

Annual Plan

2015-16

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FOREWORD

The government has made strenuous efforts for placing the country on the trajectory of high growth and development, which has shown positive signs. The economic performance of 2014-15 has been reviewed by the National Economic Council (NEC) in its meeting held on June 1, 2015. To further increase momentum of the sustainable growth and development, the NEC has approved the Annual Plan 2015-16, and authorised its release with the federal budget 2015-16.

Notwithstanding structural impediments, uncertain socio-political scenarios and natural calamities, the economy has grown by 4.24 per cent in 2014-15. The government's determination and resultant endeavours for removing obstacles in the way to a prosperous country, portrayed positive outlook of economy globally, which stands endorsed by various international agencies and donors. Deceleration of inflation, stabilisation of the exchange rate, substantial performance of the stock market, massive increase in foreign exchange reserves, and warm welcome to international capital market are the hallmarks of Pakistan's economic performance.

The Annual Plan inter alia encompasses key aspects of growth, savings, investment, balance of payments, fiscal and monetary developments, poverty reduction and human development. Hitherto achievements in macroeconomic stabilisation and so-far untapped enormous potential of the economy provided base to set a growth target of the GDP at 5.5 per cent for 2015-16 with contributions from agriculture at 3.9 per cent, industry 6.4 per cent and services 5.7 per cent. Pakistan has recently entered into multi-sectoral agreements with China under the China-Pakistan Economic Corridor (CPEC), which is a wide-ranging bilateral cooperation leading to a prosperous and regionally well-connected Pakistan. The Plan also outlines different projects under the Public Sector Development Programme to be initiated in 2015-16, which will strengthen the economy further, besides mitigating socio-economic crises.

Preparation and compilation of the Annual Plan is the result of an excellent job by adroit staff of the Ministry of Planning, Development and Reform. The team, worked hard for stretched hours for many weeks, is highly appreciated for its determined efforts in bringing out this Plan.

Prof Ahsan Iqbal
Minister for Planning, Development and Reform
Deputy Chairman Planning Commission
Islamabad, June 1, 2015

EXECUTIVE SUMMARY

Executive summary

Macroeconomic framework

The Annual Plan for 2014-15 envisaged real GDP growth of 5.1 per cent based upon sectoral growth projections for agriculture, industry and services sectors at 3.3 per cent, 6.8 per cent and 5.2 per cent respectively. The assumptions underlying the growth target included implementation of proposed reforms envisaged in the budget, enhanced fiscal prudence, financial discipline, improved energy availability, resolution of inter-corporate circular debt and improvement in enabling environment for investment.

The start of the current year was not encouraging. The Punjab was hit by the floods, which damaged infrastructure and Kharif crops in the province. Political standoff and serious security situation shattered investor's confidence. Due to energy constraints, deceleration of the manufacturing sector also continued.

Despite these initial odds, the situation improved towards the end of 2014. Pakistan was able to float successfully the Ijara Sukuk Bonds of worth \$1 billion in the international capital market, albeit at a somewhat high cost. Exchange rate stabilised and Pakistan was able to rebuild its foreign exchange reserves. Inflation came down sharply to 2.1 per cent by April 2015. The international economic agencies and donors have appreciated revival of the Pakistan economy and have given positive outlook for 2014-15.

Overall GDP growth rate remained at 4.2 per cent, which is although less than targeted level, yet highest in the last seven years. The agriculture sector grew at 2.9 per cent, industrial sector plagued by sluggish growth of the LSM posted subdued growth of 3.6 per cent, while the services sector has registered a growth of five per cent.

During 2014-15 the investment and national savings as per cent of the GDP were targeted at 15.7 per cent and 14.6 per cent respectively. The policy rate has been reduced from 10 per cent to seven per cent, which couldn't help investment to achieve the target though it managed to reach 15.1 per cent of the GDP despite structural impediments (energy, law and order situation).

This Annual Plan envisages GDP growth of 5.5 per cent. The agriculture sector is targeted to grow by 3.9 per cent, industrial sector 6.4 per cent and services sector is planned to grow at 5.7 per cent, while Investment and savings are envisaged to grow at 17.7 per cent and 16.8 per cent of the GDP respectively. The low inflationary environment is likely to persist and expected to be around six per cent.

Public Sector Development Programme

The PSDP is an important policy implementation tool. Projects in the PSDP are appropriately aligned to the long-term development objectives of the government reflected in the Vision 2025. During implementation, the PSDP 2014-15 was increased to Rs1,188 billion with the federal component of Rs542 billion and provincial programmes amounting to Rs646 billion. The

foreign aid disbursement is estimated to be Rs164 billion having a portion of Rs102 billion in the federal PSDP and Rs62 billion in the provincial ADPs. The funds allocation strategy and reappropriation led to completion of 122 projects with total estimated cost of Rs59 billion.

The NEC approved PSDP 2015-16 at Rs1,513.7 billion, including foreign aid of Rs231.7 billion. The overall size is 27 per cent higher than the revised PSDP 2014-15. The federal component is Rs700 billion, including foreign aid of Rs146.3 billion, and provincial ADPs of Rs813.7 billion with total foreign aid of Rs85.5 billion.

To overcome the energy shortage, Rs317 billion will be spent on projects for generation and distribution of energy. The projects in transport and communications sector will help promote regional connectivity and economic integration and for this Rs219.8 billion have been earmarked. Work on seven projects of the western alignment of the CPEC route will be initiated during 2015-16, while work on three projects of the northern alignment will continue. Rs41 billion have been allocated for projects for modernisation of the Pakistan Railways during 2015-16, while Rs30 billion have been earmarked for the water sector projects.

An allocation of Rs68.8 billion has been made for social sectors projects of education, health and training, population and higher education. Important initiatives in the social sector include Prime Minister's National Health Insurance Programme and Prime Minister Youth Programme aiming at improving access to quality health service and livelihood opportunities. The receipts of the National Endowment Scholarship for Education will be used to finance higher education of poor but talented students.

To enhance employability of the unskilled manpower, clusters of training on the industrial stitching units will be initiated to meet the need of skilled manpower in textile and garments industry. One thousand industrial stitching units will be installed. Similarly, cluster development-based Agriculture Transformation Plan and Industrial Transformation Plan will also be launched.

Rs40.5 billion have been earmarked for financing the ADPs of the Federally Administered Tribal Areas (FATA). Another allocation of Rs48 billion has been made for the Special Development Programmes, and Rs100 billion to meet the emergent reconstruction needs for rehabilitation of the Temporarily Displaced Persons of the FATA.

The *Saut-ul-Quran* FM channel with the national coverage will be launched on the first of *Ramadan* for transmission of the *tilawat-e-Quran* 24 hours a day.

Population

High population growth rate has restrained progress in the social services, like health, education, etc. Arresting the population growth rate is essential to improve the per capita availability of the social services.

With devolution of population planning, the provinces will assign increased ownership and priority to stabilise the population growth. The main challenges include: inability to create awareness regarding benefits of small family among the target population and demand generation for the family planning services, and ineffective coordination between health and population welfare departments for provision of the family planning and reproductive health services.

A mass awareness and education campaign through the cadres of the Family Welfare Assistants, Male Mobilisers, and print and electronic media will be actively launched. Religious strata will also be sensitised and persuaded for this purpose. Service delivery outlets of health departments and grassroots workers will be involved in provision of family planning services particularly in rural and under serviced areas. An amount of Rs5,644 million has been allocated in the federal PSDP.

Basic and college education

The State is constitutionally responsible to promote educational and economic interests of people of Pakistan, remove illiteracy and provide free and compulsory education to children of age 5 to 16. The Vision 2025 aims at substantial improvement in the access to quality education for all. The government has the aim to strengthen basic and college education.

The government is enrolling out-of-school children of far-flung and difficult terrain areas in informal schools. The enrolled children after education of three years are streamlined with the closest formal schools. This objective is being achieved through the National Commission on Human Development (NCHD), Basic Education Community Schools (BECS) project, and MDG Acceleration Framework.

With basic and college education devolved to the provinces, increased coordination between the federal and provincial governments is needed to make effective policies and their implementation. A coordination forum, Inter-Provincial Education Ministers (IPEM) Conference, exists at the federal level. Efforts are underway to strengthen it and start dialogue between the federal and provincial governments for making whole education system responsive to development priorities of the country.

The federal government is working in close coordination with provincial governments to enforce the system of checks and balances for the private sector. Though a regulatory authority, namely Private Educational Institutions Regulatory Authority (PEIRA) is functioning, plans are underway to make the Authority more effective in resolving issues related to fees, standard of schools, salaries of teachers and provision of missing facilities.

In an effort to improve the Gender Parity Index and reduce high dropout and absenteeism through community mobilisation, a programme of incentives is being introduced in the schools situated in the remotest areas, including expenditure on stationery, school bags, transport and meal. The government is also promoting public-private partnership in the education sector.

An allocation of Rs3,698 million is envisaged in the federal PSDP 2015-2016 for 14 ongoing and seven new schemes, including capacity-building of teachers, provision of scholarships, improvement of infrastructure facilities, construction of new schools and colleges, and enrolment of out-of-school children.

Health

Health is the cornerstone in laying down the foundation for a prosperous society. To attain better, more skilful, efficient and productive human resources, provision of quality healthcare facilities to its people, will remain priority of the government.

The government will focus on strengthening the primary healthcare with necessary backup support in the rural areas, where all health outlets will function as a focal point for the control of communicable diseases and improving family planning services. The Civil Registration and Vital Statistics (CRVS) will be strengthened and data generated will be transformed into important social and health statistics, which will help in formulation of an evidence-based policy and planning.

Key initiatives to achieve health targets include increase in the number of paramedical staff, consolidation of the Lady Health Worker programme, strengthening of primary care with backup of skilled personnel including women medical officers in the BHUs and RHCs, establishment of health emergency surveillance and response system, implementation of a national plan for vaccinations, establishing a Health Information and Disease Surveillance System. A social health insurance scheme will be implemented to reduce out-of-pocket expenditures of the poor, particularly on serious diseases. A state-of-the-art cancer hospital will be built at Islamabad, and the provincial governments will be encouraged to undertake similar initiatives. A comprehensive reform agenda in the health sector will be pursued with emphasis on quality health services. An amount of Rs17,539 million has been allocated.

Labour, employment and skill development

The productive utilisation of human resource is imperative for development of the economy. It will raise family incomes, ensure self-esteem of individuals and reduce income disparities to improve social well-being of the people.

According to the latest Labour Force Survey, the unemployment rate is 6.2 per cent while youth unemployment rate is 10.5 per cent. This situation, especially of youth, requires immediate action for their productive utilisation to reap the benefits of demographic dividend. To serve the purpose, an action plan has been proposed which will be helpful to improve the level of employment.

Poverty alleviation and Millennium Development Goals

The poverty reduction strategy has focused on all elements of pro-poor economic growth, even distribution of economic opportunities, and decent living conditions besides ensuring macroeconomic stability and adequate level of social protection. The Vision 2025 aims at creation of opportunities for better living standards, irrespective of faith, creed, ethnicity, political affiliation or region.

During 2014-15, outreach of the social safety net was extended to previously uncovered population and ultimately coverage of the BISP extended to 4.8 million households in the current year from 1.7 million households in 2009. Next year's coverage will be extended to over five million people, and this implies coverage of roughly around 17 per cent of the population with allocation exceeding Rs100 billion. Other social protection initiatives like Zakat, EOBI, Bait-ul-Mal and Workers' Welfare Fund will continue to supplement efforts under the BISP.

Pakistan is in the process of transition from the MDGs to the SDGs, and the latter are based on three pillars – social, economic, and environment. The proposed SDGs have 17 goals, 169 targets and roughly 600 indicators. The Planning Commission has started consultations with the

stakeholders. The government is also in the process of reviewing the poverty estimation methodology through a group of independent experts.

Social welfare

The Plan will focus on providing technical and financial assistance to the target groups, promoting inclusive education, and protecting senior citizens. It will ensure sustainable community development by providing need-based services to the poor. Efforts will be made for improving mapping of the registered NGOs and their fields of operation. New policies of social welfare will be prepared by the provinces in pursuance of the 18th Constitutional Amendment. An amount of Rs187.6 million has been allocated for six projects.

Gender and women empowerment

The Vision 2025 aims at women participation in socio-economic spheres and their representation in decision-making process. The Plan will focus on goals of the Vision and 11th Five Year Plan to honour international commitments.

The key responsibilities of the sector have been entrusted to the provinces after the 18th Constitutional Amendment. There has been a shift in focus from the MDGs to SDGs in context of women empowerment and development. Now the emphasis will be on addressing issues faced by the marginalised women through income support and protection of women rights.

Youth and sports

The youth is the main focus of the government, and it is implementing projects in sports, education, training, environment, population, science and technology, higher education and IT sectors. In addition, a wide-ranging package has been introduced for uplift of youth, such as the Prime Minister's package for youth development, Youth Business Loan Scheme, skill development programmes, provision of laptops to students and reimbursement of fee to needy students of under developed areas. An amount of Rs20,000 million has been allocated in the PSDP for various schemes under the PM's youth programme.

The federal government will sponsor the national games at Islamabad for encouraging sport talent from all parts of the country.

Religious pluralism and interfaith harmony

The diverse and pluralistic society of Pakistan indicates that all communities have been living in peace, love and harmony. The Plan aspires spreading of peace and religious pluralism among all segments of the society living across the country. The marginalised communities will have access to opportunities for participation in the national sphere, including exchange of views and experiences. The Vision aspires policy interventions to spread lessons of peace, love and tolerance.

To achieve the goals of ensuring integration of different segments of the society including marginalised groups and religious minorities, a consistent framework and guidelines are required to be developed and in this regard, efforts will be made in consultation with the

national and provincial stakeholders. Possibilities and venues will be explored, which will lead towards creation of a progressive society and improvement in interfaith harmony.

Mass media, culture and national heritage

Pakistan entered into the digital era of the media during this year and a pilot set-up has been installed on the Rebroadcast Station Murree with the Chinese technical and financial assistance. The maximum thrust has been given to speedy completion of the projects. Rs390.91 million have been allocated for the mass media and national heritage in the fiscal year 2015-16.

Fiscal, monetary and capital market development

The Vision 2025 aims at bringing down fiscal deficit below four per cent of the GDP by rationalising expenditure and increasing tax-to-GDP ratio from 16 to 18 per cent. During July-March 2014-15, fiscal deficit stood at 3.8 per cent of the GDP, which can surpass the target of 4.9 per cent by the end of the fiscal year. The fiscal deficit for the next fiscal year will be brought down through broadening the tax base, reforming the taxation system and containing current expenditure.

Money supply (July 1, 2014 - May 8, 2015) increased by Rs730.5 billion (7.3 per cent) as against an expansion of Rs624.3 billion (7.1 per cent) in July – May 2013-14. Credit to the private sector showed paltry growth (4.3 per cent) despite reduction in the policy rate.

The Average Consumer Price Index (CPI) escalated by 4.8 per cent during July-April 2014-15, whereas year-on-year headline inflation dipped to 2.1 per cent in April 2015. The subdued inflation emanates from decline in prices of oil and commodities globally. Inflation is projected at six per cent during 2015-16.

Pakistan's stock market performed well during July-March 2014-15. The KSE-100 index touched the highest level of 34,826.5 points on February 3, 2015 and recorded 5.8 per cent month-on-month growth by the end of March 2015. The capital market is envisaged to remain vibrant over 2015-16 with introduction of key structural and regulatory reforms, development of new products and measures for risk management, transparency and investor protection.

Trade and commerce - Balance of payments

The Plan aims to boost exports through value-added products, becoming part of the Global Value Chain (GVC) and Regional Value Chain (RVC), and non-debt creating inflows for financing of the current account deficit.

Exports (goods) stood at \$20.2 billion during July-April 2014-15 against the target of \$27 billion. This shows a contraction of 3.2 per cent against the corresponding period of the previous year. On the other hand, imports contracted by 1.5 per cent during this period primarily because of an unprecedented fall in crude oil prices. The most notable development was 16.1 per cent growth in remittances, which surpassed \$15 billion during Jul-Apr 2014-15 compared to \$12.9 billion during the corresponding period of last year. With estimated trade deficit of \$16.6 billion and remittances of \$17.9 billion during 2014-15, the current account deficit in 2014-15 is estimated at \$1.6 billion against a deficit of \$3.1 billion recorded during 2013-14.

The outlook remains optimistic for 2015-16 due to the upcoming developments in the energy sector as well as trade partnerships with regional countries. Exports in 2015-16 are projected to grow by 5.5 per cent to \$25.5 billion and imports are projected to increase by six per cent to \$43.3 billion. Hence, the trade account is projected to be in deficit by \$17.8 billion, and the current account deficit is projected at \$2.9 billion for 2015-16.

Balanced development – Focus on the Less Developed Regions

Special Areas in Pakistan consist of the FATA, AJ&K and Gilgit-Baltistan, which are considered less developed regions of the country. The reasons behind the economic backwardness of these Areas are inaccessibility, difficult terrain and absence of infrastructure.

Various programmes and projects were implemented, primarily focusing on the improvement of socio-economic situation of the population through provision of the basic necessities and development of infrastructure of the Areas. The achievement of physical targets during 2014-15 remained relatively low on account of poor law and order situation, financial constraints, militancy, and large scale displacement of the population due to military operation in the FATA.

During the year 2014-15, an amount of Rs47,741 million was allocated. The programme for 2015-16 proposes Rs39,295 million for the Areas. A major chunk of the allocated funds will be for the on-going schemes. The capacity of local administration will be enhanced to effectively implement the proposed programmes and projects.

Physical planning and housing

Pakistan is the fastest urbanising country, and will be the most urbanised in South Asia by 2025. The Economic Survey (2013-2014) has estimated that about 72.5 million people (38.5 per cent) reside in the urban areas of Pakistan, and this proportion is expected to reach the level of 50 per cent by year 2025.

The Vision 2025 aims to transform our urban areas into creative, eco-friendly, sustainable and smart cities through improved governance, effective urban planning, efficient local mobility infrastructure (mass transit systems) and better security measures. The 11th Five Year Plan also envisages balanced and sustainable urban and regional development across Pakistan.

It is estimated that by June 30, 2015, about Rs9 billion will be spent on development of projects pertaining to the physical planning and housing sector. During the next fiscal year, an allocation of Rs12,851 billion has been made for the physical planning and housing sector programmes, which will be implemented by various ministries, divisions and departments. The major focus is on implementation of the Prime Minister's Apna Ghar Scheme, security-related infrastructure development, Pakistan Urban and Regional Planning and Policy Centre, National Spatial Policy, National Land Use Plan and Gwadar Port City Master Plan and Civic Reforms in the Islamabad Capital Territory (ICT).

Institutional reforms and governance

During 2014-15, steps have been taken for improving governance, strengthening institutions, fostering markets and initiating reforms in the areas of performance evaluation, service delivery, civil service, judicial systems and procedures, tax administration, procurement,

financial management, police, e-governance, open government, enforcing property rights, and the Public Sector Enterprises. An amount of Rs6,549 million has been allocated for the reforms.

During 2015-16, reforms, programmes and initiatives, in areas mentioned-above, will continued. A framework for the civil service reforms will be prepared in consultation with stakeholders. An integrated transit management trade system is being established at the Wagha, Chaman, Karachi, and Thorkaham Borders. To make the ICT as a model, investment will be made in education, health, police and civic service. Approximately, 400 projects will be monitored to ensure their effective implementation and timely completion. Ex-post evaluation of 15 projects will be undertaken to assess the outcome and impact of the projects with reference to the planned objective.

Energy

Pakistan is facing severe energy shortages since 2006. The main reasons include inadequate capacity addition, limited exploration and ineffective exploitation of hydro, coal and renewable potential and inefficient use of energy resources. The situation leads to a demand supply gap resulting in the load-shedding of electricity and gas in the country. The development of indigenous energy resources, such as coal, hydro, alternative and renewable sources, is critical for sustainable economic growth, as envisaged in the Vision 2025. The projects, expected to be completed by 2015-16, will produce 1,027 MW.

The China-Pakistan Economic Corridor (CPEC) is expected to add 10,400 MW to the grid by the year 2018. The projects include coal, hydro and wind. It will also significantly change the energy mix, replacing expensive oil and resulting in reduction of the average cost of generation. More than 4,000 MW thermal projects will be initiated in the public sector, including 425 MW Power Project Nandipur, 1320 MW Coal fired Power Plant Jamshoro, 2400 MW LNG-based power plants at Haveli Bhadur Shah and Balloki. These plants are expected to be completed by 2017-18. In order to supplement the gas demand supply gap, LNG import is planned to be enhanced to 400-600 MMCFD, with further investment to be made by public and private sector in developing additional terminals. The pricing and other associated matters, including allocation and its distribution through existing and new pipelines, will be undertaken by the Oil and Gas Regulatory Authority (OGRA) and sui gas companies.

An amount of Rs317,177 million has been allocated for power sector projects for year 2015-16, besides investment from the private sector.

Water

Pakistan is a water stressed country, and efficient use of water is an important requirement for sustainable agricultural growth and agriculture-oriented activities. The Annual Plan 2015-16, in line with the Vision 2025 and 11th Five Year Plan, centres around five important elements, that is, water augmentation, water conservation, groundwater management, protection of infrastructure from water-logging, salinity, floods and proposition of institutional reforms. The Plan is aimed at construction of small, medium and large dams, and development of the I&D infrastructure to achieve improved water conveyance and use efficiency. An amount of Rs30 billion is stipulated for water sector development projects for FY 2015-16.

A target of 139 MAF of water availability at farm gate has been set for the year 2015-16. During this period, 13 major water sector projects are hoped to be completed include: Darwat Dam, Rainee Canal, Shadi Kaur Dam, Bazai Irrigation Scheme and Indus 21 Water Sector Capacity Building and Advisory Services Project. The flood management has been a sensitive endeavour due to vulnerability of Pakistan to climate swingers. The Annual Plan 2015-16 duly heeds to this aspect and an amount of Rs1,000 million has been allocated for the implementation of emergent small flood schemes under the Normal and Emergent Flood Programme. Under this programme, almost 15 schemes of flood protection are planned to be implemented in all provinces. Total allocation for the water sector is Rs30,622 million has been made in the PSDP 2015-16.

Food security and agricultural development

The agriculture sector grew by 2.9 per cent in 2014-15 against the target of 3.3 per cent and achievement of 2.7 per cent of the last year. The livestock sector did well and grew by 4.1 per cent, while crop output was dismal and recorded a growth rate of only one per cent. The production of wheat, sugarcane and maize has decreased by 1.9, 7.1 and five per cent respectively. However production of cotton increased by 9.2 per cent in 2014-15, and likewise the rice crop exhibited a positive trend of 3.15 per cent. The food supply situation generally remained stable, and it is expected that the situation will remain stable with a projected agriculture growth of 3.9 per cent in 2015-16.

The inputs scenario reveals that fertilizers off-take increased by 1.7 per cent. The policy of curtailment of supply of natural gas affected the indigenous production of urea. The situation regarding supply of certified and quality seeds is improving. A comprehensive and integrated approach with focus on value addition, objective-based research and development, and quality control is being adopted as envisaged in the Vision 2025 and 11th Five Year Plan. The allocation for the National Food Security and Research has been enhanced from Rs1,000 million of the last year to Rs1,706 million for 2015-16.

Nutrition

Inadequate or inappropriate food intake and inefficient biological utilisation results in hidden hunger and deficiency of macro and micro nutrients. Under-weight children with general malnutrition and stunting reflect cumulative effects of long-term under nutrition. The National Nutrition Survey (NNS) 2011 revealed that only 41.9 per cent of the households are food secure, whereas rural households are more food insecure than the urban population. There is a significant gap between the availability and consumption of essential food items as well as calories.

The emphasis of the government efforts is on three prerequisites of healthier nation – food and nutrition security, adequate care and nutritional awareness. Pakistan has joined the Scaling up Nutrition (SUN) Movement to overcome malnutrition problem. The provinces have developed their nutrition policy guidance notes, the SUN roadmaps and nutrition strategy, and have approved the policy guideline and strategy within the parameters of the Vision.

A multi-sectoral strategy approach has been adopted in provinces and federal territories to reduce malnutrition. Nutrition specific programmes for Sindh and Balochistan have been approved. By adopting multi-sectoral nutrition strategies all the four provinces allocated

resources for health sector nutrition specific interventions. An amount of Rs100 million has been allocated for a project titled 'National Initiatives for SDGs/Nutrition'.

Environment and climate change

Like many other countries, Pakistan is also facing some environmental challenges, such as water pollution, desertification, deforestation, etc. The governments, both federal and provincial, are implementing projects and programme to save country from environmental degradation. The focused areas are: desertification and land degradation, capacity-building, clean drinking water, sanitation, environmental management, biodiversity, etc. Pakistan has achieved major targets of the MDG 7 in 2015, and efforts are being made to achieve the remaining targets of the sustainable environment.

The Plan focuses on management of the ecosystem through transforming existing environmental policies into practice. Targets have been set for an increase in forest cover, provision of clean drinking water, sanitation, etc. An allocation of Rs169 million has been made in the PSDP 2015-16.

Manufacturing and mineral sectors

The manufacturing sector is dominated by traditional goods instead of market responsive one; hence, the sector is unable to capture both national and international markets. The Vision envisages fundamental improvements in competitiveness across the industrial, manufacturing, services and agricultural sectors.

The Geological Survey of Pakistan (GSP) aims to undertake mapping of about 10,000 square-kilometre area in various parts of the country. Mineral exploration projects include: iron ore in the Punjab and Balochistan, lead-zinc-barite investigations in Balochistan and Khyber Pakhtunkhwa, limestone studies in Sindh and copper-gold prospects in Balochistan. Environmental, urban and hydro geological studies will be carried out for Lahore and Islamabad cities. Research projects will also be undertaken in collaboration with, Howard and Michigan universities of the USA. In year 2015-16, an allocation of Rs875.62 million has been earmarked for the projects of the Commerce Division.

Higher education

With the continuous focus, the number of higher education institutions has been increasing in the country, which has made graduation level studies more accessible. The PhD faculty in the universities also increased, which improved the quality of education and research, while the global visibility of the local universities is increasing. At present, ten Pakistani universities are ranked among the top 300 Asian universities against six in 2012.

To keep up with the advancements made in higher education worldwide, the present government has put education on top of its development agenda. Despite severe financial constraints, about Rs2,500 million have been allocated to support the HEC portfolio for 2015-16. Major focus of investment is on the development of human resource, research and infrastructure. This will be realised by providing scholarships for the best local and international universities, equipping institutions and students with modern gadgets, strengthening the

existing higher education institutions and establishing new universities and campuses, especially in areas where there is no such facility available already.

Science and technology

The Vision focuses on employing cross cutting technologies to find out indigenous solutions against local problems, develop collaboration with the private and public sector and promote innovations to harvest the dividends of technological advancement in Pakistan. Main focus of the Plan is to use scientific knowledge for better service delivery, economic growth and development in the country. An amount of Rs1,060 million has been allocated in the PSDP 2015-16 to support various scientific organisations. Most of the funds will go for balancing, modernisation and renovation of the laboratories to support research and development activities.

Information and communication technologies

The Annual Plan 2015-16 has proposed initiatives related to physical infrastructure, such as software technology parks, alternative international internet connectivity, national broadband infrastructure and remote sensing satellite, which will provide basis to upscale the use of information and communication technologies. Moreover, development of human capital by improving educational and training systems will enable creativity and innovation. The foundation of this supportive system will be laid down through the IT Industry Support Programme and Innovation Fund Programme to put the ICT industry into a high gear.

During the next year, implementation of e-government initiative will be further accelerated. This will facilitate to carry out official business more efficiently amongst various divisions and departments of the government. The Machine Readable Passports Programme will enter into the third phase to establish service centres in all districts of the country. Another significant initiative is automation of the Central Director of National Savings (CDNS) to provide excellent services to the citizens. An amount of Rs3,543 million has been allocated for various ICT projects.

Transport and logistics

This sector comprises physical as well as soft infrastructure, while the former constitutes rails, roads, road transport, sea trade and related freight and air transport, and the latter covers such activities as packaging, delivery, storage and trade logistics and facilitation. The T&L cost is an important component of doing business and determines efficiency of connectivity. High freight, insurance, longer delivery times restrain growth in connectivity of people and places.

