	Special Development Programme for Temporarily Displaced Persons (TDPs) and Security Enhancement	0	45000	45000	0	100000	100000
G.	Prime Minister's Youth Programme	0	7000	7000	0	20000	20000
	Total (Federal):	102187.7	439812.3	542000	146286.7	553713.3	700000
H.	Provinces	61885	584338	646223	85467	728250	813717
	Total (National):	164072.7	1024150.3	1188223	231753.7	1281963.3	1513717