The government has planned to focus on supporting trade and logistic services through the China-Pakistan Economic Corridor (CPEC), which envisages developing Economic Trade Corridor to connect Gwadar with Khunjrab up to Urumqi, and developing further east and west linkages besides developing economic trade centres and zones at potential locations. To provide intellectual leadership and overall policy guidance on the CPEC, a Project Management Unit (PMU) has been set up in the Planning Commission. Under the CPEC, China will provide about \$11,800 million for infrastructure schemes. Main projects are: construction of the Karachi-Lahore Motorway (KLM) Multan-Sukkur section, Karakoram Highway (KKH) Phase-II, Thakot-Havelian section, Gwadar East-bay expressway, New Gwadar International Airport (NGIA),

expansion and reconstruction of the existing main railway line (ML-1) from Peshawar to Karachi, construction of a dry port at Havelian and Orange Line Metro Train Lahore. Under the CPEC, further development of the Gwadar port and its operation has been given to China for 40 years.

Through the CPEC, an easy outlet for the western region of China to the Gwadar seaport will be established; thus bringing China close to the Middle East by reducing the distance to 5,772 km from Urumqi to Dubai via the Gwadar Port compared to 11,061 km old route via Shanghai. The CPEC will divert trade of the western China to Gwadar, resultantly, boosting economic activities around the corridor in Pakistan.

The federal government has initiated mass transit transport facilities for the citizens of major urban cities. The Metro Bus Service for Islamabad-Rawalpindi is complete. The Green Line for Karachi and Lahore Orange Line Metro Train have been approved, while the latter will be funded under the CPEC. The ADB-funded Rapid Mass Transit project for Peshawar is under preparation. An allocation of Rs21,9812 million has been made for this sector in the PSDP 2015-16.

Abbreviations and acronyms

ADP	Annual Development Programme
AEDB	Alternative Energy Development Board
AMCs	Asset Management Companies
APCC	Annual Plan Coordination Committee
BISP	Benazir Income Support Programme
BPD	Barrels Per Day
CAMB	Centre for Applied Molecular Biology
CCI	Council of Common Interests
CDWP	Central Development Working Party
CCP	Competition Commission of Pakistan
CGT	Capital Gains Tax
CSF	Coalition Support Fund
CWHR	Council for Works and Housing Research
DEMP	Directorate of Electronic Media and Publications
ECO	Economic Cooperation Organization
ELTR	English Language Teaching Reforms
ERRA	Earthquake Reconstruction and Rehabilitation Authority
FDI	Foreign Direct Investment
FEG	Framework for Economic Growth
FRDL	Fiscal Responsibility and Debt Limitation
GDP	Gross Domestic Product
GNP	Gross National Product
GPI	Gender Parity Index
GSP	Geological Survey of Pakistan
HEC	Higher Education Commission
HIES	Household Intergraded Household Survey
ICT	Information and Communication Technology/Islamabad Capital Territory
IMF	International Monetary Fund
MoPD&R	Ministry of Planning, Development and Reform
MoIPC	Ministry of Inter-Provincial Coordination
MDGs	Millennium Development Goals
NAVTC	National Vocational and Technical Training Commission
NAG	National Art Gallery
NDA	Net Domestic Assets
NEC	National Economic Council
NIE	National Institute of Electronics
NHSR&C	Ministry of National Health Services, Regulations and Coordination
NEPRA	National Electric Power Regulatory Authority
PAEC	Pakistan Atomic Energy Commission
PARC	Pakistan Agriculture Research Council
PBC	Pakistan Bureau of Statistics

PBC	Pakistan Broadcasting Corporation
PNRA	Pakistan Nuclear Regulatory Authority
PNCA	Pakistan National Council of Arts
PCRET	Pakistan Council for Renewable Energy Technologies
PCRWR	Pakistan Council of Research in Water Resources
PCSIR	Pakistan Council for Scientific and Industrial Research
PDL	Petroleum Development Levy
PNAC	Pakistan National Accreditation Council
PNCA	Pakistan National Council of Arts
PRI	Pakistan Remittance Initiative
PSDP	Public Sector Development Programme
PSEs	Public Sector Enterprises
PSF	Pakistan Science Foundation
PSLM	Pakistan Social and Living Standard Measurement Survey
PSQCA	Pakistan Standards and Quality Control Authority
PTVC	Pakistan Television Corporation
PEMRA	Pakistan Electronic Media Regulatory Authority
PTA	Pakistan Telecommunication Authority
OGRA	Oil and Gas Regulatory Authority
SAFTA	South Asian Free Trade Agreement
SDGs	Sustainable Development Goals
SROs	Statutory Regulatory Orders
SSGCL	Sui Southern Gas Company Limited
SNGPL	Sui Northern Gas Company Limited
SECP	Securities and Exchange Commission of Pakistan
SMEs	Small and Medium Enterprises
STFP	Strategic Trade Policy Framework
SECMC	Sindh Engro Coal Mining Company
TDS	Tariff Differential Subsidy
TDPs	Temporarily Dislocated Persons
WTO	World Trade Organization

CHAPTERS

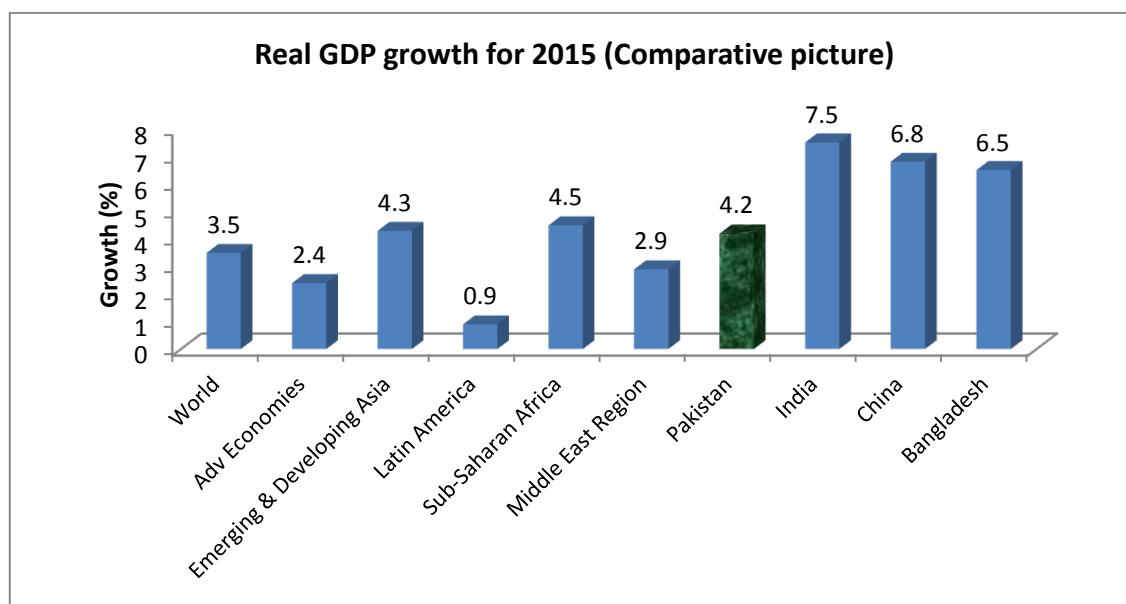
CHAPTER 1

MACROECONOMIC FRAMEWORK

The start of the current year was not encouraging. The Punjab was hit worse by the floods, which damaged infrastructure and Kharif crops. Political standoff and serious security situation shattered investors' confidence. Trade deficit widened and foreign exchange reserves depleted quickly leading to severe exchange rate volatility. Due to energy constraints, deceleration of the manufacturing sector also continued.

Despite these initial odds, there was a spate of good news towards the end of 2014. Pakistan was able to float the Ijara Sukuk Bonds worth \$1 billion successfully in the international capital market, albeit at a somewhat high cost. Exchange rate stabilised and Pakistan was able to rebuild its foreign exchange reserves. Due to falling international prices, the rate of inflation came down sharply to 2.1 per cent by April 2015. The fourth and fifth reviews were completed and the IMF Board approved the release of the pending instalments of \$1.1 billion. The international economic agencies and donors have appreciated the revival of Pakistan economy and have given positive outlook for 2014-15.

Growth remained stronger in advanced economies in 2015 than 2014, but remained weaker in the emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters. The problems plaguing the growth last year, also prevailed in the current year. Ageing population, declining potential growth and global shocks, such as lower oil prices, and many country or region-specific factors, such as crisis legacies and exchange rate swings triggered by actual and expected changes in the monetary policies, remained irritants for growth, and showed that the global economies are still not out of the woods.



Source: *World Economic Outlook, April 2015*

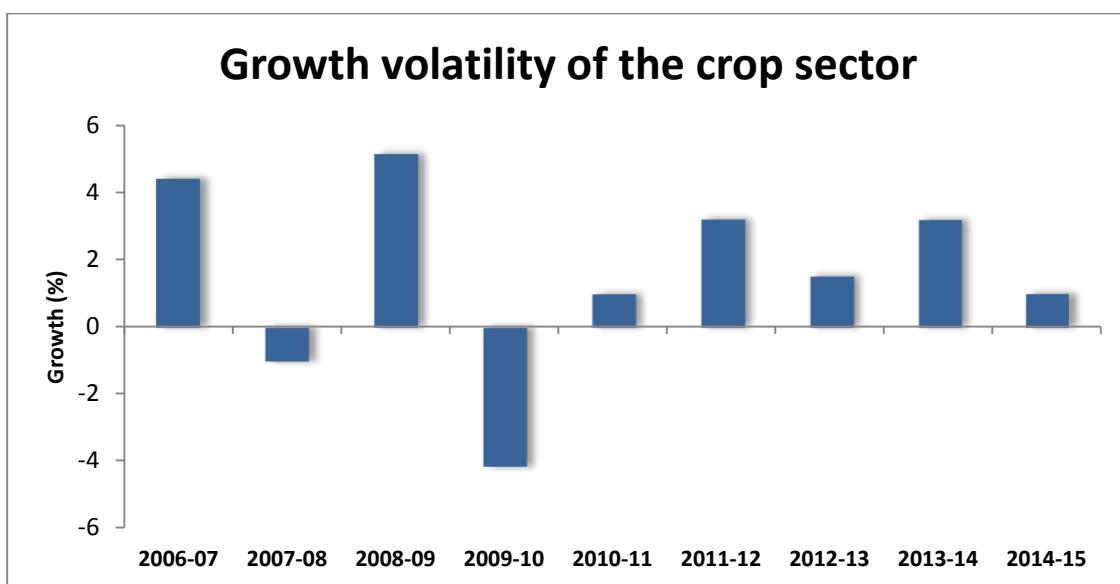
The Indian economy is back on track and expanded at its fastest pace in the last two-and-a-half years, primarily due to a boost from the government spending and higher business investment. China's economic growth is moving towards moderation as the country rebalances its growth model towards growth driven by domestic consumption. Pakistan economy is also gradually heading towards stability but the pace of growth is very slow.

Performance review 2014-15

The Annual Plan for 2014-15 envisaged real GDP growth of 5.1 per cent, which is based on sectoral growth projections for agriculture, industry, and services sectors at 3.3 per cent, 6.8 per cent, and 5.2 per cent respectively. The assumptions underlying the growth target included: implementation of the proposed reforms envisaged in the budget, enhanced fiscal prudence, financial discipline, improved energy availability, resolution of inter-corporate circular debt and improvement in enabling environment for investment.

Agriculture

The agriculture sector not only has significant contribution towards the GDP growth, it also provides employment to more than 44 per cent of the labour force. Pakistan has enormous potential to enhance economic contribution of the agriculture sector through improved productivity and value-addition. However, Pakistan lags behind its regional comparators in yields of many important crops. The Vision 2025 has reiterated the importance of bridging these yield gaps, and envisaged reduction of 40 per cent yield gap by 2025. The Food and Agriculture Organization (FAO) has estimated that Pakistan cannot achieve its overall GDP growth target of seven to eight per cent unless its agriculture sector grows at least by four per cent¹. The sustainability of the agriculture sector growth is a prerequisite for the overall GDP growth, but unfortunately the crop sector of Pakistan is highly vulnerable to the weather conditions as indicated by the chart below.



Source: Pakistan Bureau of Statistics

During the current year, agriculture showed mixed patterns in growth of its components. The crop sector remained under stress as initially Kharif crops were hit by floods in the Punjab and

¹ FAO Pakistan Country Programming Framework 2012-17

afterwards wheat productivity was affected due to prolonged winter, late rains and hailing. The sugarcane area under-cultivation got reduced due to the low price received by the grower in the last season. This is also reflected in 7.1 per cent reduction in the sugarcane output.

Rice is showing resilience for the last few years and its output is gradually increasing. During 2014-15, area under rice cultivation increased by 2.1 per cent, while production touched the record level of seven million tonnes. The cotton crop revived this year after dismal performance of the last year. Both area and production increased significantly, but the signals from the commodity markets are not encouraging, and its price is persistently dropping in the international market. Moreover, the Chinese decision of lesser cotton imports this year will have a strong bearing for the next crop due to the Cobweb phenomenon.

Rice and cotton crops showed impressive performance and grew by 3.1 and 9.5 per cent respectively. Although three out of five important crops registered negative growth, but the livestock sub-sector posted 4.1 per cent growth, which is the highest in the last decade. Area and production of important crops is given below in Table 1.

Table 1: Comparative position of area and production of important crops

	Area '000' hectares		Percentage Change	Production '000' tonnes		Percentage change
	2013-14	2014-15		2013-14	2014-15	
Cotton (Mn. bales)	2,806	2,961	5.54	12.8	13.9	9.50
Sugarcane	1,173	1,141	-2.73	67,460	62,652	-7.13
Rice	2,789	2,891	3.64	6,798	7,005	3.05
Wheat	9,199	9,180	-0.22	25,979	25,478	-1.93
Maize	1,168	1,130	-3.27	4,944	4,695	-5.04

Source: Pakistan Bureau of Statistics 2015

The performance of other crops, comprising minor crops like onion, potato, tomato, fruits, etc., during 2013-14 remained below as it recorded negative growth of 5.4 per cent. Keeping in view the cyclical nature of the crop sector, it was expected that other crops would post a healthy growth; however, it could manage only a growth of 1.1 per cent. Forestry and fishing sub-sectors surpassed the targets by posting growth of 3.2 and 5.8 per cent respectively. Overall, the agriculture sector grew by 2.9 per cent, which is lower than the envisaged target growth of 3.3 per cent, but higher than the growth of 2.7 per cent achieved during the last year [Annexure-I]. The structural problems and composition of the agriculture sector is constraining its growth at about or below four per cent even when crop production is considered good.

Industry

The industrial sector has shown slight improvement over the previous year and has registered a growth of 3.6 per cent as against the target of 6.8 per cent during 2014-15. Energy shortages, low foreign investment and security issues are responsible for slow industrial growth during the current fiscal year. Energy shortages have also been one of the main factors for low uptake of credit by the private sector.

Manufacturing

During 2014-15, the manufacturing sector grew by 3.2 per cent against the target of 6.9 per cent. The sector has shown lower-than-expected growth. The Large Scale Manufacturing (LSM)

experienced severe energy crunch and witnessed a growth of 2.4 per cent during 2014-15 against the target of seven per cent. Besides energy shortages, the LSM growth has been adversely affected by declining cotton and edible oil prices, rising cost of production and weak external demand for cotton yarn, cloth and cement.

During July-March 2014-15, positive growth was recorded in iron and steel products (35.63 per cent), automobiles (17.02 per cent), leather products (9.62 per cent), electronics (8.21 per cent), pharmaceuticals (6.38 per cent), chemicals (5.94 per cent), coke and petroleum products (4.73 per cent), non-metallic mineral products (2.56 per cent), fertilizers (0.95 per cent), and textile (0.50 per cent). The sectors, which fell in the negative zone, were: wood products (-78.46 per cent), engineering products (-10.68 per cent), paper and board (-7.26 per cent), and food beverages and tobacco (-1.03 per cent).

Jeeps, cars, Light Commercial Vehicles (LCVs) and trucks have shown significant performance. In addition, huge increase in the production of tractors (44.65 per cent) was a result of a cut in the GST from 16 per cent to 10 per cent in the current fiscal year. The textile industry has been facing severe challenges in the recent years. Despite energy constraints, low international demand and inefficiencies, the textile sector has managed to record a positive growth of 0.50 per cent. On the other hand, the fertilizer sector, one of the major sectors of the LSM, has shown a crawling growth due to shortfall in gas supply.

As far as the negative items of the QIM are concerned, significant decrease in the production of the wood products is due to closure of one main unit of chip board in Kotri, Sindh. Similarly, production of paper and board in the Punjab has suffered due to gas shortages, which forced the two largest manufacturers located in the province to decrease their production. Low cultivation of sugarcane in the Punjab has ultimately led to lower output of sugar.

The mining and quarrying sub-sector was targeted to grow by 6.5 per cent, but has posted a growth of 3.8 per cent. Small and household sub-sector posted a growth of 8.2 per cent against the target of 8.4 per cent during the current fiscal year. The construction sub-sector grew by 7.1 per cent against the target of 7.5 per cent. The main reasons for the sector's robust growth are the ongoing mega projects, such as Rawalpindi-Islamabad Metro Bus Service, Multan-Faisalabad Motorway, and other projects in ports and energy sectors. Value addition in electricity, gas and water supply sub-sector remained 1.9 per cent during 2014-15 against the target growth of 5.5 per cent.

Services sector

As developing and emerging economies seek to emulate the focus of developed countries on the services sector, there are certain sectors that are gaining momentum globally. The International Labour Organization (ILO) predicts that globally private sector services (business and administrative services, real estate), combined with the accommodation and restaurant industry, will create jobs at the fastest rate during the next five years. These industries within the services sector are expected to employ more than a third of the global workforce in 2015-20. While public services in healthcare, education and administration are now increasing at a slower pace in terms of employment, these still retain considerable significance with 15 per cent of the total employment and denote the rise of a large care industry.

For the last decade or so, the services sector has dominated the Pakistani economy and emerged as the leading sector in terms of its share in the GDP. In 2014-15, the services sector contributed 58.8 per cent to the Gross Value Added (GVA) at constant basic prices. A decade

ago, this figure was around 56 per cent, which shows that the growth rate is relatively slow, while the trend remains upward and increasing.

This sector has registered a growth of five per cent against the target of 5.2 per cent for FY15. Major contributors are 9.4 per cent growth in the government services, 6.2 per cent growth in finance and insurance and 4.2 per cent growth in transport, storage and communication. The wholesale and retail trade sub-sectors could not meet the target of 6.1 per cent due to the subdued performance of the agriculture and industrial sectors. However, it managed to grow at 3.4 per cent only.

Transport, storage and communication, in terms of its value-addition in the services sector, stood second. Commencement of various infrastructure projects, purchase of locomotives and increased usage of 3G and 4G bands in the communication sector supported this sub-sector to grow at 4.2 per cent against the target of 4.5 per cent.

Performance of the finance and insurance sectors performance is gauged through the Financial Intermediation Services Indirectly Measured (FISIM). The growth in total advances of scheduled banks for July FY14 to April FY15 was 4.3 per cent. During 2014-15, in the finance and insurance sector there is 6.4 per cent growth in the Gross Value Addition (GVA) from banks predominantly contributed by 26 per cent growth (GVA) in the non-Scheduled banks, and 6.1 per cent growth (GVA) in the scheduled banks.

For the last five years, the housing services have constantly been contributing 6.7 per cent to the GDP with its own growth rate of four per cent. This sector has performed on the expected trend of four per cent growth due to new private housing societies with an initiative of the government as the Ashiyana Housing Scheme.

The government services have shown a phenomenal growth of 9.5 per cent against a target of 4.3 per cent. Other private services were targeted to grow at 5.8 per cent in 2014-15. Even due to social and economic hazards, the private services crossed the target and grew by 5.9 per cent.

Investment and savings

The investment-to-GDP ratio has declined substantially from 19.2 per cent in 2007-08 to 15 per cent in 2012-13 and 2013-14. It has inched up to 15.1 per cent in the current fiscal year. Both domestic and Foreign Direct Investment (FDI) contributed to this downslide. The fiscal dominance over financing needs crowded out private sector investment. Other contributing factors included: peculiar security environment and structural rigidities surrounding governance and regulatory environment. The public sector investment has inched up to 3.9 per cent of the GDP from 3.4 per cent last year, while the private sector investment declined from 10 per cent of the GDP in 2013-14 to 9.7 per cent in 2014-15 (Annexure – II). Long spells of power outages, law and order situation, and level of regulatory bottlenecks are main reasons of low private investment.

The national savings have improved to 14.5 per cent of the GDP from 13.7 per cent in 2013-14. Pakistan's reliance on foreign savings has decreased as marginal increase in investment is somehow compensated with increase in the national savings. The SBP decision to ease monetary policy has not yet impacted the investment climate, this implies that structural problems should also be resolved to take the full benefits of low interest rate scenario.

Distribution of the private investment in various sectors during the last decade shows that major recipients of the investment are housing services, agriculture, transport and communication and manufacturing. However, during the period under review, over this period of time a declining trend has been observed for the manufacturing sector. The success of developing countries in achieving their target growth is reliant on the level of investment in the economy. In this regard, the low rates of savings are an obstacle to achieve sustained high-level growth and development (like missing the target of 5.1 per cent GDP growth). Dependence on the developed countries for resources is not sustainable, implying the importance of mobilising domestic savings in the economy.

Outlook 2015-16

Agriculture

The agriculture sector is targeted to grow by 3.9 per cent on the basis of expected contributions of important crops (3.2 per cent), other crops (4.5 per cent), cotton (5 per cent), livestock (4.1 per cent), fishing (three per cent) and forestry (four per cent) [Annexure-I]. Agriculture research and marketing need to be prioritised for harnessing the potential of this sector. This will prove to be profitable for the farmers and responsive to the changing demand patterns of the domestic and international markets.

The livestock sub-sector is expected to perform better due to better availability of fodders and green pastures. The increased demand for processed food and dairy products are stimulating the private sector for investment in the livestock and dairy sectors. Moreover, strong inflow of workers' remittances from abroad has also promoted off-farm economic activities like dairy farming. Pakistan's dairy sector has an enormous potential, but it is still untapped. Resultantly, Pakistan is a net importer of milk and its products. Moreover, the poultry sector has huge potential for value-addition, and Pakistan can tap on the international halal food market. In a nutshell, due to water availability and revival of minor crops and increased productivity of livestock, the agriculture sector is well-poised to achieve the envisaged growth of 3.9 per cent in 2015-16.

Industry

Performance of the industrial sector has not been impressive during the current fiscal year as it missed the target of 6.8 per cent. However, it is expected that the sector will grow by 6.4 per cent during FY16 on the back of improved energy supply and planned investment under the CPEC. The mining and quarrying sector is projected to grow by six per cent, manufacturing by 6.1 per cent, LSM by six per cent, small and household manufacturing by 8.3 per cent, construction by 8.5 per cent and electricity generation and gas distribution by six per cent during 2015-16.

Several fast-track energy and infrastructure projects under the CPEC will play a significant role in the industrial growth during FY16. The LSM growth will also go up when these activities will pick up pace. It will result in a sharp increase in demand for cement and steel. Moreover, the record high remittances will also help maintain a high demand for durable items. The discovery of huge mineral deposits of iron, copper and gold at Rajoa, near Chiniot, will help the mining sector grow further. These along with other reserves of the country need to be tapped effectively as envisaged by the Vision 2025.

Services

The services sector is planned to grow at 5.7 per cent with contributions of 6.1 per cent from transport, storage and communication, 5.5 per cent from wholesale and retail, 6.5 per cent from finance and insurance, four per cent from housing, six per cent from the general government services and 6.4 per cent growth in other private services. Growth in the services sector will be heavily dependent upon prospective growth in commodity producing sectors. It is anticipated that commodity producing sector will thrive on due to easy availability of inputs, increase in aggregate demand because of low level of inflation along with improved investors' confidence. Increased investment in the transport, storage and communication sectors, mainly due to the CPEC projects such as highways, dry ports and warehouses, will trigger growth in this sub-sector. Consequently, the finance and insurance sectors is expected to grow as well, particularly, due to easy monetary policy scenario.

Investment and savings

The investment is targeted to improve from current level of 15.1 per cent of the GDP to 17.7 per cent.

The increase in investment will be primarily contributed by the private sector. Investment the CPEC will be a significant contributor to this growth.

Fixed investment will inch up from 13.5 per cent to 16.1 per cent of the GDP. The promotion of entrepreneurship and innovation as envisaged in the Vision 2025 are likely to boost private investment in the country. Inadequacy of the national savings to finance investment has always led to increased dependence on the foreign savings.

Investment in transport, communication and storage

Sustained growth, development and progress are built on advanced infrastructure. High-level connectivity within borders and across borders is important for dealing with the issue of inequality and impoverishment. Through advancement in transportation and communication, the masses are able to connect to different social and economic services. The key to control massive urbanisation, is provision of speedy and reliable transportation services to the dwellers of peri-urban and rural areas

Investment in transportation and communication not only increases the pace of economic development, but is also helpful in accessing the social services. Pakistan has moved on to the path of enhanced regional connectivity, and it has cemented a multi-sectoral agreement with China under the China-Pakistan Economic Corridor (CPEC), which is a wide-ranging package of cooperative initiatives and projects, encompassing various areas of connectivity, information network infrastructure, energy cooperation, industries and industrial parks, agricultural development and poverty alleviation, tourism, financial cooperation as well as social development in the context of municipal infrastructure, education, public health and people-to-people communication.

The CPEC includes about \$10.3 billion worth of transportation infrastructure projects. These projects encompass road projects, rails sector projects, various infrastructure projects in Gwadar and cross-border optical fibre cable. Completion of multi-level projects under the CPEC will have sustained impact on the growth, economic integration and economic stability. Investment in infrastructure will have multiplying effects on the well-being of the economy.

However, the national savings are expected to improve by increasing the outreach of the banking and non-banking companies, and strengthening the overall financial sector.

Nation branding and investment

Nation branding is nothing new. Countries have long sought to cultivate their certain images in the global mindset, often reaffirmed by the characteristics of their major companies and exports. Trnik (2007) contended that for investment promotion having a suitable investment climate alone is not enough as information gaps exist; so there is need for modern investment promotion techniques. Typically, the techniques involve collaboration of the government and Investment Promotion Agencies (IPAs) in creating an attractive image of the country as a favourite investment destination by providing information and services to potential and current investors and also addressing misconceptions, if any. These are then communicated through advertising, public relations events, international mass media campaigns and investor forums. However, correcting brand image prior to these activities is essential to ensure effectiveness.

Pakistan is on a way for building good image and branding Pakistan. One nurtured example of investment branding is France. In 2004, it launched a three-year-long 35 million Euros investment promotion campaign through the Invest in France Agency (IFA). Under the slogan 'The new France, where the smart money goes', it aimed to attract investment and build the country's image. Using tools of advertisements, micro-site, billboard advertisements and internet banner advertisements, France managed to attract high amount of the FDI, \$171 billion stemming from the USA alone and created 40,000 new jobs. Pakistan by branding on the lines of France can attract high-level of the FDI. The government is working on presenting good face of Pakistan, as the government by providing information and assistance, has a strong impact on the decision-making of investors, which will be transited in the form of an enhanced fixed investment as well as the FDI. The major concern is security and terrorism. The government is proactive in dealing with this issue and branding Pakistan. The government's concern in dealing with security is evident from decision of launching a successful initiative of the Zarb-e-Azb operation and empowering the security forces with resources.

Annexure-I

**Gross Domestic Product
(2005-06 prices)**

Items	% Change			
	2013-14	2014-15	2015-16	
	Revised	Target	Prov.	Target
1. Commodity producing sectors	3.5	5	3.2	5.1
A) Agriculture	2.7	3.3	2.9	3.9
Important crops	8	1.5	0.3	3.2
Other crops	-5.4	4.5	1.1	4.5
Cotton ginned	-1.3	5	7.4	5
Livestock	2.8	3.8	4.1	4.1
Fishery	1	2	5.8	3
Forestry	-6.7	2	3.1	4
B) Industry	4.5	6.8	3.6	6.4
Mining and quarrying	1.6	6.5	3.8	6
Manufacturing (I+II+III)	4.5	6.9	3.2	6.1
I) Large-Scale Manufacturing	4	7	2.4	6
II) Small and Household	8.3	8.4	8.2	8.3
III) Others*	3.4	3.6	3.3	3.7
Construction	7.2	7.5	7	8.5
Electricity generation and gas distribution	5.6	5.5	1.9	6
II) Services	4.4	5.2	5	5.7
Transport, storage and communications	4.6	4.5	4.2	6.1
Wholesale and retail trade	4	6.1	3.4	5.5
Finance and insurance	4.2	5.8	6.2	6.5
Housing services	4	4	4	4
General government services	2.9	4.3	9.4	6
Other private services	6.3	5.8	5.9	6.4
GDP(bp)	4	5.1	4.2	5.5

Source: PBS, and Planning Commission

*Covers slaughtering of animals in accordance with the Islamic Shariah (Zabiha)

Annexure-II

**Macroeconomic framework
(Current market prices)**

Items	2012-13	2013-14	2014-15	2015-16	% Growth		
	Final	Revised	Provis.	Target	2013-14 / 2012-13	2014-15 / 2013-14	2015-16 / 2014-15
(Rs billion)							% Growth
GDP (bp)	21,497	23,904	25,822	28,873	11.2	8	11.8
Indirect taxes (net)	882	1,164	1,562	1,799	31.9	34.2	15.2
GDP (mp)	22,379	25,068	27,384	30,672	12	9.2	12
Net factor income from abroad	1,162	1,429	1,678	1,825	23	17.4	8.8
GNP (mp)	23,541	26,497	29,061	32,497	12.6	9.7	11.8
Total resources/uses	23,782	26,819	29,227	32,792	12.8	9	12.2
Total consumption	20,434	23,063	25,087	27,354	12.9	8.8	9
Total investment	3,348	3,756	4,140	5,438	12.2	10.2	31.4
Fixed investment	2,990	3,355	3,702	4,948	12.2	10.3	33.7
Public incl. general govt.	788	842	1,057	1,212	6.8	25.6	14.7
Private	2,202	2,513	2,645	3,735	14.1	5.2	41.2
Changes in stocks	358	401	438	491	12	9.2	12
National savings	3,107	3,434	3,974	5,144	10.5	15.7	29.4
As % of GDP (mp)							
Total investment	15	15	15.1	17.7			
Fixed investment	13.4	13.4	13.5	16.1			
Public incl. general govt.	3.5	3.4	3.9	4			
Private	9.8	10	9.7	12.2			
National savings	13.9	13.7	14.5	16.8			
External resources inflow (net)	1.1	1.3	0.6	1			
Memo items							
Inflation	7.1	6.9	3.6	6			
GNP (mp) per capita (Rs)	1,28,968	1,42,312	1,53,060	1,67,915	10.3	7.6	9.7

Source: PBS and Planning Commission

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
Total (Federal)	422.8	102.2	525	439.8	102.2	542
Provincial ADPs	560	90	650	584.2	61.8	646
Total (National)	982.8	192.2	1,175	1,024	164	1,188

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

Sector	Budget estimates*	Revised estimates (Rs billion)
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)
Total size	525	(100) 542 (100)

* 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

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
Total (Federal)	553.7	146.3	700
Provincial ADPs	728.2	85.5	813.7
Total (National)	1,281.9	231.7	1,513.7

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 & Comm.</i>	219.8	
<i>Water</i>	30.6	
<i>PP&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
Total Size (Federal)	700	100

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 18th 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 Mitiari 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

PILLAR-I

PUTTING PEOPLE FIRST –

DEVELOPING HUMAN AND SOCIAL

CAPITAL

CHAPTER 3

POPULATION

The proven connection between population increase and development has been globally emphasised and recognised. The population of Pakistan was 32.5 million in 1951, at which time it was the 14th most populous country in the world. Since then its population has since increased approximately 5.5-fold, reaching 184.5 million (projected as per 1998 census) in 2012-13. There is an annual addition of over 3.7 million people, which is projected to reach 219 million by 2020 and 344 million by 2050, when it is likely to attain the 5th position in the world if the population growth rate of 1.9 per cent continues unabated. This can be devastating for the country's already-scarce national resources. Also, this rate is undermining economic progress of the country, and this calls for a special focus on investing in the family planning to control the population growth rate.

Following the International Conference on Population and Development (ICPD), held in Cairo in 1994, the scope of family planning in Pakistan was broadened, and the right to reproductive health as an entitlement was made an integral component of the population programme. A perspective plan was devised with the goal of reaching replacement-level fertility by expanding the family planning coverage and high-quality services, reducing infant and maternal mortality, and instituting other programmatic and strategic measures

Administratively, Pakistan is composed of four provinces along with the Federally Administered Tribal Areas (FATA) and the Gilgit-Baltistan region. The sparsely populated province of Balochistan (five per cent of the total population) in the South-Western part of the country, comprises 43 per cent of the land area of Pakistan. The Punjab is the largest province in terms of population, with about 56 per cent of the country's residents living there. Sindh is the second largest, with about 23 per cent of the total population, and Khyber Pakhtunkhwa is the third largest, with about 17 per cent. The FATA accounts for 0.5 per cent of the population. Gilgit-Baltistan comprises a total land area of 72,520 square kilometres, with a population of 883,799, and Azad Jammu and Kashmir, with a land area of 11,639 square kilometres.

At present, the population density of Pakistan is 231 persons per square kilometre, whereas 37.9 per cent people are living in urban areas. Although birth and death rates have fallen over the past several decades, decrease in the death rate is much more rapid than decline in the birth rate. Subsequently, life expectancy has increased, that is, from 63.4 years in 1981 to 66.5 years in 2013 for females, and from 62.4 years in 1981 to 64.6 years in 2013, for males.

The fertility rate has declined at lower pace in comparison to other Asian nations. Moreover, total fertility rate decreased from 4.7 in 2000 to 3.8 in 2013, but decline in population growth is comparatively modest, that is, from 2.1 per cent in 2000 to 1.9 per cent in 2013.

Performance review 2014-15

The population control programme has remained an important policy issue since 1960. Nevertheless, because of changes in various governments' population policies every five to 10 years, the desired results have not been achieved. Another major shift in population planning was made in 2010 by devolving the subject to the provinces.

Access to an improved source of drinking water is 93 per cent, but only eight per cent of households use an appropriate water treatment method and 59 per cent of households have an improved toilet facility, not shared with other households. About 94 per cent of households have electricity.

Overall, 87 per cent of households possess mobile phones (95 per cent of households in urban areas and 83 per cent in rural areas). The registered percentage of children under five years of age is 34 per cent, while 32 per cent have birth certificates, and 83 per cent of adults of 18 years and have been registered for the Computerised National Identity Card (CNIC).

About 53 per cent of women have no education, as compared with 34 per cent of men, the net attendance ratios are 60 per cent at the primary level and 37 per cent at the secondary level.

Employment is an important source of empowerment of women, especially if it puts them in control of their earnings. Measurement of women's employment can be difficult because some of the work that women do, especially work on family farms, in family businesses, or in the informal sector, is often not perceived by women themselves as employment and hence is not reported.

Out of the total population of women only 26 per cent of women were currently employed. The proportion of women, who were currently employed was lowest among 15-19 years of age (19 per cent) and increased to a peak of 33 per cent in the 35-39 age group. Women, who were divorced, separated, or widowed, were much more likely than married women to be employed. Similarly, women with three or more children were more likely to be employed than those with fewer children.

Migration, which may be seasonal, temporary, semi-permanent, or permanent, is an important demographic element that has far-reaching socioeconomic implications for both individuals and society, both in the place of origin and in the destination. Migration is usually related to opportunities for education and employment that motivate people to emigrate from their place of origin, culture and geographic hardships pushing people to a better or safer environment.

The migration from rural within country is 56 per cent of the total population who have migrated, followed by those migrating from cities and urban areas (43 per cent); the proportion of individuals immigrating from overseas is quite small (one per cent). Out-migration is more prevalent in Gilgit-Baltistan (30 per cent), Khyber Pakhtunkhwa (28 per cent), and Punjab (20 per cent). Only five per cent of households in Balochistan have an out-migrated member.

The median age for the first marriage among women between 25 years to 49 years is 19.5 years, while for men between 30 years to 49 years is 24.7 years. There is a close association between education and median age at the first marriage. The median age at the first marriage for women of 25 years to 49 years with no education is 18.3 years, as compared to 22.3 years for women with a secondary education. A similar pattern is observed between median age at

marriage and wealth quintile, with women in the highest wealth quintile marrying more than four years later than those in the lowest quintile.

Education and wealth are factors related to delayed marriage. The median age at the first marriage among men of 25 years to 49 years, and 30 years to 49 years shows patterns similar to that of women in relation to level of education and wealth quintile.

The minimum legal age at marriage in Pakistan is 18 years for males and 16 years for females. Women are considered to be exposed to the risk of pregnancy after marriage. Duration of exposure to the risk of pregnancy depends primarily on the age at which women marry for the first time. Women who marry early, on average, are more likely to have their first child at a young age and give birth to more children overall, contributing to higher fertility.

Knowledge of contraception is universal in Pakistan. More than one-third of the currently married women of reproductive age are using contraception, with most women (26 per cent) using a modern method. The two most popular modern contraceptive methods are the male condom and female sterilisation, that is, nine per cent each. The government sector remains the major provider of contraceptive methods, catering to the needs of nearly one in two users, that is, 46 per cent. 20 per cent of the currently married women have an unmet need for family planning services, with nine per cent having an unmet need for spacing, and 11 per cent having an unmet need for limiting.

The crude birth rate in 2013-14 is 26.4/1000 and the crude death rates 6.9/1000, both are unacceptably high. An estimated 14,000 maternal deaths occur annually and 4,00,000 infant deaths, a large proportion of which are linked to high fertility rate of the country.

The total fertility rate has declined from 4.77 in 2001 to 3.8 in 2013 with a contraceptive prevalence rate of 35 per cent (PDHS 2012-13). Pakistan has committed internationally to the CPR goal of 55 per cent by 2020. This requires an acceleration of efforts to reduce fertility rates and increase contraceptive prevalence in the coming five years. Population stabilisation, therefore, requires accumulative and unpunctuated efforts from all corners of society.

After devolution of the Population Welfare Programme (PWP), the main challenges include lack of ownership of the programme by the provincial governments, inability to create awareness regarding benefits of small family among the target population and demand generation for the family planning services, low investment in the population sector by the provincial governments and ineffective coordination between health and population welfare departments for provision of family planning and reproductive health services.

Physical targets

The PWP envisages establishing service delivery, which is presented in the table:

Physical and contraceptive user targets

	2013-14 (Target)	2013-14 (Achievement)	2014-15 (Target)	2015-16 (Target)
Family Welfare Centres	3,427	2,891	3,000	3200
Reproductive Health-A Centres	269	207	230	250
Mobile service units (MSU)	300	292	325	350
Contraceptive users (Million)	10	8	12	13
RHS-B Centres	184	133	200	225
Registered Medical Practitioners (RMPs)	27576	9297	25000	27000
Hakeem and homeopaths	14009	8071	15000	16000

Outlook 2015-16

The family planning refers to a conscious effort by a couple to limit or space the number of children they want to have through the use of contraceptive methods, and this is facilitated through a programme for the FP&PHC; thus the Reproductive Health Service Centres (RHSCs) and hospital-based service outlets are major clinical components of the PWP.

The Mobile Service Units have been established to provide family planning services to remote areas with underserved rural populations. Moreover, the male mobilisers are responsible for encouraging programme advocacy among local community leaders, male teachers, shopkeepers, religious leaders, and community-based organisations. Other important components of the service delivery network include: registered medical practitioners, hakims and homeopaths, LHWs, public-private partnerships, and NGOs. The social marketing of contraceptives is a central component as well.

As a measure to develop ownership of the programme, the provincial governments will fund the programme during FY 2015-16 and onwards. However, being non-beneficiary of the NFC award, special area governments will continue to receive partial finding through the PSDP at the level of maximum release for FY 2010-11.

The accumulated socio-economic gains are largely diluted by the increase in population. Population size and growth have a strong bearing on all aspects of a nation's welfare, especially health, education, environment and poverty alleviation. It has been realised that if the population growth were greater than economic growth, then the country will never be able to meet people's needs for economic and social services. Arresting the population growth rate will, therefore, improve the per capita availability of goods and social services.

During the FY 2015-16, the PWP will continue with its 4500 service delivery outlets. As a policy measure, all 100,000 LHWs and 14,000 service delivery outlets of the health departments will be involved in extending family planning services.

An important indicator of the changing demand for the family planning is the extent to which non-users of contraception aim to use family planning in the future, which suggests targeting such part of the population for future objective setting.

Information on the level of public exposure to a particular type of media allows family planning programme managers to assess the most effective media for various target groups in the population and effort will be aimed at such directions. There is a sharp urban-rural contrast in exposure to the family planning messages through television and print media. For example, 34 per cent of women in urban areas are exposed to family planning messages through television, as compared with 20 per cent of rural women; the corresponding percentages among men are 60 per cent and 42 per cent, suggesting priority setting to be revisited when planning for the year ahead.

Particular focus will be made on creating awareness and education among the masses for small family norm; thereby creating demand for the family planning services among the target population.

Apart from the programme of population welfare that also needs to scale up its efforts in terms of coverage, execution and monitoring of its activities, some of the interventions for the citizens pertains to other sectors. Key areas, which need consideration in the year ahead, will be improving the provision of clean and safe water and provision of adequate sanitation.

There is also a need to register births of children under five years of age, reach MDG targets for educational attainment and school attendance, assess status of both in-migration (immigration) and out-migration (emigration), consider efforts in curtailing early (childhood) marriages.

The current trend in fertility and its preferences are unacceptable. The family planning services need to be improved and increased. Efforts are to be aimed at bringing the indicators for infant and child mortality down to the level suggested by the MDGs, reproductive health to be improved both for men and women, nutrition of children and women to be given priority through their related programmes.

HIV/AIDS-related knowledge, attitudes, and behaviour needs to be improved through better information sharing and treatment, while women's empowerment needs to be ensured to improve their demographic and health outcomes and a zero tolerance for domestic violence to be developed in the society.

Financial plan

Funds to the tune of Rs5,644 million will be provided through the federal PSDP for vertical programmes as per decision of the Council of Common Interests (CCI).

The physical targets set for 2015-16 have been tabulated on the next page.

Physical targets

	Target 2015-16
Family Welfare Centres	3,200
Reproductive Health-A Centres	250
Mobile Service Units (MSUs)	350
Contraceptive users (Million)	13
RHS-B Centres	225
Registered Medical Practitioners (RMPs)	27,000
Hakeem and homeopaths	16,000

CHAPTER 4

BASIC AND COLLEGE EDUCATION

Education is the foundation block of success and a tool for achieving social and economic progress. It is a means of enlightenment for the society and a prerequisite to enable the process of development. It is imperative to give education its due share in fostering a value system which promotes universal consciousness, peace, tolerance and socioeconomic development. Efficiency of educational institutions should be supported through increased Students, Teachers, Educationists, Parents, and Society (STEPS) participation in skill development, producing responsible citizens, capacity building and creation of knowledge economy.

The Constitution of Pakistan through Article-37 obligates the State to promote the educational and economic interests of backward classes or areas; remove illiteracy and provide free and compulsory secondary education within minimum possible period. In this regard Pakistan Vision 2025 aims at a substantial improvement in the access, equity and quality of education for all.

Lack of proper access to education has resulted in low literacy rate. About 6.2 million primary school-going age children according to the Pakistan Education Statistics 2013-14 are still out of school. High dropout rate and absenteeism, weak governance along with inequitable participation of disadvantaged groups including girls, rural children and those from less-privileged families are reasons for a low literacy rate.

The 18th Constitutional Amendment has devolved education to the provinces and Article 25A of the Constitution obligates the state to provide free and compulsory education for children aged between five to sixteen years. Resultantly, several challenges have surfaced such as absence of necessary laws, lack of coordination with the provinces, absence of reporting instruments and improvement in governance of education. In order to provide free education to every child, there is a need to ensure compulsory admission, proper attendance, and no discrimination to disadvantaged children from pursuing and completing education. The government plans to resolve supply side issues in collaboration of the provinces and private sector.

Performance review 2014-15

Federal

During 2014-15, Rs5,171 million were allocated in the Federal PSDP for basic and college education. Out of the 18 ongoing and 10 new schemes, two schemes related to enhancement of literacy rate and reducing the number of out-of-school children, 03 related to provision of scholarships, 05 belonged to capacity building of teachers in four provinces and the federal areas and 18 schemes related to the establishment and uplifting of schools and colleges.

Schemes	No of schemes	Allocation (Rs million)
Capacity Building of Teachers Training Institutions and Training of Elementary School Teachers in ICT, Punjab, Sindh, Khyber Pakhtunkhwa & Balochistan	05	407
Establishment/ Construction / Strengthening / Up-lifting / Expansion of Schools/Colleges / Trainings, etc.	18	914
Scholarships	03	1,078
Literacy through BECS & NCHD	02	2,772
Total	28	5,171

On the special initiative of the Minister of Planning, Development & Reform, the Ministry of Federal Education & Professional Training approved the following three schemes in its DDWP meeting held on 02-12-2014. The approved projects included National Curriculum Council to maintain uniform educational/ curriculum standards at national level, Modernization and Standardization of Examination System to strengthen quality of education and Mainstreaming of Medressahs aiming at formalizing madras education

National Endowment Scholarships for Talent

The government is committed to harness the potential of the youth. In this regard, less privileged but talented youth will be given opportunities to move up the social ladder through National Endowment Scholarships for Talent (NEST). NEST is being created under the auspices of Ministry of Planning, Development and Reform whereby the Federal Government would disburse scholarships to enable them to continue their studies at Intermediate, Graduate, Masters and PhD levels in critical areas of development.

Provincial

During 2014-15, the Punjab government allocated Rs28,100 million, Sindh Rs11,867 million, Khyber Pakhtunkhwa Rs12,382 million and Balochistan allocated Rs.11,725 million, totalling to Rs66,475 million for basic and college education¹. Major priorities of the provincial governments focused around improving physical infrastructure in schools, recruitment of science teachers through competitive selection system, provision of computer and science labs in schools, training for teachers, parents and district education managers, augmentation of examinations system, improvement in curriculum standards and quality, provision of more schools for better access and movement for enhanced enrolment of out-of-school children.

National and provincial indicators

The indicator of Net Primary Ratio reflects an increase from 46 per cent in 1990-91 to 57 per cent in the year 2012-13 whereas the target to be achieved was 100 per cent. The indicator of primary completion rate in 1990-91 was 50 per cent which increased to 57.3 per cent and 67.1 per cent in 2001-02 and 2004-05 respectively, but then it declined to 51 per cent in 2012-13. The recent data shows survival rate of 60 per cent for male and 42 per cent for female, which shows great gender disparity. Similarly, the female literacy rate is 48 per cent, while that for the

¹ Provincial Annual Development Plans 2014-15

male is 71 per cent, signifying that more human and financial resources are needed to attain gender parity². The following table depicts the indicators at the national and provincial levels:

MDG Goal 2: Achieving Universal Primary Education

Indicators	National	Punjab	Sindh	KPK	Balochi -stan
Net Primary Enrolment Ratio (per cent)	57	62	52	54	45
Male	61	64	56	59	54
Female	54	60	48	48	35
Completion / Survival rate 1 grade to 5 (per cent)	51	54	52	44	34
Male	60	61	62	59	49
Female	42	47	41	29	18
Literacy Rate (per cent) (10 years and above)	60	62	60	52	44
Male	71	71	72	70	62
Female	48	54	47	35	23

The literacy rate in Pakistan has improved from 45 per cent in 2001-02 to 60 per cent in 2012-13 (against MDG target 2015; 88 per cent) compared to 92 per cent in China, 61 per cent in India; 77 per cent in Iran, 60 per cent in Nepal and 91 per cent in Sri Lanka. The percentage of GDP expenditure on education in the region remained at 2 per cent for Pakistan compared to 2.6 per cent in Bangladesh, 3.2 per cent in Nepal, 3.3 per cent in India, 5.2 per cent in Iran and 8.3 per cent in Maldives.

Outlook 2015-2016

In the devolved set up federal government plans to work with provincial education departments so as to achieve improved coordination, standardization, and equity in human capital across the provinces. For this objective existing institution for federal and provincial coordination, i.e. Inter Provincial Education Ministers (IPEM) would be strengthened.

The government aspires to make a transition from MDGs to Sustainable Development Goals (SDGs) in order to ensure inclusive and equitable quality education and promote life-long learning opportunities for all. To realise this aim, a dialogue would be initiated among the federating units so that the issues related with reporting and monitoring of SDGs may be resolved.

The government plans to enhance the share of education from current level of two per cent of GDP to four per cent by 2018, gradually. Formula for proportional allocation (out of available funds) to different sub-sectors of education is being evolved by the federal government in consultation with the provincial and area governments.

Total resources for education are envisaged to be further augmented by developing sound education sector plans and strategies thus making them viable for international help. An independent monitoring system for donor harmonisation and improved coordination between development partners and the government agencies would also be developed.

² MDG Report 2013

Constant efforts are underway to improve the infrastructure facilities of schools and colleges. Devising of better and effective measurable targets and performance indicators is under process that would allow monitoring of improvement in governance and delivery of good quality education services.

Plans to allocate a percentage of the education budget as grant-in-aid (to be decided by each province) to philanthropic and non-profit educational institutions are underway for promoting public-private partnership in the education sector, particularly for less privileged and disadvantaged children.

An effective system of checks and balances for the private sector is under consideration by the Government to oversee the issues of fees, school standards, salaries of teachers, conduct and hygiene etc. Although the Private Educational Institutions Regulatory Authority (PEIRA) is already functioning to ensure implementation of standards in private schools as set by the Government of Pakistan, the authority's effectiveness still needs to be further augmented.

The National Education Policy 2009 is in vogue. However, the process to review the NEP after five years is under way in the Ministry of Federal Education and Professional Training. After consultation with all the stakeholders, the updated version of National Education Policy would be introduced by the Ministry with a focus on resolving issues arising out of the 18th Constitutional Amendment. Provision of allocation in the budget of all the federating units would be made to comply with the concept of 'free' education as envisaged in Article 25-A. The term would encompass all education related costs including expenditure on stationary, school bags, transport and meal, which are, in general, not covered at present, and would form as a basis of allocating funds.

The government plans to raise the literacy rate from its current level of 60 per cent to 75 per cent by 2018, whereas Primary GER would be increased from 91 per cent to 100 per cent. The GER at Middle level at 63 per cent is planned to be raised to 65 per cent and GER Matric from present 57 per cent to 67 per cent.

Programmes

The federal government, for the financial year 2015-2016, envisages 21 schemes (14 ongoing and seven new, costing Rs16,421 million) for basic and college education, for which an allocation of Rs3,698 million has been earmarked in the PSDP 2015-16. The following table shows different kinds of the schemes.

Schemes	Number
Capacity building of Teacher Training Institutions and Training of Elementary School Teachers in ICT, Sindh, Khyber Pakhtunkhwa and Balochistan	04
Establishment/ Construction/ Strengthening/ Up-lifting/ Expansion of Schools/Colleges/ Trainings, etc.	13
Scholarships	02
Literacy through BECS & NCHD	02
Total	21

Implementation of the federal PSDP projects would have positive impact in the areas of capacity building of teachers training institutes working in the federal, and provincial areas of Pakistan, literacy rate will be increased, capacity building of principals and heads of institutions in the areas of finance and management would be achieved, the examination system will be standardized at national level aligned with modern techniques, Medressahs will be brought in the mainstream and the students enrolled in Medressahs will be given the formal education, curriculum will be standardised at the national level. More facilities will be provided to the students up to college level with provision of infrastructure and upgrading the educational institutions.

CHAPTER 5

HEALTH

Pakistan has a mixed healthcare delivery system including both state and non-state providers and for profit and not for profit organizations. After 18th constitutional amendment, roles of federal and provincial governments have been redefined, with responsibility for the delivery of health and related services transferred to the provincial governments. The provincial governments have now been given the autonomy to develop and implement health systems that are effective efficient, and equitable. Provinces have been taking measures to ensure that public health systems work efficiently at the district and tehsil levels; however, there are challenges of supply side; governance and coordination.

The key objective of Vision 2025 includes reducing the widespread prevalence of communicable diseases; strengthening disease surveillance; addressing inadequacies in primary and secondary healthcare facilities; correcting rural-urban biases; bridging basic nutritional gaps and improving the pharmaceutical sector to ensure the availability; affordability and quality of drugs.

The 11th Five Year Plan aspires to enhance the health and well-being of the population of Pakistan by providing effective health care services, fostering sound, sustained advances in the field of medicine, public health, and social services.

An inter-sectoral cooperation and sector wide approaches would be required to achieve the ambitious goals in the year ahead, especially in the times of natural and man-made disasters, rising poverty and slow economic development.

There is a clear need of increasing resource allocation, strengthening primary health care services and motivating the human resource employed in health sector by good governance. Progress would largely depend on achieving a better balance between short-term interventions to meet humanitarian needs and longer term actions for building sustainable health systems.

The government, donors, non-state actors and other stakeholders should design concerted actions to develop a health framework that is aligned with national scope and priorities, rather than focused on stand-alone donor driven project-oriented approaches. The country's ownership of the SDGs would be the foremost requisite for health and development in future.

Performance review 2014-15

To improve health status of the people and to reduce burden of disease a series of programmes and projects are on track for which funding was provided by the federal government. These programmes include Family Planning and Primary Health Care (FP&PHC), Expanded Programme for Immunization, Malaria Control Programme, Tuberculosis (TB) Control Programme, HIV/AIDS Control Programme, Maternal Neonatal & Child Health (MNCH) Programme, Prime Minister's Programme for Prevention and Control of Hepatitis and Cancer Treatment Programme.

Cancer has been considered as one of the deadliest forms of non-communicable diseases and the numbers of cases are increasing alarmingly. Pakistan Atomic Energy Commission's (PAEC) 18 cancer hospitals in four provinces are providing diagnostic and treatment facilities to cancer patients. Five new cancer hospitals are in the process of construction. Federal Breast Cancer Screening programme have been launched in 2013 at PIMS in Islamabad for early diagnosis and screening.

Lack of financial and human resources, evidence for decision making, infrastructure, meaningful collaboration with partner countries, and overall governance of the health sector are some of the pitfalls. Compounding the whole situation is the mismanagement of the scarce resources. Lack of expertise in strategic planning, political will, national interest and participatory planning are the major drawbacks in grooming of health sector.

An amount of Rs21 billion was provided in PSDP 2014-15, where Rs16 billion were utilised by end of March 2015. Overall achievements for the health sector are creation of skilled personnel, which includes 5000 new doctors, 500 dentists, 3300 Nurses, 4500 paramedics and 450 Traditional Birth Attendants.

Overall the communication and coordination of provinces in issues related to health remained appalling. The provinces also lack capacity to implement institutional mechanisms in place for data gathering, analysis and reporting to the federal government. As the provinces lack ownership of the vertical programmes, their accountability remains weak.

Outlook 2015-16

The Vision 2025 describes its Pillar-I as 'People First'. It is very well aligned with the United Nations Organization's Millennium Development Goals (MDGs). The Pillar includes development of social and human capital and empowering women through poverty eradication (MDG 1), access to health services {MDG 4-(Child Health)}, Maternal Health (MDG 5) & HIV/TB/Malaria (MDG 6), access to education services (MDGs 2) and gender empowerment (MDG 3). The countdown to the MDGs has begun while the cut-off point of June 2015 is just round the corner. The new international commitments in the form of sustainable development goals (SDGs) proposes goals and targets that integrate economic, social and environmental aspects and recognise their inter-linkages in achieving sustainable development in all its dimensions.

It is critical to address the social, cultural, environmental, economic, and political determinants of health; improving the health of disadvantaged and marginalized groups and meeting the specific health needs of people at different stages of life.

Strong health systems are a prerequisite to the idea of health for all; minimal work has been done on systems strengthening. The health systems of the country ended up having disease specific interventions. If the health systems are weak in health workforce, drug supply, health financing, and information systems, they may never be able to respond adequately to opportunities such as MDGs or SDGs. We should gear all efforts toward building the equitable, effective and client-friendly health systems required to achieve the MDGs and move forward.

For ensuring good governance, genuine priority setting, better coordination, meaningful integration, and an inclusive political commitment can help in reorienting the health sector with new enthusiasm.

Investing in health necessitates in-depth research to visualize the real determinants of health-seeking behaviours and health services utilization among the most vulnerable sub-groups of the population. Besides investment, government must reflect the commitments through a healthy public policy, a responsive health system, a meaningful partnership with private sector, across the board accountability, and a strong stewardship.

The federal government intends to harmonize interprovincial coordination in the context of the devolution and strives to help the local and provincial governments in achieving international obligations such as MDGs. The endeavours envisioned in the year ahead should lead to formulate evidence-based national policies, and health services which are affordable, accessible and culturally acceptable, and finally a responsive health system.

The provinces need to address their governance issues and enhance their coordination mechanisms in health. Their commitment to own the devolved resources and programmes will determine the pace of health related development in their respective provinces. Improving ownership of health related resources will also improve the issues of accountability.

Development of a proper disease information system, health education and health promotion initiatives will be encouraged for awareness of the general public. Potable water supply, Sanitation, Traditional medicine, Health legislation for various regulatory measures and Road Traffic Accidents (RTAs) are other health areas of concern to be addressed.

Universal access to sexual and reproductive health care services will be promoted which includes information and education regarding family planning services. The integration of reproductive health into national and provincial strategies and programmes will be supported.

The Human Resource for Health (HRH) will be improved through trainings in health management and improvements in career structure. Composition and functioning of Pakistan Medical and Dental Council (PMDC) and Pharmacy and Nursing Council will be reviewed for improvement.

The Plan also aims to reduce drug abuse and devise policies for physically or mentally challenged people. Public health laboratories will be upgraded, voluntary Blood Bank services will be developed and DHQ/THQ hospitals will be modernised.

The government is also focusing on new initiatives such as development of National Strategic Framework for acceleration and enhancement of Civil Registration and Vital Statistics (CRVS) in Pakistan. For this purpose, an institutional set up in the form of National Steering and Coordination Committee has been set up under the Chair of Minister for Planning, Development and Reform with representation of all the stakeholders including the provincial governments. The Committee during the plan period shall finalize its recommendations for institution of an efficient and effective CRVS System.

Another such endeavour is formulation of a national strategic framework to overcome burden of communicable and non-communicable diseases. This policy formulation will help in reducing the incidence of cardiac, diabetic and other degenerative diseases through investment in hospital infrastructure, health, education and awareness. Cancer will be treated through establishment of more cancer treatment centres/hospitals. The Government, keeping in view the rising need of Cancer Treatment Facilities, has taken a new initiative of establishing a state

of the art ‘Cancer Hospital’ in ICT. Rs 200 million has been earmarked. Prevention and control of non-communicable diseases will be pursued passionately. Moreover, tobacco use and tobacco-prevention interventions will be monitored in order to ensure protecting people from tobacco smoke in both public and work places, help people for tobacco cessation, warn people against the dangers of tobacco and other narcotics. A national plan of action will be developed on food and nutrition with an emphasis on national nutrition priorities including control of aberrant diet related to non-communicable diseases.

The government will support developing a proper drug policy to help improve quality of drugs and their pricing. It will also support research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect our country.

The federal government is in the process of launching a “Prime Minister’s National Health Insurance Programme” to help improve the health status of the poor and vulnerable by ensuring their access to quality health care. Resultantly, out-of-pocket health expenses by the poor and vulnerable population will reduce. Rs 9000 million has been earmarked for the purpose in 2015-16 PSDP.

The health sector reforms agenda has been initiated by the Planning Commission under the patronage and supervision of Minister for Planning, Development & Reform. A committee on health reforms in ICT has been constituted. The committee will identify key challenges and constraints in health sector within ICT and propose actionable recommendations to improve coordination and integration of health services. An implementation plan on the reforms in health sector in ICT would be developed and executed.

A Health Regulatory Authority will be established in the federal capital in order to streamline health service delivery and to provide quality health services to the people of Islamabad. Lessons learned in due course will be useful to replicate healthcare reforms in the provinces.

Rural population suffers from numerous health issues due to multiple reasons, e.g. lack of education, awareness, infrastructure, health facilities and poverty. A shared understanding of the health value chain in partnership with provinces as well as with general public will be developed. Supplemented understanding will help plan, monitor, and evaluate the impact of infrastructure for water and sanitation, hygiene, prenatal and postnatal treatment, food and diet, preventive health care, primary healthcare, drug regulation, and population control on health outcomes of people. The emphasis will be to work with provinces on access to healthcare and ensuring a minimum level of service delivery throughout the country. The government plans to enhance its spending in the health sector to 3 per cent of the GDP.

Efforts will focus on strengthening primary care with necessary back up support in rural areas where all health outlets will function as a focal point for control of communicable diseases and family planning services. Effective governance will improve the efficiency of public health sector spending. Coordination of health policies among the provinces and the centre will be strengthened. Paramedical staff will be increased to widen the coverage of healthcare spending. Key steps to achieving health targets include; expansion of the Lady Health Workers programme to target poor female patients; efforts to bring fertility rates to a level consistent with that of maternal health; strengthening of primary care with backup support in rural areas; training and placement of skilled personnel including women medical officers in BHUs/RHCs for family planning; establishment of health emergency surveillance and response system;

Implementation of a national plan for vaccinations and establishing a health information and diseases surveillance system. Micro health insurance schemes would be made part of existing social safety nets to extend in-patient health care services to vulnerable segments of the society.

Programmes

More than 100,000 LHWs are currently working in FP&PHC programme in order to provide primary health care services and family planning services in rural area of the country. These services help to improve the health status of the women and children, particularly through improved hygiene, adequate birth spacing, providing iron supplementation, greater immunization coverage and provision of ante-natal and post-natal coverage. Although services of the staff of this programme have been regularized the overarching issues of governance and monitoring needs attention at the district and tehsil levels. Furthermore, liaison with population programme will improve its affectivity and efficiency. The allocated amount in PSDP 2015-16 is Rs 935.00 million for FATA AJK, GB and ICT.

During the year 2014-15, 6.2 million children of 0-11 months and 6.8 million pregnant women were immunized through EPI which provides immunization. These nine vaccine preventable diseases include childhood tuberculosis, poliomyelitis, diphtheria, pertussis, neonatal tetanus, measles, meningitis, pneumonia and hepatitis B. The programme will contribute to attain and sustain over 90 per cent routine coverage; interruption of poliovirus; reduction of measles morbidity by 90 per cent and mortality by 95 per cent; Elimination of NNT; reduction of childhood tuberculosis, diphtheria, pertussis, neonatal tetanus, hepatitis B, and bacterial meningitis to a minimum level; assure steady supply of vaccine/needles/syringes; ensure safety of Injection; using EPI as a spearhead by promoting other PHC activities and finally integrating EPI in Primary Health Care (PHC). The allocated amount in PSDP 2015-16 is Rs 196.833 million for FATA AJK, GB and ICT.

Malaria has been the major cause of morbidity in Pakistan. More than 90 per cent of disease burden in the country is shared by 56 highly endemic districts, mostly located in Baluchistan (17 out of 29 districts), Federally Administered Tribal Areas (FATA) (7 agencies/FRs), Sindh (12 districts) and Khyber Pakhtunkhwa (12 districts). FATA is the second highest malaria affected belt of the country which accounts for 12-15 per cent of the total case load in the country. The programme will contribute to reduce malaria specific Morbidity and Mortality and control the growing incidents of falciparum malaria; to promote and facilitate the provinces/districts for enhanced access of population at risk to reliable diagnoses and effective treatment of malaria through development and implementation of standardized policies and guidelines, capacity building and appropriate IEC/BCC interventions; to support provinces/districts in the prevention and control of malaria in epidemics and complex emergencies; and to strengthen the capacity of malaria control programme at national/provincial and district level in partnership with all relevant agencies. The allocated amount in PSDP 2015-16 is Rs10.54 million.

The TB Control Programme has achieved over 85 per cent coverage through Directly Observed Treatment System (DOTS) in public sector and in the last five years the programme has provided care to more than half a million TB patients in Pakistan. The programme is moving steadily to achieve the global targets of 70 per cent case detection. The total numbers of TB cases are 63,470, whereas the absolute no of cases is 211,500 up to the third quarter of 2014 and the treatment success rate remained 91 per cent. The programme will contribute to ; to enhance the capacity of technical and managerial staff, including trainers at provincial and

District level; to strengthen the functioning of a countrywide laboratory network through supplementing 20 per cent equipment requirement, 10 per cent laboratory supplies and operationalisation the quality control arrangements through staff training, equipments and mobility support; to support 10 per cent of the total drug requirements for public sector facilities for ensuring uninterrupted availability of quality drugs; to standardize the management and care delivery practices by strengthening/ supporting the supervision, monitoring and evaluation arrangements at national provincial and districts levels; to ensure the programme performance by planning, implementing and evaluation joint activities through sharing of resources with other health programmes and sectors. The allocated amount in PSDP 2015-16 is Rs17,539 million.

Considered as a low risk country, there are currently 4,500 HIV positive cases reported to the AIDS Control Programme at federal and provincial levels. The prevalence of the disease is considered to be as low as 1 per cent. The number of injecting drug users has posed a threat to increase total numbers of HIV/AIDS cases in Pakistan. The National Aids Control Programme will help control or reverse the spread of HIV among the most at risk groups and to keep the epidemic from establishing among the bridging groups and the general population; create an environment in the country where People Living with HIV can access medical and social service and enjoy life without facing stigma or discrimination; coordinate a multi-sectoral, comprehensive and sustainability and involves the various line ministries, the civil society and the main target beneficiaries-the People Living with HIV and the most at risk group.

The MNCH Programme aims to provide improved access to high quality Mother and Child Health and Family Planning services. The programme has trained 10,000 community midwives, comprehensive Emergency Obstetric and Neonatal Care (EmONC) services round the clock and family planning services in all health outlets. Specific programme objectives are to reduce the Under Five Mortality rate/Child Mortality Rate (CMR) to less than 45 per 1000 live births; reduce the Neonatal Mortality Rate (NMR) to less than 25 per 1000 live births; reduce the Infant Mortality Rate (IMR) to less than 40 per 1000 live births; reduce the Maternal Mortality Ratio (MMR) to 140 per 100,000 live births: /100000); increase the proportion of deliveries attended by skilled birth attended at home or in health facilities to > 90 per cent. The allocated amount in the PSDP 2015-16 is Rs725 million.

All forms of hepatitis are of concern to the health of the public and have to be duly addressed through a Public Health framework. The Hepatitis Control Programme meets the challenges posed by the high prevalence of viral hepatitis in the country. It aims at 50 per cent reduction in new cases of hepatitis B and C through advocacy and behaviour change communication, vaccination of high risk groups against hepatitis B, establishment of screening, diagnosis and treatment facilities in 150 teaching and DHQ hospitals, Provision of Safe Blood Transfusion and prevention of hepatitis A and E. The allocated amount in PSDP 2015-16 is Rs193 million.

CHAPTER 6

LABOUR, EMPLOYMENT AND SKILL DEVELOPMENT

Human resource is the most important asset of a country. The effective utilisation of the potential of human resource by providing them with productive employment opportunities leads to sustainable development and growth. Providing employment opportunities is important not only for increasing national production levels, but also to raise family incomes and consumption, ensure the self-esteem of individuals, reducing income disparities and thus overall improving the social well being. In according to the Vision 2025, investing in people shall be one of the priorities to generate employment in the country. Importance of enhancing skill development for job creation is the strategy of the 11th Five Year Plan. The same strategy has been proposed in the Annual Plan for effective utilisation of human resources for the development of the country.

According to latest Labour Force Survey 2012-13, the prevailing unemployment rate in the country is 6.24 per cent and youth unemployment rate is 10.5 per cent. The population as well as the labour force is comprised of a much larger proportion of young people; about 63 per cent below the age of 30 years¹. This situation indicates that economy is not fully utilizing its youth potential for the development of the country. A new Action Plan is needed for effective and productive utilisation of human resource for the socio-economic development of the country. It is estimated that 1.7 million new jobs would be required in the coming year. The action plan would create the required employment opportunities and to maintain/ improve the existing employment situation in the year 2015-16.

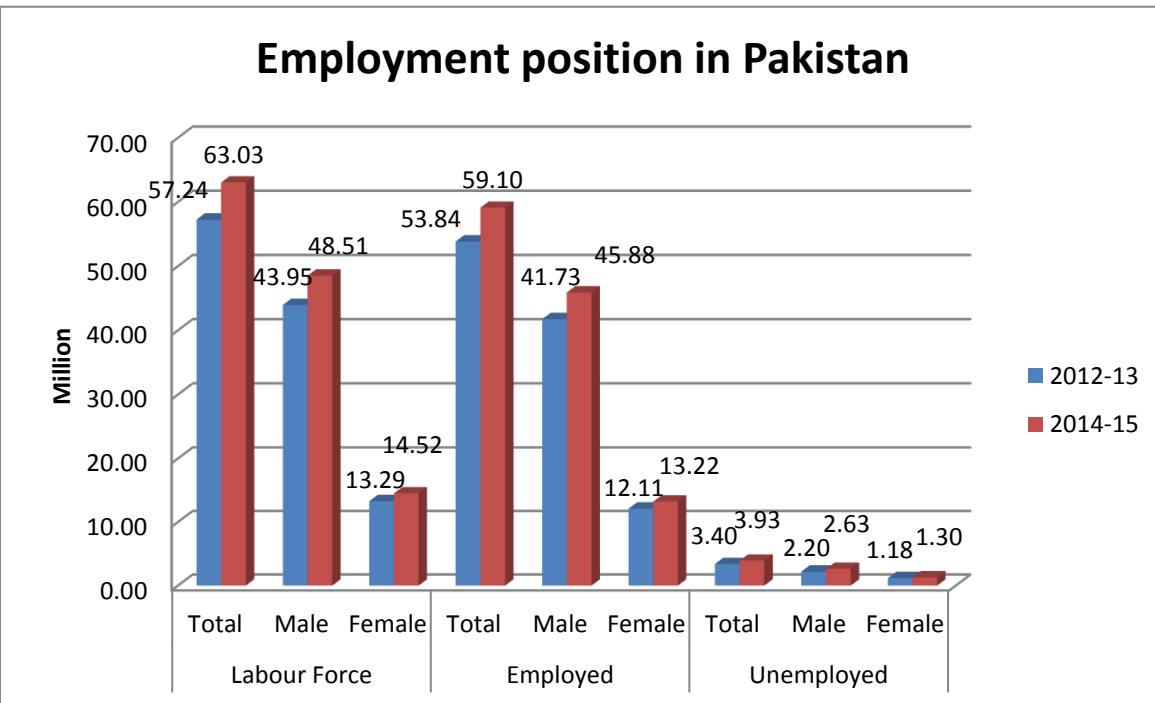
Performance review

Employment Scenario in 2014-15

Pakistan is the sixth most populous country of the world with an estimated population of 191.71 million in year 2014-15². Its population is projected to increase over 227 million by 2025³. Total labour force in Pakistan is estimate at 63.03 million in the year 2014-15 out of which 59.1 are employed and 3.93 million were unemployed; implying 6.2 per cent unemployment rate. A comparison of labour force, employment and unemployment rate for the year 2012-13 and 2014-15 is depicted in the following figure.

¹ Vision 2025

² Based on the Medium Term Development Framework (2005-10) of the Ministry of Planning, Development and Reform



Source: PBS, Labour Force Survey 2012-13, Ministry of Planning, Development and Reform

With the increase in participation rate, the unemployment rate has also increased in the last year which alarms the need of employment opportunities for the increasing labour force. The population as well as the labour force is comprised of a much larger proportion of young people; about 63 per cent below the age of 30 years⁴. These demographic projections indicate that employment opportunities for the youth are a crucial issue. The unemployment rate in Pakistan both gender wise and rural-urban divide is given in the following table:

Unemployment rates by area and gender (%)

Area/Gender	2012-13		
	Total	Male	Female
All Pakistan	6.2	5.4	9
Rural	5.1	4.4	6.9
Urban	8.8	7.3	19.2

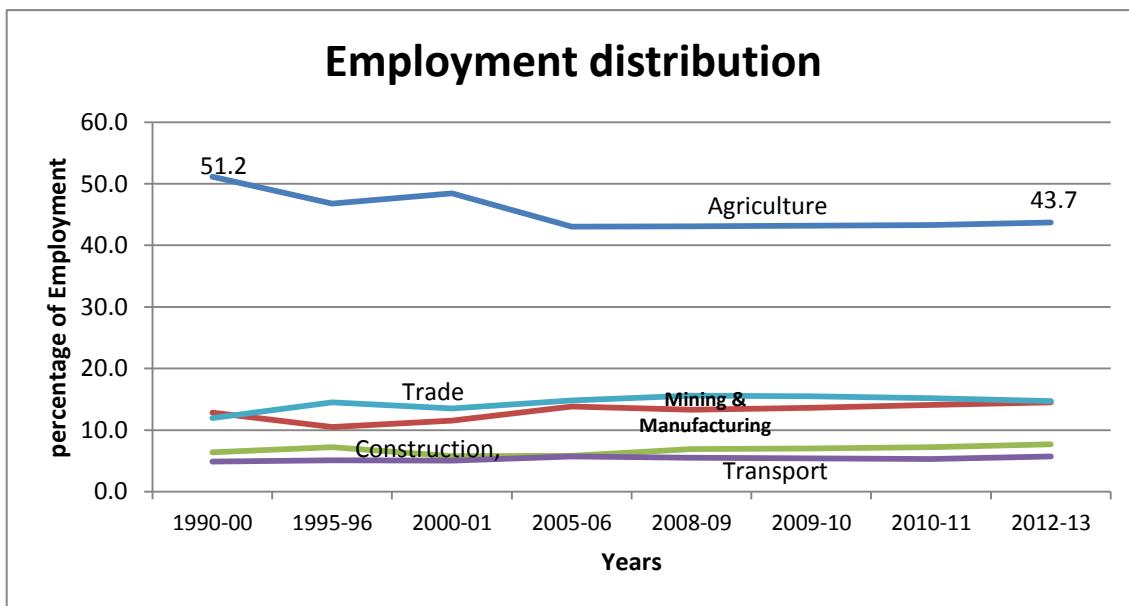
Source: PBS-(Pakistan Labour Force Survey 2012-13)

Labour market trends

The labour market of Pakistan is undergoing structural changes, as shown in the graph given below. The share of agricultural employment in total has been reduced to 43.7 per cent comparing with 51.2 per cent in year 2000. This is due to the reasons of rural to urban areas migration and extensive use of modern mechanised irrigation. Contribution of industrial sector in employment has remained comparatively stable at 22 per cent during the last decade.

⁴ Vision 2025

Since the last decade, the share of services and industrial sector in the GDP has been increasing even though their contribution towards employment generation is constant or bit declining. The contribution of agriculture sector in employment and overall GDP has been declining since 2001, but comparatively is still higher than those of other sectors in the context of employment generation. This situation reflects the disguise or low-productive employment in agriculture related sectors. The employment trend over the years in different sectors of the economy is shown in the following figure:



Source: PBS, Labour Force Survey 2012-13

Services sector

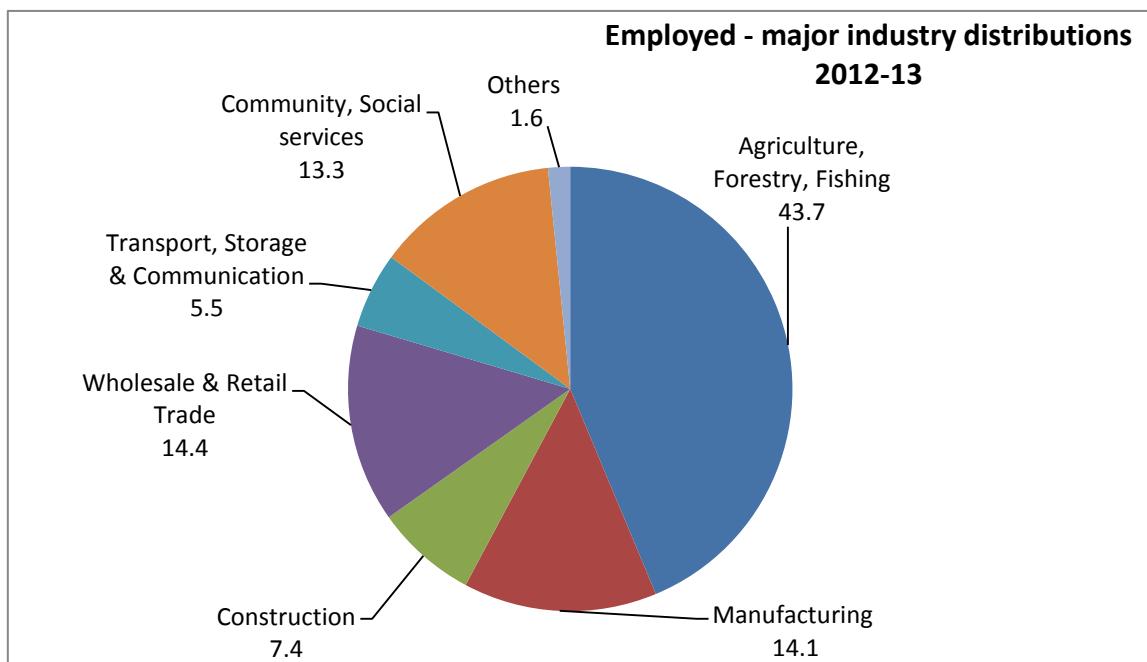
The services sector has contributed 58.1 per cent to GDP in 2013-14⁵ and has the highest employment elasticity of 0.9 thereby gradually grasping a major share of employment under its broad spectrum. Developed countries such as Germany, Netherlands, France, and England have become services based economies having about 73 per cent of Services Sector share in their GDP. They have become successful by investing in human resource development to produce qualified and technically competent manpower. In acquiescence to Vision 2025, investing in people shall be one of the priorities to generate employment. The country's business management, medical, social sciences, arts and humanities, and ICT institutions have a huge role to play in providing adequate skilled human capital to boost productivity in the services sector and thus generate employment⁶.

Agriculture sector

The current employment structure of Pakistan depicts that the contribution of agriculture related employment is declining, that is more than 50 per cent in '90s it has declined to 43.7 per cent in 2013-14. The agriculture related employment is associated with rural population and is also low remunerated, vulnerable and unproductive. Further, the agriculture sector related labour also belongs to informal economy which contributes less to economy but disguising high rate of employment in the sector. In order to avoid informal employment, initially social protection programmes specifically in rural areas shall be regulated and monitored properly.

⁵ Pakistan Economic Survey 2013-14

⁶ Vision 2025



Industrial sector

This sector contributes over 20 per cent of total employment in the country. The textile industry possesses a big potential for improvement in labour-productivity. It provides employment to 38 per cent of labour force of manufacturing sector⁷. Similarly, the share of trade in total employment has increased from 11.9 per cent in 1999-00 to 14.7 per cent in 2012-13⁸.

Regional situation

Overall unemployment rate in South Asia is recorded at four per cent in 2013⁹; however, it does not really reflect the exact position prevails in the region, as a large number of labour force works in informal sectors. Women participation in national labour force and youth unemployment are the major challenges needs to be resolved by the governments. According to Global Employment Trends 2014, the youth unemployment in South Asia was estimated at 10.2 per cent in 2013. In case of Pakistan, the youth unemployment rate has fluctuated from 11.7 per cent in 2003-04 to 7.7 per cent in 2007-08 and again increased to the level of 10.5 per cent in 2012-13¹⁰. This shows that the youth unemployment has been the major challenge being faced by the regional countries as well as in Pakistan which are needed to be addressed rapidly.

Unemployment situation in different regional countries during last two years is almost similar to Pakistan. However, the performance of Indonesia in job creation is far better. During the last two decades, there is a gradual sectoral shift in the economy from agriculture to manufacturing and services sectors both in the context of employment contribution and GDP growth. Responding to Global Financial Crisis 2008, the government of Indonesia initiated a stimulus package which included the infrastructure improvements and tax incentives for business activities as well as soft loans and subsidy programmes (Employment Plan 2014–Indonesia)

⁷ UNDP Official Website

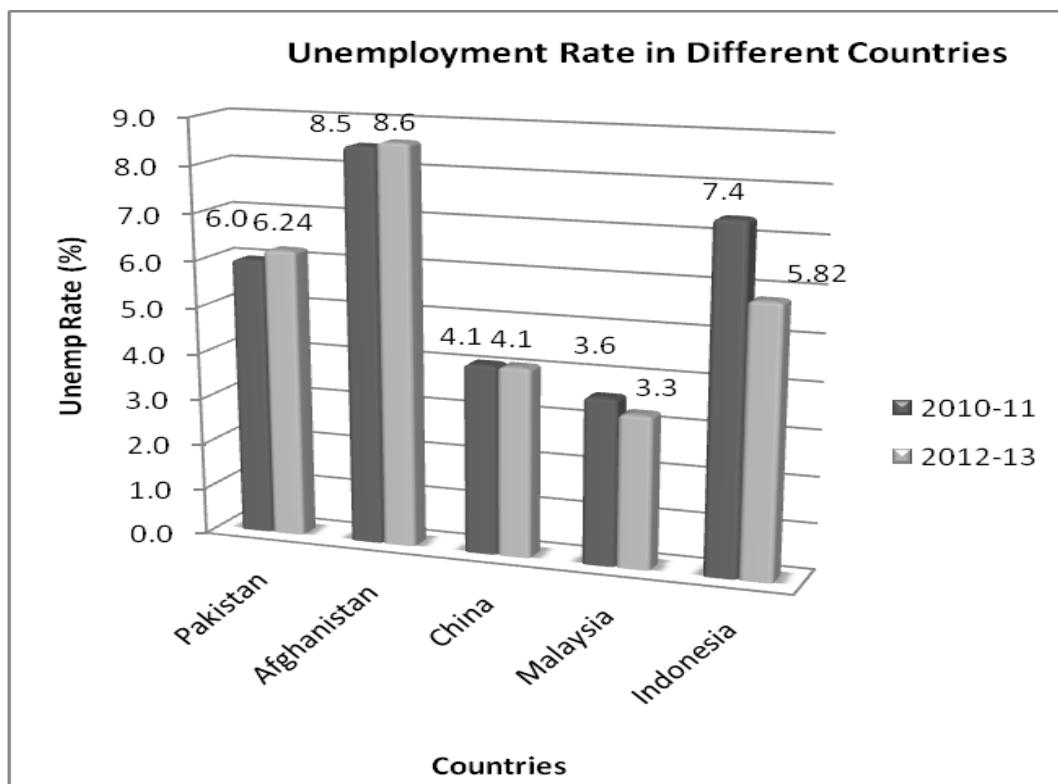
⁸ Labour Force Survey 2012-13

⁹ Global Employment Trends, 2014, ILO

¹⁰ Pakistan Decent Work Country Profile, 2014, ILO

along with skill development programmes, trainings, and job counselling, which have been showing positive results. With these efforts the unemployment rate in Indonesia has been decreased from 8.5 per cent in 2008-09 to 5.8 per cent in 2012-13.

The following graph shows the unemployment rate in the regional countries:



Source: Employment statistics departments of the respective countries

Outlook 2015-16

Employment projections

Based on population growth two per cent and increase in the labour force participation rate, labour force would grow approximately 2.6 per cent indicating approximately 1.7 million new jobs would be demanded in 2015-16. As prevailing employment elasticity is 0.46, approximately 5-6 per cent GDP growth would be required to absorb the growing labour force and to maintain the unemployment level of 2012-13. Policy initiatives and development programmes to enhance skills will generate additional jobs to keep/improve the existing employment situation in next year.

The creation of job opportunities signifies the strength and steadiness of overall economic performance. The government is fully cognizant of the significant relationship between employment and economic growth and is determined to formulate such policies that will ensure to boost economic growth by involving all sectors of economy including agriculture, industry and services. Taking into consideration the significance of Small and Medium Enterprises (SME) sector in pulling out the country from a low trajectory of economic growth, the present government is determined to make this sector more viable and vibrant. The Vision

2025 offers practical guidelines for national action and international support to improve the employment situation in the country.

The Five Year Plan and Vision 2025, Annual Plans actually reflect the government's objective to increase employment based on labour-intensive methods and focusing techniques of production of various sectors. The skill development of labour force through education and training programmes has always remained the priority of the government to supply skilled labour force. Further, some of the policies are as under:

- Promotion and expansion of skill development institutes
- Skill development action plan based on public-private partnership (PPP) to get benefit of demographic dividend and increase in productivity for economic growth
- Promotion of entrepreneurial activities and self employment opportunities on individual and cooperative basis
- Bridging up technological, skill and knowledge gaps
- Emphasis on rural enterprise to provide gainful opportunities for income and employment within the rural areas
- Provision of microfinance at large scale to promote small enterprises and self-employment;
- Creation of Employment Bureaus.

Employment promotion and entrepreneurial activities

Social and economic development is merely a dream unless masses are provided with productive employment. To achieve this goal, promotion of enterprises and human resource development play a vital role. Many labour organisations, particularly, International Labour Organization (ILO) is in exercise to undertake employment research and analysis in the perspective of different countries' economic situations. These findings recommend employment led intensive investment; specifically in developing countries like Pakistan, that conform to its working environment. Hence, the skills development, job creation, enterprise development and cooperatives are being promoted under the employment boosting strategies. The entrepreneurial activities in the country can be enhanced through:

Cooperatives: Firm owned, controlled, and operated by a group of users for their own benefit is called Cooperatives¹¹. In several rural areas of the country, the handicraft, stitching, embroidery, and other women-oriented skills can be utilised by formulating organised cooperatives in different regions.

Microfinance: Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: first relationship-based banking for individual entrepreneurs and small businesses; and second, group-based models, where several entrepreneurs come together to apply for loans and other services as a group. Financial instruments and institutions help create jobs and reduce the vulnerability of the working poor. A good illustration of this is microfinance, a strategy that provides savings, insurance and loans to help the working poor and their families gain financial security and cope with risk. Microfinance facilities are being promoted to increase the number of self-employed.

¹¹ All definitions are quoted from online Business Dictionary

Multinational enterprises: Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation. Today, some 50,000 multinational enterprises and their 450,000 affiliates employ over 200 million people throughout the world. Their impact is felt in virtually every facet of industry, trade, services and business activities. The potential of young educated lot will be tapped under this option by financing them starting multinational enterprises so the trade and industrial activities could also be enhanced.

Small enterprises: A small enterprise is defined as an enterprise which employs less than 50 persons. Small enterprises outnumber large companies by a wide margin and also employ many more people. The SMEs are also said to be responsible for driving innovation and competition in many economic sectors. Sustained enterprise growth is essential to employment creation. The group-based, small, and micro-enterprises can help generate more employment opportunities.

Skill development

Educated, skilled and well-trained manpower are driving forces for socio-economic development of a country. Better level of skill facilitates the effective adjustment a country to the challenges and opportunity of work. Pakistan has an advantage of demographic dividend and to reap the benefits, market oriented skill development efforts would provide inclusive growth, enhanced productivity and opportunities. Thus skill development at the national level is required for socio-economic development.

Planned skill development must be supported by a comprehensive national skill development policy to guide the national skill strategies. In Vision 2025 and 11th Five Year Plan, the Government is committed towards skill development through knowledge sharing, technological development and by promoting competition, through investment in education and skill generation programmes. However, a comprehensive policy needs to be developed in the context of: competency-based training, international demand, entrepreneurship, industrial linkages, employability, gender and demographic equity, and institutionalisation of various technical, vocational education and training sectors.

The NAVTTC has developed 'The National Skills Strategy' which focuses on paradigm shift from time-bound, curricula-based education to competency-based training, and from supply driven trainings to demand driven skills. The strategy emphasises on providing relevant skills for industrial and economic development, by improving access, equity, employability and ensuring quality.

Performance review 2014-15

During the year, an amount of Rs434.506 million has been allocated to the Federal ministry of Federal Education and Professional Training for its three ongoing projects in Public Sector.

The NAVTTC has trained 116,453 unskilled youth in various courses/trades till date under Prime Minister's Hunarmand Pakistan Programme. The Prime Minister's Youth Skill Development Programme 2013-14 (Phase-I) encompassed technical training to 25,000 youth (including 34.1 per cent females). The NAVTTC has established 18 E-learning centres, trained 5000 in-service teachers and developed first National Vocational Qualifications Framework (NVQF). The NAVTTC has also developed vocational and technical Training Programmes, which comprises of 53 Competency Based trainings, 118 Traditional and 24 DAEs, 29 Industry Advisory Groups

(IAGs) in different economic sectors, accredited 54 TVET institutes in 195 Disciplines and produced 150 assessors for different technical trades.

Beside NAVTTC other national organisation involved in technical training is National Training Bureau (NTB). Presently 40 public and private training institutes are affiliated with NTB. NTB provide guidance to these training centres, supervise these programmes and conduct their trade testing and certification. The NTB imparted training to 9254 trainees and tested and certified them during 2013-14. Under the President Programme for the care of Highly Qualified Overseas Pakistanis (PPQP), National Talent Pool 45 Visits of expatriates, to share their knowledge and expertise in their respective domains, have been arranged so far.

Outlook 2015-16

The Ministry of Federal Education and Professional Training is establishing and promoting linkages amongst various stakeholders operating at the national and international level. The National Skills Strategy emphasises on creating a demand-driven training system responsive to requirements of the industry. Currently training is being imparted in eight priority areas that include hospitality, agriculture, dairy and livestock, construction, IT & telecommunications, skill development for women, light engineering, paramedics and services. The skill development programmes would thus focus on public-private partnership (PPP) and flexible training delivery systems to utilise the demographic dividend and increase labour productivity for socio-economic growth An amount of Rs551.640 million is proposed for allocation to the ministry of Federal Education and Professional Training for its four ongoing projects in the Public Sector Development Programmes (PSDP) relating to Skill development.

Programmes

The NAVTTC will initiate Prime Minister's Youth Skill Development Programme (Phase-II) to train 25000 unemployed youth in six months in 195 market-oriented trades and courses. The NAVTTC plans to reform Apprenticeship Ordinance – 1962 and Formalise informal Apprenticeship. 150 more vocational guidance and job placement centres will also be established.

The National Training Bureau (NTB) will train 3000 trainees in 30 marketable trades at NTB, 300 instructors and professional staff and 34,000 trainees and skilled workers through the public-private partnerships. Moreover, trade testing and certification of 10,000 trainees and skilled workers will be carried out through formal and informal streams.

The National Talent Pool has planned to create a computerised inventory of doctors, engineers, physical, natural and social scientist's, managers and other high level professionals for training and information dissemination to public and private sector organisations, including overseas employment corporations, in order to meet the demand of the national and international labour markets.

Furthermore, an interactive web-based data bank of the highly qualified Pakistanis within the country and abroad will be established to arrange for consultancies of expatriate Pakistani professionals.

CHAPTER 7

POVERTY ALLEVIATION AND MILLENNIUM DEVELOPMENT GOALS

The incidence of poverty and its subsequent impact on social and economic dynamics of a country gives poverty eradication and social protection a central role in development policy. Owing to chronic poverty and vulnerability, the government has always been vigilant about impact of public policy on income distribution and effectiveness of social safety nets. The poverty reduction strategy has to incorporate elements of pro-poor economic growth, even distribution of economic opportunities, and decent living conditions, besides ensuring macroeconomic stability, provision of good governance and adequate social protection framework.

Official poverty estimation since 2008 remained controversial and various efforts to refine official methodology and build consensus until now remained inconclusive. Expert group was formed to probe into causes of decline in head count poverty. Group has been deliberating on possible reasons of poverty decline.

The Vision 2025 strategises inclusive growth by substantially reducing the incidence of poverty and improving income distribution mechanism. Vision 2025 presents a comprehensive approach to address human and social development gaps with an emphasis on developing human and social capital to take full advantage of Pakistan's youth bulge.

Pakistan has missed most of the MDG targets because of insufficient resources, policy inconsistency, political instability, natural calamities, intensification of war on terror and slower economic growth. MDGs end in 2015 and process of transition from MDGs to SDGs is underway. Transition from MDGs to SDGs will entail substantial deliberation between provincial and federal government to decide on goals and targets and also to design new institutional configuration for reporting and monitoring SDGs.

Performance review 2014-15

According to official poverty estimation methodology, Poverty declined from 34.4 per cent in 2000-01 to 22.3 per cent in 2005-06. The socio-economic condition of the country was badly affected by intensification of war on terror, massive and frequent natural calamities, external shocks, commodity price escalation, slower economic growth and intense power outages.

The official poverty estimates since 2007-08 remained under scepticism and the government tried to get it vetted from independent experts engaged in the field of poverty. A Committee was constituted in the aftermath of poverty estimation of 2010-11 to review the official methodology. The deliberations of the Committee after various rounds remained inconclusive. The official methodology was last updated in 1999 and since then Pakistan has witnessed a

socio-economic transformation which definitely warrants a detailed review of various aspects of estimation methodology.

Extensive consultations on Multidimensional Poverty Indices (MPI) were held during the year with all federating units. It could be used as tracking human development indicators in the country but its usage as poverty measure will not serve the purpose of tracking impact of income and consumption shocks on the general well being. Household income and expenditure remained the best way of poverty estimation in countries like Pakistan. Planning Commission is in the process of having truly representative poverty estimation by weeding out discrepancies in the official methodology.

The economy remained on deceleration path since 2006 and the adjustment programme started in 2008. This has badly impacted the poor and vulnerable segments of society. To protect the vulnerable and the poorest of the poor a comprehensive social protection framework was needed. An ambitious social safety net programme was designed and started implementation since 2009 with the name of Benazir Income Support programme (BISP).

Benazir Income Support Programme

The Programme aimed to contribute to the redistributive goals of the federal government. It recognized that regular and predictable cash assistance for the poorest households would provide a reliable source of supplementary income, and it aimed to build the foundation for moving from the essential basic safety net to coherent social protection services that can help them to graduate out of poverty.

The BISP annual disbursements rose from Rs16 billion in 2008-09 to Rs63 billion 2014-15 (July-December) and the disbursement is expected to around Rs. 90 billion by the end of financial year, out of a total allocation of Rs97 billion, while the number of beneficiaries has increased from 1.7 million families in 2008-09 to nearly 4.8 million at the end of second quarter of 2014-15 and increased to five million by the end of this financial year.

Social protection initiatives are working historically in the country are Zakat, EOBI, Bait ul Mal and Worker Welfare fund. A total amount of Rs4,778.2 million was distributed during 2014-15 among Zakat beneficiaries, while during 2014-15, the EOBI disbursed Rs15 billion to some 359,130 beneficiaries.

The Pakistan Bait-ul-Mal (PBM) is providing assistance to destitute, widows, orphans, invalid, infirm and other needy persons through its on-going core projects/schemes. The amount allocated to PBM is spent on the poor through various schemes includes: Individual Financial Assistance (IFA), Child Support Programme (CSP), Pakistan Sweet Homes (PSH), and Pakistan Great Home.

The Workers Welfare Fund is financing the projects of houses for industrial workers, education of workers children, health, technical education and other welfare measures like, marriage grant (Rs1,00,000 per daughter per worker), death grant (Rs5,00,000) and post secondary scholarship for students. During 2014-15, the WWF has provided financing for scholarships to 19,589 children of workers besides provision of education to 76,000 children of industrial workers. Other welfare measures for workers are also undertaken.

Microfinance and business development

The microfinance industry broadly provides services in three categories of micro-credit, micro-savings and micro-insurance. Within micro-credit, the number of average borrowers reached 3.1 million by December 2014 and outreach growth stood at 11 per cent as against 28 per cent growth in 2013. Micro-savings grew by 25 per cent in the 2014 and stood at Rs43 billion. The Economist Intelligence Unit's (EIU) of the Economist magazine ranked Pakistan's regulatory framework as well as the overall business environment for microfinance amongst top three in the world for the past few years.

Expenditures on pro-poor sectors

Pro-poor expenditures cover 17 related heads. Based on historical trend, it is expected that poverty-related expenditures will reach Rs2,416 billion in 2014-15 from Rs1,911 billion in 2012-13. The pro-poor budgetary expenditures during 2013-14 were Rs2,139 billion.

The government has allocated Rs100 billion (20 per cent of the PSDP) in the Annual Budget 2014-15 for the social sector programmes. In addition, the government has launched Pakistan MDGs and Community Development Programme with allocation of Rs12.5 billion for accelerating the pace of MDGs at the grassroots level.

Progress of the MDGs

The government has taken numerous steps that will have far reaching impact on the lives of the people by transforming the social, political, and economic landscape of Pakistan. Despite the adverse circumstances and problems, the Government of Pakistan is fully committed towards the achievement of the MDGs. On the goal 1 of reducing poverty, Pakistan appears to be on target. However, this achievement is based on methodology adopted in 2001. Academia and poverty experts are sceptical about this decline it is also inconsistent with overall socioeconomic conditions. As a result government has established an expert group to revisit the methodology and find reasons of decline. Conclusive evidence will be available after technical committee of experts finishes its work on reviewing official methodology.

The target is to achieve universal net primary enrolment as a basis to improve overall education and literacy levels. In 1990-91 the NER was 46 per cent which rose up to 57 per cent in 2012-13.

Estimates for 2012-13 show that the under-five mortality rate has declined to 89 from 117 (per thousand live births) in 1990-91, while the infant mortality rate has declined from 102 deaths (per one thousand live births) in 1990-91 to 74 by 2012-13.

The proportion of fully immunised children (against six preventable diseases) under two years of age improved from 75 per cent to 82 per cent between 1990-91 and 2012-13, whereas the proportion of children under one year of age immunized against measles also improved to 81 per cent during the same period.

The Maternal Mortality Rate (MMR) declined to 276 (deaths per 100,000 live births) in 2010-11 from 533 (deaths per 100,000 live births) in 1990-91. However, achieving the MDG target of 140 (deaths per 100,000 live births) require immense resources and efforts. The share of deliveries attended by skilled personnel has gone up to 52 per cent in 2012-13 from 18 per cent in 1990-91.

During 1990-91 and 2012-13, the Contraceptive Prevalence Rate (CPR) among married women improved from 12 per cent to 35 per cent. A decrease in the TFR over the period 1990-91 to 2012-13 is from 5.4 to 3.8 per cent. Despite remarkable improvement in antenatal care between 1990-91 and 2011-12 from 16 per cent to 68 per cent, the number of mothers having at least one antenatal visit to the doctor.

The MDG 6 focuses on combating HIV/AIDS, malaria and other diseases. The HIV prevalence amongst the vulnerable groups shows increasing trend from 10.8 per cent in 2005-06 to 37.4 per cent in 2010-11. Tuberculosis is another major health problem in Pakistan with a considerable large proportion of TB cases in the age group 15-49 years. The percentage of TB cases detected and cured has increased from 79 per cent in 2001-02 to 91 per cent in 2010-11.

Gender inequalities in terms of women's political participation and share in the national decision making process has greatly improved over the years in Pakistan, as their representation rose from 0.9 (National Assembly) and one per cent (Senate) in 1990-91 to above 22 per cent and 17 per cent in 2012-13 in both the National Assembly and Senate, respectively.

Since 1990-91 the land area under forest cover has improved from 4.8 per cent (of the total area of Pakistan) to 5.2 per cent in 2011-12. Pakistan aims to increase the forest cover area up to six per cent by 2015 which requires dedicated efforts and matching investment to achieve this goal. In order to provide access to improved drinking water to 93 per cent of population by 2015, the government launched Clean Drinking Water for All strategy. The drinking water coverage, according to the latest available estimates, increased from 53 per cent in 1990-91 to 87 per cent in 2012-13. The proportion of sanitation has been targeted to rise from 30 per cent in 1990-91 to 90 per cent by 2015. In 2012-13, the ratio is 71 per cent.

Pakistan's persistent large current account deficit (almost five per cent of GDP) for an extended period of one decade; rising real cost of borrowing; stagnant exports and a declining flow of foreign exchange have been responsible for a rapid accumulation of external debt in the 1990s. The debt service as a percentage of exports of goods and services decreased from 14.4 per cent in 1990-91 to 12.2 per cent in 2009-10. Pakistan's exports to the European Union can surge by \$1 billion in value due to the GSP Plus status. Granting of the Status to Pakistan will be quite instrumental in enabling Pakistan to achieving its long-term goals of stabilizing economy, accelerating growth and eradicating poverty.

Outlook 2015-16

The Vision 2025 seeks a just and equitable society in Pakistan where vulnerable and marginalized segments of the society would be mainstreamed. Vulnerable segments will be protected and encouraged by revamping and expanding the social protection system and social safety nets. The BISP is the flagship programme of social safety net and during the period of the IMF-extended financing facility, the allocations are reverently followed. The coverage is gradually extended to almost 4.8 million household which means almost 18 per cent population is protected under social safety net coverage.

A holistic approach to tackle the poverty will be followed and higher economic growth will create more opportunities for poor. The growth is made inclusive as the poor will be able to participate in the economic growth process, providing them with the access to essential services such as education, health, clean drinking water and proper sanitation etc.

The process of transition from the MDGs to the SDGs is underway. Sustainable Development Goals (SDGs) are based on three pillars, social, economic, and environment. The proposed SDGs have 17 goals, 169 targets and roughly 600 indicators. Government of Pakistan has launched the Vision 2025 as long-term development strategy aligning its seven pillars with the proposed SDGs.

The government recognises social protection and safety nets as a means to mitigate and manage risk, vulnerability and to reduce poverty through transfers and social insurance for risk mitigation regardless of prior or future contribution. A national framework for social protection is being prepared to encompass all provincial policies and bring up national features of the national social protection system. It is planned to bring all existing social protection programmes under one umbrella with a unified and transparent inclusion criteria, better targeting system and efficient monitoring mechanism. Poverty reduction strategy encompasses a plan of action to align economic policy making to national framework of social protection.

MDGs Acceleration Framework

The government has taken number of steps including strengthen existing programmes for achieving the MDGs beyond 2015. These include:

- Comprehensive action plan for each province to implement the MAF commitments
- Pakistan MDGs and Community Development Programme has been launched all over the country by involving communities at the grassroots level with an allocation of Rs20 billion for the fiscal year 2015-16 for eradicating extreme poverty and accelerating the pace of MDGs at the grassroots level
- Enhancing capacity of the people through human resource development that involve better education, health, population welfare, skill development services, improved access to clean water and sanitation, and gender mainstreaming initiatives
- Provision of productive assets inclusive of micro finance at individual level
- Moving towards a comprehensive social safety net to protect the vulnerable and those suffering from natural or manmade disasters
- Reforming and strengthening institutions for better delivery of public services to people
- Improving access and quality of education services
- Improving Human Development Indicators (HDIs) in the country
- Enrolment campaign on World Literacy Day
- Basic Education Community School Project
- Youth Laptop Scheme
- Improving access and quality of health services
- National Maternal Neonatal and Child Health programme (MNCH)
- National programme for family Planning & Primary Health Care
- EPI and Control of Diarrheal Disease
- Enhanced HIV/AIDS Control programme
- Roll Back Malaria programme
- National TB Control programme

- Providing improved population welfare facilities
- Infrastructure development
- To help augment physical assets of the poor, Pakistan Poverty Alleviation Fund is also providing access to microfinance in different parts of the country.

CHAPTER 8

SOCIAL WELFARE

Social welfare is concerned with welfare and well-being of the poor, vulnerable and marginalised segments of the society. This excluded population has fewer opportunities for economic, social, and human development, and remains caught in a vicious cycle of poverty; therefore, economic growth needs to be equitable for improving the living standards of all strata of the society. The social welfare sector envisages inclusion of the poor in interventions aimed at poverty reduction and social development for enhancing their upward socio-economic mobility. The Annual Plan envisages realisation of the Vision 2025 through social welfare initiatives, institutional care and rehabilitation of the needy and vulnerable. The Plan aims at providing an enabling environment and tangible opportunities through policies, programmes and projects for promotion of social justice and equity in the country.

The 11th Five Year Plan envisages socio-economic policy interventions, preparation of guidelines and the consensus of a national framework for equitable development of all regions of the country as a need of the sector in line with constitutional obligations, national priorities, local needs and international commitments.

The social sector is facing several challenges, which include: inadequate coverage and funding, scattered community development initiatives, weak social welfare departments and organisations (in terms of training, manpower and office automation), little research work on emerging social issues, insufficient qualitative and quantitative information and services available to the targeted population, registered NGOs and their interventions, insufficient mapping of community services, and lack of voluntary work, case work and school social work and mobilisation of local community resources. The Plan stresses on well-coordinated national planning in the post-18th Constitutional Amendment scenario to address these challenges through the Public Sector Development Programmes, and review of the existing social welfare policies, strategies, along with federal and provincial action plans for an effective services delivery.

Performance review 2014-15

The government and organisations, international, national, profit and non-profit, contributed through their interventions in urban and rural areas of the country focusing on various areas of social sector including: education, special education, patient welfare, training, rehabilitation and employment of needy and vulnerable people, particularly Persons With Disabilities. Major initiatives were taken under the PSDP of the federal and provincial governments, interventions under the Corporate Social Responsibility (CSR) by the corporate sector, philanthropy and welfare services by the INGOs and NGOs.

Under the federal PSDP, Rs20 million were allocated for implementation of two projects of human rights and women development. Out of this, Rs six million were utilised for the establishment of a helpline for legal advice by the Ministry of Law, Justice and Human Rights.

In order to generate and foster innovative business solution of social problems, the MoPD&R has established the Centre for Social Entrepreneurship in 2015. The project, to be completed in four years, will cost Rs128.4 million.

Outlook 2015-16

The interventions for social risk mitigation envisage new initiatives and expansion of the existing institutional welfare services for care and rehabilitation of the vulnerable by the federal and provincial governments. In addition to the public sector, international government and non-government organisations have also planned to provide social services, especially in poorly served areas.

The Plan will address the need to create an awareness about the constitutional, legal and international obligations, establish integrated mechanisms to achieve social welfare objectives by reaching to disadvantaged groups, education and research for developing professional expertise through universities and centres of excellence and make adequate financial provision for expansion and strengthening of the social welfare services through mitigating and managing the socio-economic risk and vulnerability associated with disparity, economic shocks and natural and man-made disasters.

In this regard, the development priorities include mainstreaming of the target populations of children, women, youth, PWDs, poor patients, senior citizen, etc., to secure their livelihood and income opportunities through participation of all development partners. An estimation and mapping of the vulnerable and marginalised portions of the population, and community services available to them will be carried out. For children and women, the emerging issues of disability, special and inclusive education, birth registration, their rights and protection, abuse and violence, and other problem will be addressed.

There will a mapping of the registered NGOs, their fields of operations, coverage of geographic areas, vulnerable and marginalised populations served, sustainable community developments and provision of need-based services to the underprivileged strata of population living in poverty affected areas. In the same vein, efforts will be made for promoting voluntary work, mobilising local resources and effective community mobilisation, supporting grassroots initiatives of voluntary social welfare agencies through technical and financial assistance, philanthropy reform and judicious utilisation of indigenous philanthropy.

Moreover, inclusive education and vocational training for special children and PWDs, and finally welfare and protection of the older people for ensure their rights of health, participation, care, livelihood and protection will be promoted through various measures.

Programmes

A few programmes, under the federal PSDP, have been initiated for the provision of legal advice to the needy and vulnerable people, and promotion of healthy competition through innovative business ideas for addressing social issues and employee welfare services. The table below enlists the initiatives.

Social welfare initiatives of PSDP 2015-16

Sector	Project	Number of projects	Total cost	Allocations 2015-16 (Rs million)
Human rights	Establishment of Helpline for Legal Advice on Human Rights	1	39	31.6
Social welfare	Establishment of Centre for Social Entrepreneurship, MoPD&R, Islamabad	1	128.4	50
Special education	Upgradation of National Special Education Centre of Hearing Impaired Children From Higher Secondary to Graduation Level, Islamabad	1	44.4	30
Child welfare and development	Construction of Model Child Welfare Centre at Humak, Islamabad	1	56.6	16
Staff welfare	Federal Secretariat Female Employees Hostel, Islamabad	1	200	50
Staff welfare	Federal Secretariat Female Employees Hostel, Lahore	1	46	10
Total		6	514.4	187.6

CHAPTER 9

GENDER AND WOMEN EMPOWERMENT

The Constitution of Pakistan, as per its Article 25 (2), makes it binding that there will be no discrimination on the basis of sex. In pursuance of this, planning and policies for ensuring gender equality, women rights and empowerment have evolved gradually considering their significant contribution to sustainable socio-economic development. Women constitute 51 per cent of the total population and 22.7 per cent of the labour force. Despite their recognised constitutional, legal and religious rights, the status of women remained under shadows. To enable them to contribute actively in the socio-economic development, their protection, well-being, empowerment and participation will have to be further encouraged.

The SAARC member states, including Afghanistan, Bangladesh, India, Nepal and Pakistan, are among the lowest ranking countries in terms of social economic development the region. However, Bhutan, Maldives and Sri Lanka have comparatively higher rankings, as per the Mahboob-ul-Haq Human Development Centre [MHHDC] Lahore University of Management Sciences.

The Vision 2025 and prospective 11th Five Year Plan approach to provide an enabling environment and equal opportunities to women for development of their full potential to enjoy the benefits of economic growth, prosperity and social development consequent upon the outcome of the initiatives taken by the federal and provincial governments, as well as by the stakeholders. The Pakistan National Policy for Development and Empowerment 2002 ensures women equal access to all development benefits and social services. The standardised framework and guidelines will be required for equitable development of women across all regions.

Pakistan has committed to meet the MDGs, particularly Goal 3 – ‘promoting gender equality and empowering women’ – and Goal 5 – ‘improving maternal health’ – and is also a signatory of the United Nations Convention for Elimination of all forms of Discrimination against Women (UNCEDAW). There has been a shift from the MDGs to the SDGs, and a lot of efforts need to be made for achieving sustainable goals for women development. The Pakistan National Policy for Development and Empowerment 2002 provides strength to ensure women equal access to all development benefits and social services.

Performance review 2014-15

According to Pakistan’s MDGs Report ‘Gender Parity Index in Schools’ (2013), the GPI at primary level is 0.9, secondary level at 0.8, youth literacy at 0.81, share of women in wage employment in the non-agriculture sector 10.45 per cent and proportion of women participation and holding seats in the Parliament is at 22.2 per cent. Out of 342 seats in the National Assembly, 60 are reserved for women nominated from provinces (Punjab 35, Sindh 14, KPK 8, and Balochistan 3). In addition, there are 14 women in the National Assembly and total seats are 74 (20 per cent).

Pakistan has taken many initiatives during 2014-15 for women development and empowerment. Through key initiatives, participation has been given to women in the decision-making bodies, particularly in the Punjab, land reforms etc., and ensured ownership of women in land, day-care facilities for children of working women and establishment of women crises centres in the country. Remarkable women-friendly programmes include: National Plan of Action, Gender Reform Action Programmes, Benazir Income Support Programme (BISP), National Rural Support Programme (NRSP), Pakistan Bait-ul-Maal, First Women Development Bank and National Commission on the Status of Women. The women development departments have been established in provinces, which have been empowered under the 18th Constitutional Amendment. These departments take initiatives for the establishment of working women hostels, day care centres, women crises centres, shelter homes, etc.

Outlook 2015-16

The Annual Plan envisages a framework for equitable development of women living across the country and guidelines for preparation of policies, action plans and interventions by the stakeholders for achieving the objectives envisioned in the 11th Five Year Plan, which include: gender mainstreaming through development of gender-sensitive need-based projects, integration of gender dimensions into all sectors of economy, a women right based approach to strengthen women's economic, social and development rights and entitlements, sensitisation on gender issues for ensuring implementation and review of policies, plans, etc. Strengthening of support mechanism for women survivors of violence and in distress, creation of gender-based knowledge through research and gender disaggregated data (including third gender), day care facilities for infants and children of the working women to keep them comfortable, make them productive workers and provide them women-friendly workplace. Women with disabilities will also be included in all policies, strategies, planning and interventions of the federal, provincial and local governments.

Programmes

The government, civil society and international organisations have been designing plans to achieve gender equality and women empowerment through awareness raising campaigns and allocation of budget under their annual development programmes. Women's participation in employment will be encouraged, and ten percent quota for women employment will be ensured by the institutions concerned.

At the federal level, the Ministry of Law, Justice and Human Rights has planned to protect women from violence by establishing a helpline for legal advice. The implementation of Harassment Act will also be ensured further. The National Commission on Status of Women will analyse and review gender policies, interventions to protect their rights and will give recommendation to the government on women issues.

CHAPTER 10

YOUTH AND SPORTS

According to projected statistics, there are 53 million youth of 15 to 29 years of age in Pakistan. The population in this age bracket benefit directly and indirectly from projects and programmes of sectors like education, sports, vocational training, information technology, etc. Energy of the youth has immense economic potential provided it is channelised and mainstreamed. Absence of policies and proper implementation of the existing ones has resulted in a colossal loss of quality manpower. This has also led to serious social problems leading to drug abuse, crime, beggary, poverty, illiteracy, mental and physical disorders, and has been an important contributor to terrorism and radicalism. Special attention is paid to human resources, especially the youth, since this vast potential has the capacity of energising and supporting every sector, which is responsible for the overall development and progress of the country.

Now the youth sector is predominately a provincial subject and all youth-related development subjects have been devolved to the provinces after the 18th Constitutional Amendment. As the federal government's responsibility is concerned, this sector is being handled by various miniseries and organisations. However, a broad-based Prime Minister's youth programme is in operation since the financial year 2013-14, which cater for various requirements of this sector at the federal level.

Performance review 2014-15

On March 4 this year, the CDWP approved a project 'Holding of National Games', which will cost Rs573.500 million. The project is for holding annual national games for five years of all major sports, like athletics, hockey, football, boxing, swimming, badminton, squash, table tennis, etc. The primary objective of the activity is to promote sports and revive interest of people in sports, channelise the youth energies for healthier sports activities, explore new talent for national teams and develop linkages with business for sponsoring such activities in the country. The project has been included in the PSDP 2014-15 under the new initiatives proposed by the Ministry of Planning Development and Reform. The Pakistan Sports Board (PSB) is the executing agency of the project, and there is an allocation of Rs100 million is available against the project in PSDP 2014-15. The entire allocated amount has been released and national games are expected to be held from June 9 to 12 this year at the Sports Complex, Islamabad.

Besides this, various projects have been launched under the PM's youth programme, which are continuing in the next fiscal year as well.

Outlook 2015-16

Prime Minister's youth programme

The incumbent Prime Minister has announced a package for the youth with broad canvas of programmes, which is aimed enabling the youth and poor segments of population to get good opportunities of employment, economic empowerment, acquiring skills needed for gainful employment, spreading use of computers and imparting on-the-job training for young graduates to improve the probability of getting a productive job. An amount of Rs20,000 million has been allocated in the PSDP for various schemes under this programme.

PM's Youth Business Loan Scheme

This Scheme is for young entrepreneurs within the age group of 21 to 45 years for starting their own businesses. Under this programme, loans worth Rs100,000 to Rs2,000,000 are given to young applicants through computer balloting. The loans are given for a period of eight years at a low mark-up. The designated financial institutions for this programme are the National Bank of Pakistan (NBP), First Women Bank (FWB), Habib Bank and Sindh Bank.

Two ballots of the Scheme have been held on February 28 and June 4, 2014. A total of 10,442 applicants were selected for the disbursement of loans to eligible young people belonging to four provinces, Gilgit-Baltistan and the Azad Jammu and Kashmir. Majority of the participants have expressed their interest in livestock, agriculture, education and cottage industry.

PM's Interest Free Loans Scheme

The *Qarz-e-Hasana* or the microfinance loan facility is aimed at providing interest-free financing to 2.5 million people to five million people in the next five years. Vulnerable rural and urban poor, with a poverty score of up to 40, are eligible to apply for this loan. The national outreach of the programme is not limited to geographic terms. However, preference is being given to underserved areas. A total of 2,50,000 loans of an average amount of Rs25,000 with zero mark up rate are being disbursed as part of the programme. The tenure of return of loans is three years. An amount of Rs3,500 million has been allocated to the programme by the federal government. The Pakistan Poverty Alleviation Fund (PPAF) is the main executing agency of the programme. Registered partner and community organisations with necessary expertise and experience are also being engaged in the process.

A total amount of Rs620 million has been disbursed among about 30,000 eligible applicants through 89 loan centres established in 30 districts till April 30, 2015. The average disbursed loan size is Rs20,756 with 100 per cent rate of recovery.

PM's Youth Training Programme

Under this Programme, young individuals with 16-year education, from the Higher Education Commission (HEC) recognised institutions, of age not more than 25 years (26 for less-developed areas) are eligible to apply. They will be provided internships in the private and public sectors. This professional training will equip them with abilities to get job opportunities, both inside and outside the country. A total number of 50,000 interns will be hired at a monthly stipend of Rs12,000 for one year.

A top class management consulting firm or university from the private sector, in collaboration with the government, will be responsible for the design, placement of internees and their periodic evaluation. Under this programme, all leading private sector firms, bodies and

development sector organisations, federal, provincial and local government offices, including educational institutions, will be offered services of the internees. Moreover, partnership with the private sector will increase financial transparency, ensure selection on merit and better results. The Ministry of Inter-Provincial Coordination (MoIPC) is the focal point of the Programme.

PM's Youth Skills Development Programme

This Programme is aimed at providing vocational training to unemployed young individuals for acquiring productive skills for gainful employment. Young men and women, who have passed the 8th Grade, and are not more than 25 years, are eligible beneficiaries of the Programme. The government is supporting a fee equivalent to or less than Rs3,000 per month for a duration of six months. A monthly stipend of Rs2000 for the same number of months is also being paid to each beneficiary.

An estimated 25,000 individuals will benefit from the Programme. The break-up is: 200 from Islamabad, 500 Azad Jammu and Kashmir, 300 Gilgit-Baltistan, 400 FATA, 3,000 from Khyber Pakhtunkhwa, 2,000 Balochistan, 5,850 Sindh and 12,750 from Punjab. Out of the total, 8,524 females are being given technical and vocational training. Rs800 million have been allocated for the Programme in the financial year 2013-2014. The NAVTTC and Ministry of Education and Trainings are the main executing agencies. The provincial Technical Education and Vocational Training Authorities (TEVTAs) and skills training institutes of the federal government are working in collaboration with the main executing agencies, which are responsible for designing and the final evaluation the Programme.

The project, to cost Rs800 million, was approved by the CDWP on October 28, 2013. About 350 well-reputed technical education and vocational training institutes from the public and private sectors all over the country have been selected through the provincial TEVTAs and NAVTTC's regional offices in Islamabad, Lahore, Multan, Karachi, Larkana, Quetta, Gwadar, Peshawar and Gilgit-Baltistan. The advertisement to invite applications from potential trainees from all over Pakistan has also been published in leading national newspapers.

In the first phase of the Programme, about 20,000 young people have successfully completed the training. The NAVTTC plans to launch a short training programme for 3,000 young people. Rs85 million were saved from the total approved cost during the first phase of the Programme.

PM's Youth Laptop Programme

This Programme is an attempt to spread the use of computers amongst the university and college students to bring about a technology revolution and bridge the digital gap, while the HEC is its executing agency. The CDWP had approved the project on December 31, 2013, which will have a total of cost Rs4000 million. The Programme is for students registered with the HEC-approved institutes. All doctoral and masters students, and 50 per cent under-graduate students will get the laptops. A total of 100,000 students every year across Pakistan are being awarded laptops, while dongles and internet connections are included in the package.

About 32,000 laptops have been distributed among PhD, MPhil and MS students. The HEC has also established a local laptop assembly plant, in collaboration with Haier, which will become functional shortly.

PM's Fee Reimbursement Scheme

This Scheme has been started with the aim to encourage pursuit of higher education among students from less-developed areas through financing of their tuition fees paid directly to universities. Both, male and female students, domiciled in interior Sindh, Southern Punjab (Multan, Bahawalpur and Dera Ghazi Khan divisions), entire Balochistan, less development areas of KPK (Malakand, Kohistan and Dera Ismail Khan), Gilgit-Baltistan and FATA are eligible to apply.

The HEC, in collaboration with the Ministry of Education and Trainings is responsible for its implementation. Fee reimbursements to 50,000 students of 78 universities and 33 colleges have been made in the first phase.

National games

An amount Rs137 million has earmarked for the project 'Holding of National Games' in the PSDP 2015-16. The purpose of the games is to encourage the young sporting talent and generate inter-provincial harmony among the youth. The allocated amount has been reflected in the development budget of Ministry of Inter-Provincial Coordination (IPC).

CHAPTER 11

RELIGIOUS PLURALISM AND INTERFAITH HARMONY

Pakistan is a home to a population of 184 million people (projected according to 1998 census), belonging to different religions. 95 per cent of the total population is Muslim, while the rest five percent are Christians, Hindus, Parsis, Zoroastrians, Bahais, Sikhs, Buddhists, and small portions Kalasha, Kihals, and Jains. This diversity signifies the need to develop a pluralistic society in which people with different beliefs can live in peace and harmony. The 1973 Constitution of Pakistan declares Pakistan as an Islamic Republic, and Islam as the state religion protects rights of all citizens without any discrimination of faith and religion. Islam has proved to be a guardian of human rights in accordance with the vision of father of the nation Quaid-i-Azam Muhammad Ali Jinnah, who made it clear in his epoch-making speech of August 11, 1947. This manifests commitment to the interests and rights of the minorities, and promotion of the interfaith harmony.

In the current global scenario, many societies are facing problems of extremism, cultural and religious intolerance. This requires international cooperation and collective efforts to combat all forms of hatred, intimidation, incitement and acts of violence motivated by intolerance. The situation warrants working together for promoting dialogue, and cooperation and understanding among all cultures and faiths, whereas all people bear equal responsibility for promoting this objective. Cooperation, not confrontation, is the way forward, and tolerance is to be promoted through all mediums, and in all domains.

The Plan aims at strengthening peace, harmony, tolerance and religious pluralism among all segments of the society, and accepts diversity of the people living across the country for promoting religious pluralism, prosperity and inclusive society. The government is cognizant of the issues of minorities, committed to protect their lives and properties, and is making concentrated efforts to uplift the socio-economic conditions of non-Muslims living in the country, and all efforts are for progressive, democratic and moderate Islamic state.

The Annual Plan, Vision 2025 and prospective 11th Five Year Plan further strengthen the promotion of religious pluralism and interfaith harmony by encouraging acceptance, non violence and launching of interventions by the federal provincial governments, and civil society.

Performance review 2014-15

The situation of peace and human rights in the country has been shaken and had a considerable impact on national, regional and international peace and security, which has been fluid for many years. During the recent past, religious minorities have faced some discrimination and victimisation by some dissident elements, which has an adversely impact on the national development. To address these emerging challenges, there is a need for promoting tolerance, religious freedom and mutual acceptance in order to provide peace and justice in the society. The performance review shows that many initiatives have been taken for the well-being of the minorities, which include:

- The Articles 20, 21, 25, 26, 27, 28, and 36 of the Constitution of Pakistan provide full protection and equal rights to all citizens, including minorities, without any discrimination of colour, creed, cult, language or gender to freely profess and practice their religions and culture respectively.
- The system of separate electorate for minorities was abolished in favour of the universal adult suffrage on the demand of the minorities.
- There are 10 reserved seats for minorities in the National Assembly and four in the Senate in addition to 23 reserved seats in all the provincial assemblies.
- In emergency crises faced by minorities in different areas of the country, financial help from Rs3,00,000 to Rs5,00,000 is extended to the victims and their families.
- A marriage grant of Rs50,000 for daughters of widows, and orphan girls of the minorities is being given.
- Allocation of five per cent job quota for minorities in all federal government services, and jobs in addition to their participation on the open merit basis
- Declaration of August 11 as the Minorities Day to recognise services, sacrifices and contributions of minorities in nation-building
- Celebration of ten religious festivals of minorities at the official level every year, include Christmas and Easter for Christians, Holi and Diwali for Hindus, Besakhi and birth anniversary of Guru Nanak for Sikhs, Nauroze for Zoroastrian, Eid-e-Ridvan for Bahais, Festival of Lights for the Buddhist community, Chelum Jhust for Kalasha people
- Grant of financial assistance through the Minorities Welfare Fund (MWF)

Outlook 2015-2016

To achieve the religious pluralism and interfaith harmony, a national framework and guidelines for equitable development of communities of all provinces is required, which will be developed in consultation with the national and provincial stakeholders. Further initiatives will be encouraged for extension of services to meet needs of the less-served and unattended social sector areas through development programme with the stakeholders' support. This will strengthen the integration of different segments of the society, including marginalised groups and religious minorities. There is an emerging need to explore new possibilities with the participation of the youth, professionals, development workers, civil society, writers, artistes, and international stakeholders, who can contribute to a positive change, and focus on peace, mutual acceptance and tolerance. Pakistan has a rich tradition of Sufism, which will be tapped for interfaith harmony.

Programmes

Several initiatives for achieving interfaith harmony have been highlighted in the Plan. These include: establishment of an apex body to register and regulate religious institutions – mosques, temples, Gurdwaras, churches and religious schools – by the government, formation of a regulatory body (with representation of all religions), immediate action towards promoting peace, mutual acceptance and tolerance to diminish radical elements causing hatred towards minorities, and vulnerable segments of the population.

Moreover, the agenda encompasses outlining of a reporting mechanism for cases of discrimination against religious minorities, establishment of a helpline, promotion of religious tourism, social and cultural gatherings, proper implementation of the existing policies for interfaith harmony, and resources allocations for the welfare, development and empowerment of minorities across the board, including persons with disabilities, who belong to minorities.

CHAPTER 12

MASS MEDIA, CULTURE AND NATIONAL HERITAGE

The mass media sector of Pakistan has shown phenomenal growth in the last few years. The cumulative investment in this sector will reach Rs4,000 million by the end of financial year 2014-15, whereas the advertisement revenue from this sector has been counted to Rs47,000 million. The sector has a strong contribution to the job market since it has offered employment to more than 2,00,000 skilled and unskilled workers. At the same time, this sector is facing multiple challenges, whereas the foremost being technological onslaught of continuous evolution of new media, that is, satellite televisions, internet connectivity and mobile telephony, etc.

The International Telecommunication Union (ITU) has set 2015 as the cut-off year for digitalisation of all television broadcasts worldwide. The year 2014-15 has become a watershed period in television broadcasting by entering the digital era. The Digital Terrestrial Multimedia Broadcasting (DTMB) standard has been piloted through the Rebroadcast Station (RBS) Murree with the technical and financial assistance of China.

Performance review of 2014-15

During 2014-15, priority was given to the ongoing and near-completion projects. Accordingly, an amount of Rs436 million was earmarked for 33 ongoing projects of the Pakistan Television Corporation (PTVC), Pakistan Broadcasting Corporation (PBC), Pakistan Academy of Letters (PAL) and Pakistan National Council of Arts (PNCA). Three new projects for dubbing of Pakistan dramas in foreign languages, establishment of the Saut-ul-Quran FM Network and capacity-building of the commerce sector journalists were included in the PSDP 2014-15 under the new initiatives proposed by the Ministry of Planning Development and Reform. The expected financial utilisation by June 2015 is around Rs310 million, showing 79 per cent progress.

Pakistan Television Corporation

The revised estimates of the PTVC are Rs190 million. The ongoing projects of the Rebroadcast Stations for providing TV signals to the left out areas of Gilgit-Baltistan, AJ&K, Balochistan, Sindh and other provinces made headway. The work on high-powered transmitters at Mian Channu and Badin, aimed at providing better quality TV signals to the targeted population of the areas and across the border remained in progress during the financial year 2014-15, and will continue during 2015-16. The civil works on projects of Rebroadcast Stations Pooran (Khyber Pakhtunkhwa), Aliabad/Karimabad (Gilgit-Baltistan) are at advanced stages. The other projects of Gilgit-Baltistan (Khaplu, Shiger, Astore, Gahkuch and Chillas) have been inaugurated during 2015. Under the umbrella of the China-Pak Economic Corridor (CPEC), another project 'Establishment of DTMB Standard Pilot Project at RBS Murree', costing Rs200 million, is being funded through the Chinese grant-in-aid.

Pakistan Broadcasting Corporation

The utilisation of the PBC budget has also come to 100 per cent. The project for rehabilitation of the Medium-Wave Radio Broadcasting Network has successfully been completed with financial assistance of Japan during financial year 2014-15. The installation works on 100-Kilowatt Medium-Wave digital transmitter at Hyderabad and Multan have also been completed. The regular transmission from newly-installed 100 KW MW digital transmitter at Hyderabad has been aired.

Electronic media in Pakistan	
PTV stations	7
V Transmitters	110
Radio stations	27
Commercial FM radio stations	140 (129 operational)
Non-Commercial FM radio stations	45 (32 operational)
Cable operators (licensed)	3600
Total TV viewership (Terrestrial, Cable and Satellite)	135 million
Total Cable and Satellite viewership	74 million
Total terrestrial viewership	61 million
Satellite channels (Local)	90 (83 operational)
Channels with landing rights permission	26
Multipoint Multi-channel Distribution System	02 (Both operational)

Directorate of Electronic Media and Publications

An amount of Rs20 million was provided for project 'Media Monitoring and Tracking Centre' in 2014-15. The entire released amount of Rs31 million has been utilised. The project is for tracking TV commercials released by various public sector organisations for monitoring and verifying the number of times these advertisements are telecast. At present, the government advertisements worth Rs4,000 million to Rs5,000 million are released annually to electronic media, but there is no system or mechanism to ensure and verify whether the advertisements have been aired as per approved media plan or not.

Pakistan National Council of Arts

During 2014-15, an amount of Rs27.51 million has been spent on the preparation of database of artworks, restoration of the damaged paintings, and upgradation of security at the National Art Gallery (NAG) of the PNCA.

Outlook for 2015-16

The proposed allocation for financial year 2015-16 for the mass media and culture sector is Rs390.91 million. The organisation-wise details are as follows:

Agencies	Revised allocations 2014-15	Estimated expenditure 2014-15	Allocations 2015-16
Pakistan Television Corporation	225.576	225.576	213.186
Pakistan Broadcasting Corporation	44.623	44.623	63.227
Department of Archaeology and Museum	79.425	-	-
Pakistan National Council of Arts	27.514	27.514	18.333
Pakistan Academy of Letters	28	28	28
Information Service Academy	20		
Directorate of Electronic Media and Publications	30.836	30.836	23.164
Quaid-e-Azam Mazar Management Board			45
Total	455.934	356.549	390.910

Works on the PTVC's on-going projects of the RBSs in KPK, Balochistan, Sindh and AJ&K will remain in progress 2015-16. Keeping in view the targets, an amount of Rs213.186 million has been earmarked for 18 ongoing projects of the PTVC in the coming financial year. The installation work on 650 feet tower at the RBS Mian Channu will be initiated and completed. This RBS will provide TV coverage to the left out pockets in South Punjab. Physical work on the RBSs in Badin, Pooran and Kohat will continue.

Under the new initiatives proposed by the Ministry of Planning Development and Reform, the work on establishment of Saut-ul-Quran FM Network has been initiated for airing round-the-clock recitation from the Holy Quran. It was targeted to air the signals from the first of Ramadan. An amount of Rs31 million has been allocated for this project in PSDP 2015-16. Similarly, an amount of Rs32.227 has been allocated for two other ongoing projects – Replacement of 10 KW MW transmitter with 100 KW MW digital transmitter under the USAID program and shifting of the Broadcasting House at Dera Ismail Khan and Replacement of MW transmitters of Hyderabad, Muzaffarabad and Multan.

For completion and early launching of the Media Monitoring and Tracking Service, an amount Rs23.164 million has been allocated for the project in the next financial year.

An amount of Rs18.33 million has been proposed for the PNCA to carry out restoration of the damaged paintings, arts works, preparation of database of paintings and upgradation of security of the National Art Gallery, which will continue in the financial year 2015-16.

For a project 'Upgradation of Security Measures at Mazar-e-Quaid Karachi', Rs45 million has been allocated, which will be spent on beefing up of the security arrangements around the mausoleum of the Father of the Nation.

PILLAR-II

**ACHIEVING SUSTAINED, INDIGENOUS
AND INCLUSIVE GROWTH**

CHAPTER 13

FISCAL, MONETARY AND CAPITAL MARKET DEVELOPMENT

Fiscal and monetary policies play a pivotal role in stabilising economic growth and prices, and generating employment. The major challenge for Pakistan has been revenue generation besides curtailing expenditure. The government usually resorts to bank borrowing to finance fiscal deficit, which crowds out private sector and renders monetary policy ineffective. The Vision 2025 aims at reducing fiscal deficit to below four per cent of the GDP in the long run to ensure resource availability for the private sector. Towards this end, the Vision also stipulates to increase the tax-to-GDP ratio up to 16 to 18 per cent through broadening the tax base and reforming the taxation system.

Review of fiscal developments 2014-15

The federal budget 2014-15 targeted curtailing the fiscal deficit to 4.9 per cent of the GDP (Rs1,422 billion). A summary of consolidated fiscal operations during July-March 2014-15 is presented in Table 1. (Details at Annexure-1)

Table 1: Consolidated fiscal operations (July-March 2014-15)

Item	July-	July-	% Change Jul-Mar 2014- 15 over Jul- Mar 2013-14	(Rs billion)	
	March 2014-15	March 2013-14		July- March 2014-15	July- March 2013-14
Total revenue	2,682.6	2,477.4	8.3	9.8	9.9
a. Tax revenue	2,063.2	1,786.2	15.5	7.5	7.1
b. Non-tax revenue	619.5	691.2	-10.4	2.3	2.8
Total expenditure	3,731.6	3,289.0	13.5	13.6	13.1
a. Current	3,199.1	2,904.6	10.1	11.7	11.6
b. Development	579.7	469.9	23.4	2.1	1.9
Fiscal deficit	1,048.9	811.7	29.2	3.8	3.2
GDP (current market prices)	27,384*	25,068			

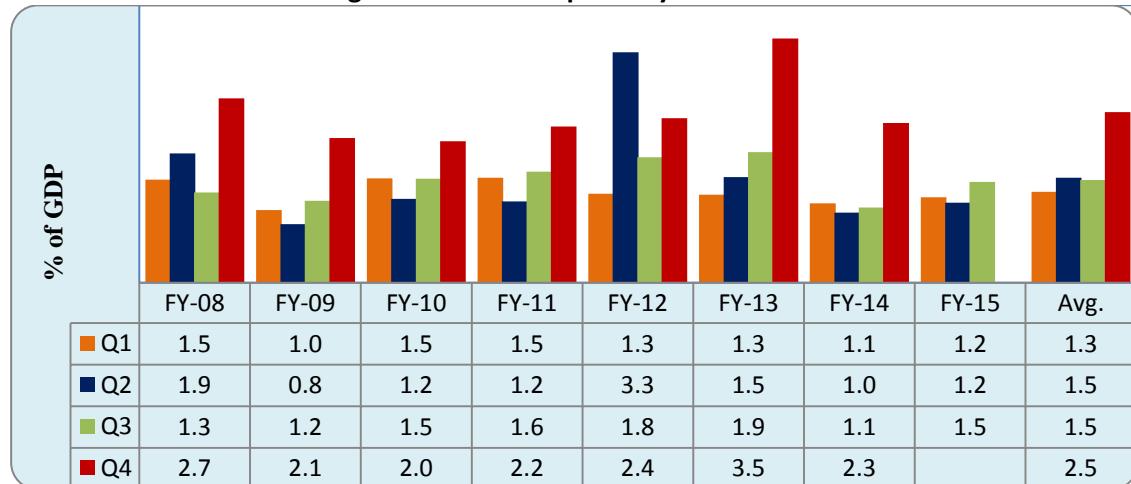
*Provisional

Source: Finance Division

During July-March 2014-15, consolidated total revenue grew by 8.3 per cent over the same period of last year despite 10.4 per cent fall in non-tax revenue. Tax revenue, on the other hand, increased by 15.5 per cent. Consolidated total expenditure grew by 13.5 per cent while current and development expenditures posted growths of 10.1 per cent and 23.4 per cent respectively. Federal and provincial expenditure under Public Sector Development Programmes (PSDPs) increased by 7.6 per cent and 46 per cent respectively.

Fiscal deficit stood at 3.8 per cent of GDP which is higher by 0.6 percentage point over the corresponding period of last year. It is expected to surpass the target of 4.9 per cent at the end of the fiscal year. It is evident from the past trend of the quarterly fiscal deficits as shown in Figure 1.

Figure 1: Trends in quarterly fiscal deficit



Source: Finance Division

FBR tax collection (July-April 2014-15)

The Federal Board of Revenue (FBR) has collected Rs1,973.1 billion (provisional) during July-April 2014-15, which indicates 13.1 per cent growth over the corresponding period of the last year. Both direct and indirect taxes grew by 17.9 per cent and 10.2 per cent respectively. Despite two downward revisions of the annual target from Rs2,810 billion to Rs2,691 billion and Rs2,605 billion, the FBR may not achieve the revised targets. The growth in tax collection is low due to substantial decrease in the prices of petroleum products, record dip in inflation and lower growth of the manufacturing sector.

**Table 2: FBR tax collection during July-April 2014-15
(Provisional)**

Tax Head	Target 2014-15 (Revised)	Collection Jul-Apr FY- 15	Jul-Apr FY- 15 as % of Target	Collection Jul-Apr FY- 14	% Change Jul-Apr FY-15 over Jul-Apr FY-14
Total taxes (A+B)	2,605	1,973.1	75.7	1,744.9	13.1
A. Direct taxes	1,109	775.9	70	658.1	17.9
B. Indirect taxes (a+b+c)	1,496	1,197.2	80	1,086.9	10.2
a. Sales tax	1,082	842.8	77.9	795.2	6
b. Federal excise duty	159	119.6	75.2	104	15
c. Customs	255	234.8	92.1	187.7	25.1

Source: Federal Board of Revenue

Fiscal outlook 2015-16

The government plans to work on Results-Based Management (RBM) system that will align planning, budget preparation and budget implementation with execution and monitoring processes. The government will initiate comprehensive Public Financial Management Reforms to strengthen and augment the fiscal reforms. Concerted efforts are being made to reduce the fiscal deficit through broadening the tax base, reforming the taxation system, containing the current expenditure and creating more space for development spending. During 2015-16, the fiscal strategy will primarily focus on the following interventions:

Revenue

The government will continue to withdraw tax exemptions and concessions granted through the Statutory Regulatory Orders (SROs). The government constituted a Tax Reform Commission in September 25, 2014. The economy will be documented, and the number of filers will be increased by simplifying the filing procedure and tax code. Moreover, the use of information technology will be increased to minimise tax evasion and non-compliance. The provincial tax systems will be streamlined to boost revenues by taxing agriculture income, services, property, etc.

Tax Reforms Commission

The government constituted a Tax Reforms Commission to:

- review and rationalise direct and indirect taxes, and customs tariff
- review autonomy and administrative structure of the FBR
- create border force to deal with illegal movement of persons and goods across international borders; and
- deal with any other related issue.

Source: Federal Board of Revenue

Expenditure

The loss-making Public Sector Enterprises (PSEs) will be privatised, divested and restructured to increase revenue or control expenditure. Similarly, concerted efforts will be made to reduce power subsidies and make all the subsidies more targeted. The government will continue the austerity measures.

Review of public debt 2014-15

The public debt stock as of March 2015 stood at Rs17,375.9 billion, higher by 8.6 per cent over March 2014. This built-up in public debt was mostly on account of the domestic debt. The public debt to the GDP ratio dropped marginally from 63.8 per cent to 63.5 per cent over the year.

Table 3: Pakistan's public debt profile

Item	March 2015	March 2014	(Rs billion) % Change
Public debt (a+b)	17,375.9	15,998.2	8.6
a. Domestic debt	12,044.8	10,935.9	10.1
b. External debt (i+ii+iii)	5,331	5,062.1	5.3
i. Government external debt	4,633.8	4,373.4	6
ii. Debt from IMF	378.2	356.6	6.1
iii. External liabilities	319	332.1	-3.9
As % of GDP			
Public debt	63.5	63.8	
Domestic debt	44	43.6	
External debt	19.5	20.2	
i. Government external debt	16.9	17.4	
ii. Debt from IMF	1.4	1.4	
iii. External liabilities	1.2	1.3	
GDP (current market prices)	27,384*	25,068	

*Provisional

Source: State Bank of Pakistan

The proportion of long-term debt increased to 62.1 per cent in March 2015 from 50.3 per cent in March 2014. There was a shift from borrowing through short-term Market Treasury Bills to long-term Pakistan Investment Bonds. This resulted in decrease of proportion of short-term floating debt from 49.7 per cent to 37.9 per cent in total domestic debt composition. Table 4 shows this.

Table 4: Composition of domestic debt

Debt Instruments	March 2015	March 2014	(Rs billion)
Government domestic debt (A+B)	12,044.8	10,936	
A. Long-term (I+II+III)	7,478.3	5,503.2	
(Proportion in total domestic debt)	(62.1%)	(50.3%)	
I. Permanent debt	4,828.6	3,122.9	
- Federal government bonds	4,329.3	2,688.9	
GoP Ijara Sukuk (3 years)	326.4	322.6	
Pakistan Investment Bonds	4,001.6	2,365	
- Prize bonds	496.5	431.1	
II. Unfunded debt	2,645	2,375.9	
- Saving schemes (net of prize bonds)	2,375.3	2,114	
III. Foreign currency loans	4.6	4.5	
B. Short-term floating debt	4,566.6	5,432.8	
(Proportion in total domestic debt)	(37.9%)	(49.7%)	
- Market Treasury Bills (auction)	2,319	2,380.5	
- MTBs for replenishment of cash (held by the SBP)	2,247.6	2,776.2	

Source: State Bank of Pakistan

Public debt outlook 2015-16

The Medium-Term Debt Strategy (2014-18) projects external debt inflows during 2015-16 through Euro Bond, and programme and project loans from different donors. Besides, the International Monetary Fund will continue disbursements under the three-year Extended Fund Facility programme (ongoing since September 2013).

The Moody's Investors Service and Standard and Poor's (S&P) ratings agency have raised Pakistan's credit rating from stable to positive on the basis of improvements on economic front. Keeping in view Pakistan's better credit rating and projected foreign inflows from bilateral and multilateral donors, and through Euro and Sukuk global bonds, it is expected that the public debt will continue to pile up during 2015-16.

Review of monetary developments and inflation 2014-15

The Vision 2025 advocates coordination and synchronisation among fiscal, monetary, investment, commercial and industrial policies. The Monetary and Fiscal Coordination Board has already been established and working under the Ministry of Finance to achieve this end. However, there remains a need for considerably scaling back monetary accommodations of fiscal deficits.

The SBP continued with a tight monetary policy for the first quarter of 2014-15 and kept the policy rate at 10 per cent. The SBP embarked on monetary policy easing in November 2014, whereby the policy rate was gradually reduced to seven per cent by four successive cuts (as of May 23, 2015). This primarily ensued from the receding inflationary trend.

The fall in international commodity prices, specifically that of crude oil, staved off inflationary pressure and provided leeway for easing monetary policy. The CPI inflation remained well below the projected level of eight per cent and recorded at 2.1 per cent (Y-o-Y, April 2015). The improved external sector position also supported the reduction in policy rate. The foreign exchange reserves crossed \$17 billion mark in May 2015 due to improved workers' remittances, issuance of the Sukuk Bonds and release of instalments by the International Monetary Fund (IMF) under the Extended Fund Facility (EFF) programme.

Export refinance rate and mark-up rate Long-term Financing Facility (LTFF) were also reduced to six per cent and 7.5 per cent respectively in February 2015. This reduction is expected to increase export competitiveness by reducing the cost of financing for the exporters. Similarly, with the IMF programme on track coupled with high possibility of getting planned proceeds from privatisation inflow, the net SBP reserves are also projected to increase further.

Money supply in the economy during July 1, 2014, to May 8, 2015, increased by Rs730.54 billion (7.33 per cent) as against an expansion of Rs624.32 billion with a growth of (7.05 per cent) recorded in the comparable period of the last year. Details of monetary aggregates for the period under review are given in Table 5.

The Net Foreign Assets (NFA) of the banking system during the period under review expanded by Rs220.07 billion (36.61 per cent growth) as compared to an expansion of Rs243.71 billion during July–May 2013-14. Increase in the NFA is mainly due to continued releases of funds from various sources (IMF periodic tranches, workers' remittances, Ijara-Sukuk). On the other hand, the Net Domestic Assets (NDA) of the banking system also showed an expansion of Rs510.47

billion (5.45 per cent) as compared to an expansion of Rs380.61 billion (4.43 per cent) in the same period of the last year. Increase in borrowing by the government sector for the budgetary support played a pivotal role in the increase of the NDA.

The government borrowing from the banking system for the budgetary support expanded by Rs601.15 billion (10.8 per cent) as compared to an expansion of Rs240.20 billion (4.6 per cent) during the corresponding period of the previous year. The credit to non-government sector increased by Rs223.80 billion during the period under review as against the expansion of Rs348.08 billion during the comparable period of the last year though this credit to non-government sector did not pick up despite the fiscal space created by the expansionary monetary policy.

The credit to the private sector expanded by Rs161.70 billion, showing a growth of 4.33 per cent which is considerably lower than the expansion of Rs292.92 billion (8.7 per cent) during the corresponding period of the last year. The major reason for low uptake of credit by the private sector was due to sluggish growth in the large scale manufacturing due to persistent energy shortfall.

Table 5: Monetary aggregates

(Rs billion)

Factors affecting broad money (M2) growth	Stocks at end of June 2014	Monetary impact since July 1 to	
		May 8, 2015	May 9, 2014
A. Net Foreign Assets of the banking system	600.99	220.07	243.71
B. Net Domestic Assets of the banking system (1+2+3)	9,367.04	510.47	380.61
Growth		5.45%	4.43%
Net government sector borrowing (a+b+c)	6,064.25	579.66	175.06
a. Borrowing for budgetary support	5,549.36	601.14	240.20
i. From the SBP of which	2,409.80	-532.41	-10.45
- Federal government (net)	2,567.68	-455.50	160.25
of which deposits with the SBP	-383.57	159.09	-256.70
- Provincial government	-154.98	-70.24	-165.50
ii. From the scheduled banks (net)	3,139.56	1,133.55	250.65
b. Commodity operations	492.44	-20.76	-65
c. Others	22.46	-0.70	-0.18
2.Credit to non-government sector (a+b+c+d)	4,102.03	223.80	348.08
a. Credit to private sector	3,728.73	161.70	292.92
b. Credit to the Public Sector Enterprises	378.78	62.08	55.09
c. PSEs Special Account-debt repayment with the SBP	-24.08	0	0
d. Other financial institutions (SBP credit to NBFIs)	18.59	0.008	0.062
3.Other items (net)	-799.24	-293.01	-142.53
Broad money (M2)	9,968.04	730.54	624.32
Growth		7.33%	7.05%

Source: State Bank of Pakistan

The average CPI stood at 4.8 per cent during July-April 2014-15 as against 8.7 per cent during the corresponding period of the last year. The average WPI and SPI (for all income groups combined) stood at 0.03 per cent and 2.1 per cent respectively, which are remarkably low as compared to 8.3 per cent and 10.3 per cent in the corresponding period of the last year.

**Table 6: Average price indices (%)
(Base year 2007-08)**

Index	2013-14	July-April	
		2014-15	2013-14
Consumer Price Index (CPI)	8.6	4.8	8.7
- Food	9	3.6	9.3
- Non-food	8.3	5.7	8.2
- Core	8.3	6.9	8.2
Wholesale Price Index (WPI)	8.2	0.03	8.3
Sensitive Price Index (SPI)*	10	2.1	10.3

*SPI for all income groups combined

Source: Pakistan Bureau of Statistics

On year-on-year basis, headline inflation measured by the CPI dipped to 2.1 per cent (12 year low). Simultaneously, core inflation increased by 5.4 per cent in April 2015 as against 8.5 per cent in April 2014. This decline in core inflation (non-food-non-energy) indicates that inflationary pressures are staving off to some extent. This falling trend in inflation is largely on account of fall in oil and commodity prices globally.

Steady foreign exchange inflows led to a stable exchange rate. The total liquid reserves crossed the amount of \$17 billion in May 2015. However, the sturdy foreign exchange reserves resulted primarily from improved remittances and others foreign inflows rather than increase in exports. Stable PKR-US dollar parity, coupled with low oil prices, led to reduction in the cost of imports. This kept imported inflation in check ultimately resulting in low domestic inflation.

Monetary and inflation outlook 2015-16

In order to strengthen monetary policy transmission, the SBP has reviewed its Interest Rate Corridor (IRC) framework. The desired effect on the term structure of interest rate is expected to be attained through introducing the SBP Target Rate for the money market overnight repo rate. The IRC operates within the width of 200 bps and aims to curb erratic movement of short-term interest rates. The SBP target rate is aimed to further stabilise the movement of short-term interest rates by keeping it as a peg within the SBP Reverse Repo Rate (ceiling rate) and the SBP Repo Rate (floor rate) of the corridor. Moreover, the following steps are in the offing for better monetary policy management:

- In order to improve the monetary policy decision-making, the SBP constituted an interim Advisory Committee on Monetary Policy (ACMP) in the beginning of FY15. This interim body is to be replaced by statutory Monetary Policy Committee, envisaged under the proposed amendment in the SBP Act, 1956. The transparency and communication of monetary policy decision is being improved by publishing minutes of the ACMP meeting, and summary of board proceedings regularly on the SBP website.
- During 2014-15, the SBP developed Shariah Compliant Open Market operations mechanism through the Bai-Mawajjal (deferred payment sale) and developing

Modaraba-based financing facility, which will help towards alternative financing scheme, both for market and the government.

The SBP has embarked upon numerous initiatives to foster the agriculture finance, which are:

- Credit Guarantee Scheme for small farmers through budgetary support of Rs5 billion in collaboration with the government
- Warehouse receipt Finance Pilot Project to develop post-harvest agricultural financing
 - Crop loan insurance and livestock insurance schemes
 - Financial innovative challenge fund for innovative rural and agricultural financial services
 - Financial inclusion via National Financial Inclusion Strategy in collaboration with the World Bank (for example, digital payment system, branchless banking, agriculture finance, etc.)

The monetary asset growth is projected to remain within 11 to 12 per cent in FY15 and 11.5 to 12.5 per cent in FY16 respectively. Moreover, inflation is expected to remain within the range of six per cent for 2015-16 on the back of stable exchange rate and receding global prices. However, the expectations of the subdued inflation are likely to spur consumption and risk inflation hike if the supply lags behind the demand (demand-pull inflation).

Review of capital market developments 2014-15

Pakistan's stock market depicted an overall outstanding performance during July-March 2014-15 as reflected by 5.8 per cent growth from (29,701 points to 31,451 points) in the benchmark index of the Karachi Stock Exchange Limited, that is, KSE-100 Index. The Index registered a steady growth in 2014-15 and touched the highest level of 34,827 points on February 03, 2015. However, the KSE-100 Index witnessed a gradual declining trend after February 04, 2015, and closed at 31,452 points on March 19, 2015. The decline is attributed to profit taking, divestment by foreign investors and uncertain political environment.

Total assets of the mutual funds industry (as of February 28, 2015) stood at Rs511 billion as compared to Rs452 billion (as on June 30, 2014). These funds are collectively managed by 23 Asset Management Companies (AMCs). Total number of mutual funds stood at 165 (on January 31, 2015) categorised into different forms primarily in income, money market and equity-oriented schemes.

The Voluntary Pension Schemes (VPS) were opened in 2007 under the VPS Rules. Due to some fiscal disparities between the public and private sector retirement schemes, the private pension funds could not gather momentum for growth in the initial phase. As a result of reforms both in the regulatory and fiscal regimes since 2010, on average the funds have grown annually at a rate of 58 per cent. The size of the industry, which was merely Rs420 million up to June 2007, has since grown to Rs11,160 million till February 2015.

The Securities and Exchange Commission of Pakistan (SECP) introduced various structural, legal and fiscal reforms aimed at strengthening risk management, increasing transparency, improving governance of the capital market infrastructure institutions and enhancing investor protection in order to develop a fair and competitive capital market. In this regard, the following are a few key initiatives of the SECP during the first nine months of 2014-15:

- National Custodial Services offered by the National Clearing Company of Pakistan Limited (NCCPL)
- Direct Settlement Service (DSS)
- Asset under the custody regime
- Launch of web-based investor complaint system
- Revised pre-open modalities
- Regulations for research analysts
- Introduction of the SME board at the KSE

In the mutual funds industry, the SECP reduced the liquidity requirement of maintaining 25 per cent of the net assets in cash and near-cash instruments to 10 per cent for income schemes holding 70 per cent investment in the government securities to enhance the investment opportunities for sovereign funds.

Capital market outlook 2015-16

The SECP future roadmap includes the following measures for securities market:

- Code of corporate governance for brokers
- Improvements in the leverage market products
- Attainment of the Central Counter Party (CCP) status by the NCCPL and implementation of the Settlement Guarantee Fund
- Broadening of the investor-base
- Introduction of revised settlement model in the GDS to promote trading in the government debt securities
- Global inspections regime
- Commodities market development
- Post-demutualisation reforms
- Development of new products and systems

As a part of its ongoing efforts for development of the mutual funds industry in Pakistan, the SECP has undertaken various initiatives including amendments in the prevalent regulatory framework. The following are the proposed reforms:

- Broaden scope of the investment management services
- The AMCs to have certain minimum number of branches across the country for enabling market outreach of the mutual funds industry
- Permission to the AMCs to charge expenses, such as marketing and selling of their products to further expand their distribution network
- Introduction of concept ratio to bring cost effectiveness and flexibility in the mutual fund expense

The SECP has marked investor education as a priority area and approved a comprehensive Investor Education Plan (IEP) which is in implementation phase. Under this programme, information is being disseminated about financial markets and products to different segments of the society. The main theme of the IEP includes:

- ◆ Financial planning and budgeting
- ◆ Market setup and operations
- ◆ Product features and risks
- ◆ Rights and obligations of user and providers of financial products
- ◆ Dispute resolution

Annexure-1

Consolidated fiscal operations

(Rs billion)

Items	July-March 2014-15	July-March 2013-14	Percentage change over July-March 2013-14	As percent of GDP	
				July-March 2014-15	July-March 2013-14
A. Total revenue	2,682.6	2,477.4	8.3	9.8	9.9
a. Tax revenue	2,063.2	1,786.2	15.5	7.5	7.1
i. Federal	1,918	1,650	16.2	7	6.6
FBR tax collection	1,775.1	1,574.8	12.7	6.5	6.3
- Direct taxes	701.5	598.8	17.1	2.6	2.4
- Indirect taxes	1,073.6	975.9	10	3.9	3.9
Federal Excise Duty	104.3	89.9	16.1	0.4	0.4
Sales Tax	760.3	716.8	6.1	2.8	2.9
Customs	208.9	169.3	23.4	0.8	0.7
Other taxes	142.8	75.3	89.8	0.5	0.3
ii. Provincial	145.2	136.2	6.6	0.5	0.5
b. Non-tax revenue	619.5	691.2	-10.4	2.3	2.8
i. Federal	582.6	656.5	-11.3	2.1	2.6
Foreign grants	26.7	12.3	117	0.1	0.05
Mark-up (PSEs & others)	5.1	61.8	-91.7	0.02	0.2
Dividend	54.8	46.3	18.3	0.2	0.2
SBP profit	222.5	205	8.5	0.8	0.8
Defence	154.3	77.8	98.5	0.6	0.3
Passport fee	12	13	-8.4	0.04	0.1
Discount retained on crude oil price	6.7	13.7	-50.6	0.02	0.1
Royalties on oil & gas	61	59.5	2.5	0.2	0.2
Windfall levy against crude oil	10.7	11.0	-3.2	0.04	0.04
Others	28.7	156.1	-81.6	0.1	0.6
ii. Provincial	36.9	34.7	6.4	0.1	0.1
B. Total expenditure	3,731.6	3,289	13.5	13.6	13.1
a. Current expenditure	3,199.1	2,904.6	10.1	11.7	11.6
i. Federal	2,255.8	2,083.1	8.3	8.2	8.3
- Interest	974.5	909.1	7.2	3.6	3.6
- Defence	485.9	451.7	7.6	1.8	1.8
ii. Provincial	943.2	821.4	14.8	3.4	3.3

b. Dev. exp. and net lending	594	555.8	6.9	2.2	2.2
i. Development expenditure	579.7	469.9	23.4	2.1	1.9
- PSDP	499.4	393	27.1	1.8	1.6
Federal*	207.9	193.3	7.6	0.8	0.8
Provincial	291.5	199.7	46	1.1	0.8
ii. Other development expenditure	80.2	77	4.3	0.3	0.3
iii. Net lending	14.3	85.9	-83.4	0.1	0.3
c. Statistical discrepancy	-61.4	-171.3	64.2	-0.2	-0.7
C. Overall fiscal deficit	1,048.9	811.7	29.2	3.8	3.2
D. Financing of fiscal deficit	1,048.9	811.7	29.2	3.8	3.2
a. External	137.8	-50.1	375.2	0.5	-0.2
b. Domestic	911.1	861.7	5.7	3.3	3.4
- Bank borrowing	469.4	436.9	7.4	1.7	1.7
- Non-bank borrowing	426.5	424.8	0.4	1.6	1.7
- Privatisation proceeds	15.2			0.1	
Primary balance	-74.4	97.4	-176.4	-0.3	0.4
Revenue balance	-516.4	-427.2	-20.9	-1.9	-1.7
GDP (current market prices)	27,384**	25,068			

* Net excluding development grants to the provinces

** Provisional

Source: Finance Division

CHAPTER 14

TRADE AND COMMERCE – BALANCE OF PAYMENTS

The position of the balance of payments shows the external strength of a country. To achieve and maintain this strength, efforts are made to improve the core external account indicators through taking stocks of the past and crafting forward-looking policies that improve the receipt (exports and remittances), curtail the payments through better management (imports and debt).

The Annual Plan envisages an invigorated external sector. The idea is to give boost to exports. A significant decline in the international commodity prices acted as a guiding post for the balance of payments position, and this situation called for positive influence on market expectations, narrowing of the trade gap as the balance on trade remains the major contributor to current account deficit. The drop in commodity prices internationally is also meant to save foreign exchange, and carry reduction in the domestic prices. However, exports were hit hard due to this downturn than the reduction in import bill; nevertheless there was a pronounced effect of the decline in oil prices on the external account, which can mobilise savings for the economic growth. Pakistan receives more remittances even when there is a slowdown in other economies where Pakistanis' are working. The Diaspora is one of the resources to count on for improvement of the external sector. Brain drain is now an obsolete term since there has been a paradigm shift and change in thinking resulting in replacement of the term with 'circulation of expertise in a globalised world'. Pakistan is thus a beneficiary of the remittances sent as a result of its workforce contributing elsewhere. The outlook seems favourable as energy issues are likely to be resolved in the coming years, steps are being undertaken, like the import of LNG, to ensure uninterrupted supply of energy to the export-oriented industries, and solid actions on the security front are being taken, which will enhance exports and create business-friendly environment for attracting the FDI. A large amount of investment is expected for the China-Pakistan Economic Corridor projects, which will generate more economic activity.

Performance review 2014-15

The Annual Plan 2014-15 was outlined keeping in view improvement in energy supply, business friendly environment and better law and order situation; therefore, higher targets were set. However, due to certain unprecedented internal and external factors, the targets are unlikely to be met except remittances. The export target was set at \$26.9 billion for 2014-15 as compared to \$25.1 billion recorded during 2013-14, while the import target was set at \$44.2 billion for 2014-15 as against \$41.7 billion recorded during 2013-14, depicting an increase of about six per cent. The trade deficit was targeted at \$17.2 billion as compared to \$16.6 billion in 2013-14. The current account deficit was targeted to be \$2.8 billion (-1.1 per cent of the GDP) in 2014-15, against \$3.1 billion (-1.3 per cent of GDP) actually recorded in 2013-14 (Annexure-1). External account, during July-April 2014-15, remained in deficit to the tune of \$2.1 billion as compared to a deficit of \$1.9 billion recorded during the same period of the previous year.

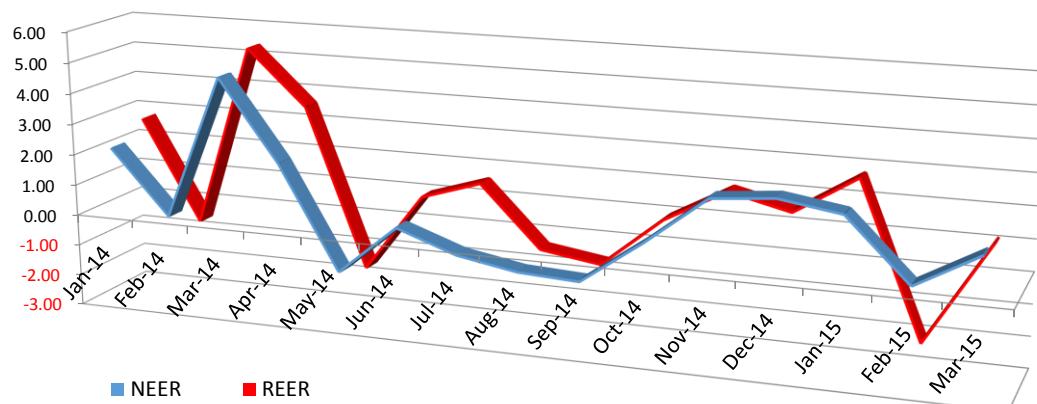
The most notable development, during July-April 2014-15, was 16.1 per cent growth in remittances, which reached to a level of \$15 billion as compared to about \$12.9 billion recorded during the corresponding period of the last year.

There are opportunities of the Foreign Direct Investment (FDI) in almost all sectors of the economy and the energy sector, especially upgradation of the power transmission network; hence the Power Policy has opened this sector for the FDI. The total liquid foreign exchange reserves of the SBP stood at \$17.7 billion by end-April 2015 as against \$12.2 billion by end-April of the last year. This is equal to financing 21.3 weeks of the next year of imports, showing comfortable level of the reserve adequacy ratio.

Exchange rate

Pakistan's experience with the exchange rate policy has not been encouraging from the perspective of ensuring export competitiveness. The country maintains an overvalued exchange rate, which encouraged imports rather than exports. An overvalued exchange rate impacts the size of a country's trade-able sector. Large influx of the capital flows is likely to cause a real exchange rate appreciation. In case of Pakistan, large inflows of remittances and foreign assistance, due to the War on Terror since 2001, have been responsible for overvaluation of the exchange rate.

Exchange Rate Dynamics (Jan 14 – March 15)



The REER numbers (SBP data) show that the currency has steadily appreciated (i.e. 10%) against its equilibrium value during the past 9 months, therefore it implies that there is a room of at least 4-5 percent adjustment.

The average monthly exchange rate against US dollar during April 2015 stood at Rs101.70 against Rs97.49 in the same period of the previous year. This implies a depreciation of 4.32 per cent. During March 2015, the average monthly exchange rate against US dollar stood at Rs101.76.

Balance of trade

In 2013-14, the trade deficit increased from the previous year due to slow growth in exports (1.1 per cent) compared to imports (3.8 per cent). However, the trade deficit remained almost at the same level in July-April 2014-15 as against the corresponding period of the last year [Annexure-1]. Trade deficit in the Annual Plan 2014-15 was targeted at \$17.2 billion. Keeping in view the current trend of exports and imports, it is expected that trade deficit will be less than the target.

Exports: Exports (goods) stood at \$20.2 billion during July-April 2014-15 against \$20.8 billion in the corresponding period of the previous year, showing a decline of 3.2 per cent. Exports (fob) for the full year of 2014-15 are estimated to be around \$24.2 billion against the Annual Plan target of about \$27 billion [Annexure-1]. Decline in commodity prices, particularly cotton and rice, were the major contributing factor towards low exports.

Exports of goods are witnessing a downturn due to these reasons. Two of the major regions of Pakistan's exports, namely China and the European Union, are experiencing economic slowdown. Pakistan's exports to the European Union increased while exports to China declined. The GSP Plus status seems to be working despite the slowdown in the European economy. However, China's economic slowdown is showing its signs in the form of decrease in Pakistan's exports. Textile exports are largely flat, mainly due to high cost of doing business, but Pakistani exports could have been much higher had the export mix been more skewed towards value-added products. Exports of raw cotton and cotton yarn are down. However, towels and knitwear exports are all up, suggesting that the value chain are more immune to energy-related issues than those who produce more basic commoditised products. As far as output is concerned, shortage of working capital is faced by exporters. It is hoped that the recent reduction in the policy rate will help in export financing.

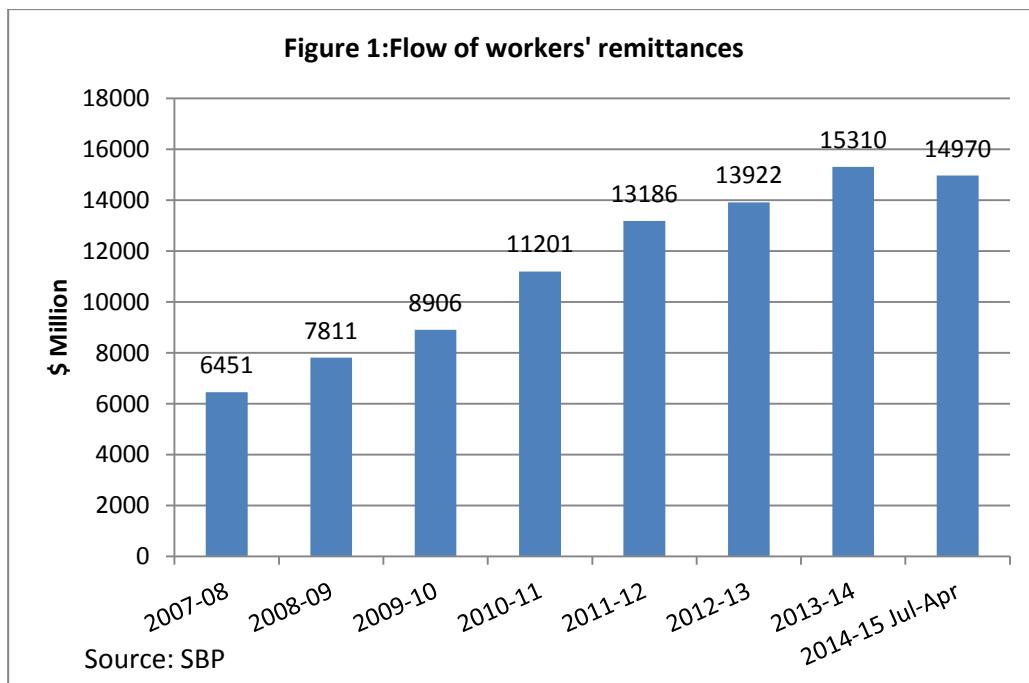
The services sector has emerged as one of the drivers of economic growth. Pakistan has opened up its market to the foreign service providers, particularly in the banking, insurance, telecommunications and retail sectors. Pakistan's share in the global trade in services is low, while its share in the GDP posted a substantial increase. Services exports have shown growth of 201.09 per cent in February 2015, when compared to the preceding month, which is the highest monthly growth recorded in this fiscal year so far. However, this is not a regular feature because this was mainly due to receipts of the Coalition Support Fund (CSF). Services exports, during the first ten months (July-April of 2014-15) witnessed an increase of 19.5 per cent to \$5,023 million from \$4,203 million during July-April 2013-14.

Imports: Imports during July-April 2014-15 decreased by 1.5 per cent over the corresponding period of the previous year. It is estimated that imports (fob) for 2014-15 will be about \$40.8 billion compared to the Annual Plan target of \$44.2 billion (Annexure-1). The decrease in import bill is mainly due to the sharp drop in oil prices. Most of the imports are for production purposes; thus contributing towards economic activity. Petroleum imports during July-April 2014-15 stood at \$9.8 billion as against 12.2 billion recorded during the corresponding period last year showing a decrease of 19.4 per cent whereas machinery imports showed an increase of 16.9 per cent during July-April 2014-15 where its value stood at \$6.1 billion as compared to \$5.2 billion recorded during the same period last year. Meanwhile food, transport, agricultural & chemical group and metals group all posted a higher import bill during July-April 2014-15 as compared to the same period last year. The decrease in oil import bill, coupled with increase in workers' remittances has caused the current account deficit to decrease during 2014-15.

Terms of Trade: According to the data released by PBS 81.31 per cent of exports for which both quantity and prices are available shows 2.02 per cent increase in price effect and no change in quantity effect resulting in total effect of 2.02. On the other hand 53.42 per cent of total imports for which both quantity and prices are available indicate 17.06 per cent increase in quantity effect and 14.81 per cent decrease in price effect with total effect of 2.25. It can be interpreted as the amount of import goods an economy can purchase per unit of exports. It is

calculated by dividing total effect in export value by total effects in import value. This means that 0.9 units of exports can fetch one unit of imports showing improved terms of trade leading to replenish more resources into our economy for generating economic activities.

Workers' remittances: These remittances have always remained major contributor in reducing the current account deficit. Remittances reached around \$15.0 billion during July-April 2014-15 from \$12.9 billion in the corresponding period of last year (Annexure-1) thereby registering an increase of 16.1 per cent. Monthly average remittances during this period stood at \$1.5 billion as compared to \$1.3 billion during the same period of previous year. Keeping this trend in view, remittances are expected to surpass the annual plan target of \$16.7 billion. Workers' remittances have increased due to reduction in the cost of sending remittances, tight anti money laundering policy, skilled manpower and Pakistan Remittance Initiative (PRI). The bulk of increase in workers' remittances came from UAE during July-April 2014-15 with a positive change of 34.1 per cent when compared with the same period last year. Likewise, all the major countries from which remittances are received showed a positive trend except the EU, which showed a decline of 15.9 per cent in remittances. Increasing trend of worker's remittance is reflected in Figure 1.



Current account balance: The current account deficit was targeted at \$2.8 billion (-1.1 per cent of the GDP) in the Annual Plan 2014-15 against a deficit of \$3.1 billion (-1.3 per cent of the GDP) recorded in 2013-14 (Annexure-1). This was largely based on the assumption of higher growth in exports as well as better inflows in the services accounts. With estimated trade deficit at \$16.6 billion and remittances of \$18 billion during 2014-15, the current account 2014-15 is estimated to be in deficit by \$1.6 billion against a deficit of \$3.1 billion recorded during 2013-14. (Annexure-1) The estimated decrease in current account deficit is mainly due to decrease in trade deficit, robust growth in remittances and receipt of Coalition Support Fund (CSF) which resulted in the improvement in services balance.

Capital and financial account: Gross aid disbursements during July-April 2014-15 have increased to \$2.6 billion as compared to \$2.3 billion recorded last year. Disbursement for the full year is estimated to be \$3.2 billion (Annexure-1)

Overall balance: The overall balance is in surplus by \$2.1 billion in July-April 2014-15 compared to a surplus of \$1.9 billion recorded in the comparable period of 2013-14. (Annexure-1) This indicates that current account deficit is not inherently bad if it is financed by non-debt creating inflows.

Comparison of sectoral performance with global and regional competitors

Comparison of six global and regional countries in terms of current account as percentage of the GDP and in dollar terms and volume of exports and imports change carried out with IMF data. Table 1 shows the comparison.

In the realm of Exports of goods Pakistan has shown moderate progress among regional countries. Examining data of last four years we see that Bangladesh has shown immense growth in this area and has surpassed Pakistan in the change in volume of exports. Bangladesh is showing more exports growth than even India. India has witnessed robust positive change since 2013 and is projected to maintain this trend. Sri Lanka has recouped well from negative growth in 2012 to double digit growth in 2014 but the growth rate is projected to be halved in 2015. China has shown persistent growth in exports of goods and is likely to maintain this trend.

In terms of volume of imports of goods, it is seen that Bangladesh has witnessed greater change in the volume of imports than Pakistan this may be due to the greater exports volume that it had to sustain. Imports of capital goods and raw materials can be a yardstick for assessing the exports pick up in a country. Change in volume of imports in India is however less than that of Bangladesh and even negative growth was seen in 2013. Afghanistan has also shown negative growth in imports in 2013 and 2014. Change in volume of exports in China has been somewhat consistent.

Table 1: Comparison of sectoral performance with global and regional competitors

	2012	2013	2014	2015
Pakistan				
Current account (US Dollars billions)	-4.7	-2.5		
Current account (as % of GDP)	-2.1	-1.1	-1.2	-1.3
Vol of Imports (goods) % change	3.3	4.2	5	4.4
Vol of Exports (goods)% change	1.4	5.8	1.3	8
Bangladesh				
Current account (US Dollars billions)	1	2	0.3	-1.2
Current account (as % of GDP)	0.7	1.2	0.1	-0.6
Vol of Imports (goods) % change	6.8	6	13.4	15.4
Vol of Exports (goods)% change	9	12.5	9	10.8
India				
Current account (US Dollars billions)	-88.2	-32.4	-42.5	-50.2
Current account (as % of GDP)	-4.7	-1.7	-2.1	-2.2
Vol of Imports (goods) % change	2.1	-4.6	8.5	9
Vol of Exports (goods)% change	2.2	5.1	7.9	8.2
Afghanistan				
Current account (US Dollars billions)	0.8	0.9	1	0.02
Current account (as % of GDP)	3.9	4.3	4.8	0.1
Vol of Imports (goods) % change	12.7	-0.3	-2.2	2.6
Vol of Exports (goods)% change	0.7	8	-4.1	-16.7
Sri Lanka				
Current account (US Dollars billions)	-4	-2.6	-2.3	-2.6
Current account (as % of GDP)	-6.7	-3.9	-3.3	-3.3
Vol of Imports (goods) % change	-19	-0.1	20.6	12
Vol of Exports (goods)% change	-8.3	7.6	14.2	7.7
China				
Current account (US Dollars billions)	215.4	182.8	185.3	220.6
Current account (as % of GDP)	2.6	1.9	1.8	1.9
Vol of Imports (goods) % change	7.2	9.3	7	6.5
Vol of Exports (goods)% change	6.8	9.6	6.5	6.8

Source: IMF

Outlook for 2015-16

The outlook remains optimistic for 2015-16 due to the upcoming developments in the energy sector as well as trade partnerships with regional countries. Moreover improved global economic situation will augment growth in the external sector. However, risks persist due to shortfall in expected growth in emerging economies, Europe, or the GCC which could slow exports.

Trade account: On account of favourable situation in the internal and external front, exports in 2015-16 are projected to grow by 5.5 per cent to \$25.5 billion from \$24.2 billion estimated for 2014-15. Imports during 2015-16 are projected to increase 6.0 per cent to \$43.3 billion from \$40.8 billion estimated for 2014-15. Hence, the trade account is projected to be in deficit by

\$17.7 billion in 2015-16 from \$16.6 billion estimated for 2014-15 (Annexure-1). The increase in trade deficit will be on account of more imports particularly for China-Pakistan Economic Corridor.

Current account balance: The current account is targeted to be in deficit by \$2.9 billion in 2015-16 (-1.0 per cent of the GDP) as against a deficit of \$1.6 billion (-0.6 per cent of the GDP) estimated for 2014-15 (Annexure-1). The outlook for current account will be worse off primarily because of higher imports for growing economy. However, the current account deficit will not be worrisome due to inflow of investment.

Capital and financial account: Gross aid disbursements, during 2014-15, are expected to remain at the level of \$3.8 billion against \$3.2 billion estimated for 2013-14.

Overall balance Upward trend in the trade deficit is forecasted. Allowing for other capital inflows, the overall balance is likely to be in surplus by \$4.5 billion in 2015-16 compared to an estimated deficit of \$2.5 billion in 2014-15. Details are given in Annexure-1.

Initiatives for 2015-16

Taking a medium-term perspective, the strategy envisioned is to create non-debt creating inflows. Reserves can be built by gradual reduction in the trade deficit by boosting exports, enhancement of investor-friendly environment and revival of non-debt creating foreign private inflows.

The government is following a two-pronged strategy of the Vision 2025 and 11th Five year Plan. The Vision calls to invoke export-oriented policy led by the private sector, and 11th Five year plan gives a policy framework based on consistency and continuity for sustainable balance of payments situation.

Central to achieving the objective of export competitiveness is the role of the private sector. Planning for the private sector requires a medium and long-term horizon in order to ensure sustainable long-term returns. To encourage the private sector to be export-oriented, the government has built a supportive policy framework, and two pillars of which are consistency and continuity. The government has also adopted a participatory approach to ensure active private sector involvement.

The Vision outlines a clear path for a better trade scenario, especially to flourish exports. Exports are victim of protectionist tendencies, and protectionism incentivises production for the domestic market rather than the global markets. A paradigm shift to provide incentives to industries to move their production from low value to high value products is part of reforms in the Vision. This will improve export competitiveness and enable higher share in the global and regional markets besides diversification of products and markets. Improvement in supply chains and integrating them into the world market offer huge potential for the Pakistani exporters. Regional trade enhancing initiatives can add substantially to Pakistan's export-to-GDP ratio.

Textiles form the bulk of exports. The Textile Policy 2014-19 was announced after approval from the ECC. The trade for the next five years is worth Rs64.15 billion. The finance division will provide Rs40.6 billion, whereas the rest Rs23.5 billion will be financed through the Planning Commission and Textile Development Fund. Through the Textile Policy, effort has been made to address the issues of all the sub-sectors of value-chain by laying down a perspective plan for their sustainable growth for the next five years

The improvement in business climate through reforms will also enhance export potential.

Strategy to improve external sector performance for achieving the targets includes:

- Export-oriented industries will be given priority in providing un-interrupted supply of energy
- Trade diplomacy be expanded to achieve greater market access for its services and exports particularly under Mode-4 of service delivery
- Remittances flow be enhanced through reducing the cost of sending remittances, strengthening Pakistan Remittance Initiative (PRI) and skill matching according to demand in world market
- The FDI opportunities be encouraged in infrastructure and energy sectors through business-friendly environment, specifically under the CPEC
- Greater involvement in regional cooperation to become part of global supply value-chain
- The National Action Plan to resolve security related issues and encourage private sector through ease of doing business so that export industries stay competitive internationally

The Textile Policy 2014-19

Textile policy adopts a comprehensive strategy to make the textile sector competitive and sustainable. Its salient features are:

- Budgetary support
- Drawback of local taxes and levies
- Easy finance
- Sales tax regime
- Duty free import of machinery, policy interventions
- Tariff rationalisation, fibre diversification, product diversification
- SME development
- Enactment of domestic labour laws
- Revival of sick units
- Marketing strategies
- Technology up gradation
- Establishment of world textile centre and model cotton trading houses
- Revitalisation of projects like Pakistan Textile City, garment cities and capacity building

Source: Textile Division

Annexure-I

Balance of Payments (as per BPM6)

(\$ million)

Item	2013-14	July-Apr		2014-15		2015-16
	Actual	2014	2015	Target	Estimate*	Target**
Current Account Balance	-3130	-2931	-1364	-2817	-1637	-2891
Balance on goods	-16590	-13712	-13848	-17198	-16618	-17735
Exports fob	25078	20843	20179	26990	24215	25547
Imports fob	41668	34555	34027	44188	40832	43282
Services balance	-2657	-2443	-1694	-2705	-2033	-3313
Income (net)	-3948	-3174	-3576	-4225	-4291	-4636
Balance on goods, services and income	-23195	-19329	-19118	-24128	-22942	-25684
Current transfers (net)	20065	16398	17754	21311	21305	22793
Current transfers: credit, of which:	20222	16485	17943	21430	21532	21549
Workers' remittances	15837	12898	14970	16673	17964	18989
Capital account	1857	1782	346	464	415	295
Financial account: of which	-5523	-3481	-2836	-5619	-3403	-7246
Direct Investment in Pakistan	1700	898	826	4317	991	3344
Portfolio Investment (net)	-2762	-2241	-1823	-1460	-2188	-800
General Government	1610	235	271	-1062	325	-922
Disbursements	4349	2320	2634	2788	3161	3842
Amortisation	2734	2085	2363	-3850	2836	-4764
Overall balance	-3858	-1950	-2118	-3818	-2542	-4497
Memorandum items						
Current account balance (% of GDP)	-1.3	-1.4	-0.6	-1.1	-0.6	-1.0
Exports fob (growth rate %)	1.1	1.4	-3.2	5.8	-3.4	5.5
Imports fob (growth rate %)	3.8	3.5	-1.5	6.2	-2.0	6

Source: SBP & Planning Commission estimates

*Revised Estimates

**Annual Plan

Annexure-II

Exports

(\$ million)

Items	2013-14		July-April		2014-15	2015-16	%Share
	Actual	2015	2014	Target	Estimate*	Target**	Jul-Apr 2015
A. Food Group	4623.9	3862.1	3942.4	5023	4634.5	4889.4	19.39
Rice	2162.9	1749.7	1850.3	2406	2099.6	2215.1	8.78
B. Textile group	13738.7	11281.6	11420.1	14486	13537.9	14282.5	56.63
Cotton yarn	1990.5	1587.1	1715.79	2088	1904.5	2009.2	7.97
Cotton cloth	2773.6	2088.1	2345.76	3014	2505.7	2643.5	10.48
Knitwear & bed wear	2258.1	3729.3	3606.54	4600	4475.2	4721.3	18.72
Ready-made garments	1995.6	1722.1	1577.88	2009	2066.5	2180.2	8.64
C. Other manufactures group	4638.4	3213.1	3867.3	5182	3855.7	4067.8	16.13
Leather tanned & leather manufactures	1171.9	906.1	959.83	582	1087.3	1147.1	4.55
Chemicals and pharm. products	868.4	809.2	968.8	1269	971	1024.4	4.06
Engineering goods	321.1	188.7	255.6	317	226.4	238.9	0.95
Jewellery	1178	5.8	318.31	502	7	7.4	0.03
Cement	577.7	382.4	413.73	449	458.9	484.1	1.92
D. All others	2131	1564.7	1749.2	1850	1877.7	1981	7.85
Exports (shipment basis)	25131.9	19921.5	20979.1	26435	23905.8	25220.6	100
Exports (fob)	25078	20179	20843	26990	24215	25546.8	

Source: PBS, SBP & Planning Commission Estimates

* Revised Estimates

** Annual Plan

Annexure-III

Item	Imports (\$ million)						
	2013-14		July-Apr		2014-15		2015-16
	Actual	2015	2014	Target	Estimate*	Target**	% Share Jul-Apr 2015
A. Food Group	4182.6	4205.4	3454	2019	2171.6	2301.9	11.14
Tea	299.6	290.90	247.98	3192	303	321.2	0.77
Palm oil	1859.8	1456.70	1529.18	356	1868.6	1980.7	3.86
B. Machinery group	6441	6108.6	5227.7	6807	6388	6771.3	16.18
Power generating machinery	1071	1098.27	872.93	1080	1066.7	1130.7	2.91
Electrical machinery & apparatus	1123.2	958.45	920	1127	1124.2	1191.6	2.54
Telecom	610.3	1179.5	1026.9	1158.9	1254.9	1330.2	3.12
Road motor vehicles build units CKD/SKD	1225.5	1280.85	1031.06	1408	1259.9	1335.5	3.39
C. Petroleum group	14838.9	9855	12221.1	15681	14933.6	15829.6	26.10
Petroleum products	9063.01	6267.20	7482.38	9671	9143.1	9691.7	16.60
Petroleum crude	5775.88	3587.81	4738.71	6009	5790.5	6137.9	9.50
D. Agri. & other Chemi. Gr.	6705.8	6125.6	5538.2	6620	6767.4	7173.5	16.22
Fertilizers manufactured	692.7	743.06	595.42	728	727.6	771.2	1.97
Plastic materials	1685.3	1468.73	1357.17	1737	1658.4	1757.9	3.89
E. Metal group	3102.1	3024.6	2466.3	3192	3013.6	3194.5	8.01
Iron and steel scrap	772.0	847.59	589.45	2207	720.3	763.5	2.24
F. All others	9842.1	8443.9	8177.5	10329	9992.5	10592.1	22.36
Total imports (shipment basis)	45112.5	37763.1	37084.8	46948	45315.7	48034.7	100
Imports (fob)	41668	34027	34555	44188	40832.4	43282.3	

Source: PBS, SBP and Planning Commission Estimates

* Revised Estimates

** Annual Plan

CHAPTER 15

BALANCED DEVELOPMENT – FOCUS ON THE LESS DEVELOPED REGIONS

The challenge of public policy formulation, at any level whether international or national, is a tool of achieving economic development and poverty alleviation, in a cost effective and sustainable manner. The geographical and demographic aspects of the Special Areas in Pakistan (FATA, AJ&K and Gilgit-Baltistan) add a complex dimension to this challenge.

The socio-economic disparity lies, not only among regions but also in different districts and agencies of the same region. The FATA consists of seven tribal agencies (Bajaur, Khyber, Kurram, Mohmand, North and South Waziristan and Orakzai) and six frontier regions (Bannu, DI Khan, Kohat, Peshawar, Tank and Lakki Marwat). The Azad Jammu and Kashmir is divided into three divisions (Muzaffarabad, Mirpur and Poonch) which are sub-divided into ten districts (Muzaffarabad, Haitian, Neelum, Bagh, Haveli (Kahuta), Poonch (Rawlakot), Kotli, Mirpur, Bhimber, Sudhnoti). Gilgit-Baltistan is divided into two divisions (Gilgit and Baltistan), which are further sub-divided into nine districts (Skardu, Shigar, Kharmang, Ghanche, Gilgit, Ghizer, Diamer, Astore and Hunza-Nagar).

Pakistan's economy has been affected by numerous external as well as internal problems included economic, social and political instability, conflicts on its eastern and western borders, low literacy, income disparity, wastage of natural resources, low productivity of the commodity producing sectors, ethnic conflicts, etc., which have hampered the allocation of the economic resources to its most productive alternative, which, in turn, has led to low growth rates of the economy. Urban and rural, both sectors are facing problems, but due to lack of access and poor communication system, the rural areas are facing the worse situation. The situation is even worse for the Special Areas. These areas are economically neglected in the past due to inaccessibility, difficult terrain, lack of financial resources and adverse law and order condition.

The Vision 2025 and 11th Five year plan have also emphasised the importance of the development of less developed regions as the stability and prosperity of the economy is directly linked to a balanced development of all regions and areas. The adverse law and order situation and issue of rehabilitation of the IDPs in the FATA require special attention and allocation of appropriate resource to facilitate rehabilitation of displaced population.

Performance review 2014-15

Special Areas largely depends upon the financial resources provided by the federal government, which has launched a number of initiatives through the PSDP to reduce poverty and improve socio-economic indicators of its federating units. The funds were provided through respective ministries and divisions (Ministry of Interior and Narcotics Control, Ministry of Kashmir Affairs and Gilgit-Baltistan (KA&G-B) and SAFRON Division). Administrations of concerned region were

authorised to allocate funds to respective sectors according to the needs. The review of performance of Special areas is given below:

Financial

During the year 2014-15, originally, an amount of Rs47,741 million was allocated, for the less developed special areas. Out of total allocation, an amount of Rs878 million was set aside for the Area Development projects reflected in Ministry of Interior and Narcotics Control, whereas an amount of Rs37,862 million was earmarked as block allocation for development activities in the Special Areas. Moreover, a Federal Special Development Programme has been initiated in special area on Prime Minister's directive and Rs9000 million were allocated for the FATA, AJ&K and Gilgit-Baltistan in the year 2014-15. Details of allocation and utilisations for various agencies are given below:

Table: Agency and division-wise allocations and utilisation for 2014-15

Agency, ministry, division	Allocation	Utilisation	Utilised (%)
Ministry/Division			
Narcotics Control (Area Development Projects)	305	222	73
Interior Division (ICT)	574	554	97
Sub-total	878	775	88
Special Areas			
Azad Jammu & Kashmir (Block allocation)	10,500	10,450	100
Other Area Development Projects AJK	62	62	100
Sub-total (AJ&K)	10,562	10,512	100
Gilgit-Baltistan (block allocation)	8,200	8,100	99
Federally Administered Tribal Area (block allocation)	19,100	17,080	89
Sub-total block allocation	37,862	35,692	94
Federal Special Development Programme and projects			
FATA	4,000	0	-
AJ&K	3,000	0	-
Gilgit-Baltistan	2,000	0	-
Sub-total (Special Areas)	46,862	35,692	76
Grand total	47,741	36,468	76

Physical

During the period under review, various activities were implemented through area development programmes in the AJ&K, G-B and FATA. The special federal development package has also been implemented for accelerated development of these regions. However, due to law and order situation, militancy and financial constraints, the desired targets could not be achieved.

Outlook 2015-16

In the Special Areas, security is the main concern; therefore accessibility of law enforcement agencies in remote areas will be enhanced through construction of roads and infrastructure facilities.

The Special Areas largely depend on the financial resources provided by the federal government. A special federal development package, to accelerate development process in the less developed regions, has been initiated. The activities, under this programme, will be implemented on need basis by the administration of the respective region and area.

The FATA Sustainable Return and Rehabilitation Strategy is a major proposal to facilitate progressive and sustainable return of all displaced population in militancy affected areas. The strategy centres around five main pillars: rehabilitation of physical infrastructure, strengthening of law and order; expansion of government service delivery, reactivation and strengthening economy, social cohesion and peace-building.

The provision of security infrastructure under the Interior Division to facilitate capacity-building of the Law Enforcement Agencies (LEAs) and to address matters relating to drug trafficking.

Programmes

Financial

The development programme for FY 2015-16 proposes Rs39,295 million for Special areas (FATA, AJ&K and G-B). The development activities in these areas are undertaken through the planning and development department of the respective region, whereas the area development projects, under the Narcotics Control Division, are also implemented.

Out of total allocation, an amount of Rs38,700 million has been earmarked as block allocation for development activities in FATA, AJK and Gilgit-Baltistan. Local administration is authorised to allocate funds to respective sectors according to the needs. An amount of Rs230.4 million has been set aside for the projects reflected in Narcotics Control Division, and Rs395 million for Interior Division, for areas development projects, rural areas of the ICT and special packages for militancy affected areas in Malakand, Dera Ismail Khan, Bannu, Swat and other conflicted areas. Details of allocations for various agencies are given below:

Agency-wise allocations for 2015-16

Agency, Ministry, Division	(Rs million)
Ministry/ Division	Allocation 2015-16
Narcotics Control Division	230.4
Interior Division (ICT)	395
Sub Total	595
	SPECIAL AREAS
Azad Jammu & Kashmir (Block Allocation)	11,500
Gilgit Baltistan (Block Allocation)	8,200
Federally Administrated Tribal Area (Block Allocation)	19,000
Total (Special Areas)	38,700
Grand Total (Min./Div./Sp. Areas)	39,295

The distribution of allocation for various ministries and divisions in the area development sector shows that the largest share of allocation goes to the FATA, which is 50 per cent, AJ&K and Gilgit-Baltistan shares in allocation of financial resources remained 27 per cent and 21 per cent respectively. Rs595 million (1.5 per cent) has been set aside for the area development projects under the Ministry of Interior and Narcotics Control Division.

Physical

During the next financial year, highest priority will be accorded to those ongoing schemes/projects, which are near completion, in various sectors. The physical targets are set keeping in view the available financial and physical resources. Various schemes/projects are initiated in collaboration with the Planning and Development departments of the respective area and region. The previous experience shows that in order to achieve these targets successfully, an efficient and vibrant infrastructure is required. Therefore more emphasis is given on the development of infrastructure.

CHAPTER 16

PHYSICAL PLANNING AND HOUSING

Pakistan is the fastest urbanising country at present and would be the most urbanized in South Asia by 2025. Economic Survey (2013-2014) has estimated that, about 72.5 million people (38.5 per cent) reside in urban areas of Pakistan and this proportion is expected to reach the level of 50 per cent by 2025. Although, Pakistani cities contribute overwhelmingly to government revenues, yet they are failing to deliver basic services to many of their residents. The unplanned and haphazard growth of cities and regions in Pakistan is taking place unabated. Major challenge is lack of urban policy and planning framework to manage urbanization. According to UN-HABITAT's State of the Cities Report 2012/13, a high proportion of urban population (35.5 million) of Pakistan lives in informal settlements (slums/squatters/ Katchi Abadis). Therefore, investment in basic urban services (water supply, sanitation, drainage, etc.) is essential to enhance the productivity dividend of urban living vis-à-vis sustained growth. This situation calls for special efforts to secure benefits of urbanisation.

The Vision 2025 aims to transform our urban areas into creative, eco-friendly, sustainable and smart cities through improved governance, effective urban planning, efficient local mobility infrastructure (mass transit systems) and better security measures. The 11th Five Year Plan (2013-2018) also envisages balanced and sustainable urban and regional development across Pakistan.

Performance review 2014-15

An amount of Rs10 billion was allocated to different ministries, divisions and departments as well as to the provinces for implementation of Urban Development Programs. Major allocations were made to water supply and sanitation, construction of government offices, residential buildings, and housing projects. The projects were mainly executed by Pak-PWD, CDA, ERRA, Pakistan Rangers, FC, G-B Scouts. It is expected that Rs 9 billion would be spent by end of this fiscal year.

Provision of affordable housing to low income groups is a priority of the present government. In this context, the Prime Minister announced a mega housing programme 'Apna Ghar Scheme' under which 1000 clusters of 500 houses each will be developed for low income families throughout the country. The execution of the project is entrusted to Apna Ghar Company Limited under Ministry of Housing and Works. The proposed house comprises two-rooms (covered area of 415 Sq.ft.). The price of the house is Rs1 million. Land required for construction of houses under this scheme has been indentified / allocated in Lahore, Jhelum, Charsaddha, Bannu, Lakki Marwat, Dera Ismail Khan, Gilgit, Skardu, Gwadar and Quetta by the respective provincial governments.

During the year 2014-15, the Pak-PWD has launched 149 projects worth Rs. 50,138 million, while 16 projects have been completed. Important projects include New Secretariat Block at F-5, NAB head quarters Building G-5, Petroleum House G-5 and Islamabad High Court Building G-5. While,

the CDA has initiated work on a number of projects i.e. Construction of Family suites for Members of Parliament, Speaker House, Federal Ombudsman Office, etc.

The Islamabad Capital Territory (ICT), under the Ministry of Interior, has initiated projects relating to water supply, sanitation, drainage, office buildings and residential accommodations for government employees. Besides, schemes pertaining to rural uplift, water supply, sewerage, were launched under MDGs program in various rural areas of Islamabad. Construction of Police Station at Sector I-16 and renovation/up-gradation of other police stations was also undertaken. Special attention has been devoted to security related infrastructure keeping in view the prevailing wave of terrorism in the country. Office buildings, barracks and accommodation facilities for Police and other Civil Armed Forces i.e. Pakistan Rangers, FC, GB Scouts, have been constructed in different parts of the country. Besides, the FBR has constructed Tax Facilitation Centres for tax payers across Pakistan. In addition to this, Ministry of Foreign Affairs has completed an additional block to cater for more offices.

Outlook 2015-16

It is planned to complete all on-going development projects where sufficient physical and financial progress has been achieved in the last fiscal year. Efforts will be made to introduce preparation of PC-II for all projects for carrying out feasibility study, proper design, environmental impact assessment and detailed cost estimates to avoid cost and time over run during project implementation. Subsequently, PC-I will be prepared based on detailed feasibility and cost estimated for completion within stipulated time. Besides, policy guidelines for construction of government buildings, water supply and sanitation schemes will be formulated for standardized design and specifications. Reforms in housing and works, construction industry and civic management will be initiated for benefits of urban populace. In this regard, task force for construction industry will be constituted to formulate recommendations to boost the private sector and construction industry.

Sustainable urban development, based on urban planning that promotes youth participation, gender equality, balanced territorial development; strengthened resilience to climate change and natural disasters; the upgrading and prevention of slums; and provision of housing, basic services and land tenure security, access to safe, affordable, accessible and sustainable transport and access to safe public spaces and services to all; will be promoted. The prime objective would be to use methods, such as national urban plans and policies, that link current urban development with future needs, and that are solidly grounded in the fundamental principles of equity, justice and human rights. Further, participatory and inclusive local governance that empowers all inhabitants; recognise key contributors of various levels of government, including regional, sub-regional and municipal level; strength formal coordination mechanism; defines joint responsibilities; and each level of government with the necessary resources and incentives to carry out their respective roles effectively would be encouraged.

The seventh World Urban Forum 2014 has proposed a new urban agenda for all countries of the world that can overcome the challenges of lack of adequate legal framework and planning, which leads to the relentless expansion of cities, intensive energy use, alarming and dangerous climate change impacts, multiple forms of inequality and exclusion and increased difficulties in providing decent work for all. This agenda aim to promote an urbanization model that is people-centred based on 'Cities for Life'. The new urban agenda requires new technologies, reliable urban data and integrated, participatory planning approaches to respond both to present challenges and emerging needs of the future.

Programmes 2015-16

An allocation of Rs12,851 million has been made for the physical planning and housing sector programmes to be implemented by various ministries, divisions the departments as per following details;

Completion of important ongoing projects

The ongoing projects where more than 50 per cent physical progress has been achieved in the last year will be encouraged to complete the project by June, 2016. Mega projects will also be given due consideration for early completion i.e. S-III, K-IV, Lyari Expressway Resettlement Project, Quetta water supply project, New Secretariat Block, Secretariat Mosque, Model Police Stations in ICT, Rapid Response Force Headquarters for ICT, Barracks for ASF, MDGs schemes, Water supply scheme for Rawalpindi city.

PC-II for the government buildings

In order to avoid cost and time over run for all construction projects, Sponsors and execution agencies will be requested to first get approval of feasibility study, design, elevation, façade of the buildings along-with detailed cost estimates and environmental impact assessment through a PC-II before start of actual construction. The construction will be allowed after approval of a PC-I prepared on the basis of PC-II. In addition, monitoring mechanism will be strengthening for early completion of projects.

Establishment of Pakistan Urban Planning and Policy Centre

Establishment of Pakistan Urban Planning and Policy Centre under the auspices of Planning Commission is an attempt to anchor the subject of ‘urban development’ at the national level for consolidating efforts for a better urban future for Pakistan. Pakistan Urban and Regional Planning & Policy Centre will initiate reforms and innovation in urban development in collaboration with the provinces. This centre will launch all initiatives required for implementation of new urban agenda for Pakistan i.e. National Spatial Policy and National Land Use Plan to provide guidelines for optimal utilization of land resources. Besides, research on urban issues and capacity building program for urban planners and experts will also be launched.

Prime Minister’s Apna Ghar Scheme

Ministry of Housing and works intend to start construction work on different locations where the land has been acquired under Apna Ghar Scheme.

Gwadar Port Green and Smart City Master Plan

Gwadar Port Smart City Master Plan would be prepared through engagement of international consultants. Gwadar Development Authority will execute the project. Besides, water supply transmission line and distribution schemes in Gwadar city will also be launched to cater for water demand of industrial and commercial activities envisaged under CPEC corridor.

Civic Reforms in Islamabad Capital Territory

A project will be initiated in ICT for introducing civic reforms in Islamabad city and its suburbs. A study will be carried out for preparation of a Peri-Urban Development Plan of ICT to check haphazard development activities in rural areas of Islamabad. ICT administration will be strengthened through establishment of Urban and Regional Development Planning Directorate

for ensuring proper development as well as building control in ICT. Besides, efforts will be made to undertake revision of existing master plan of Islamabad city through CDA.

Establishment of Bureau of Infrastructure Development

Efforts will be made to establish Bureau of infrastructure development for enhanced private sector participation with modalities for public- private partnerships in the management of infrastructure and framework to provide improved and efficient water supply and other services.

PILLAR-III

**GOVERNANCE, INSTITUTIONAL
REFORM AND MODERNISATION OF
THE PUBLIC SECTOR**

CHAPTER 17

INSTITUTIONAL REFORMS AND GOVERNANCE

The governance involves interaction of public, private, corporate sectors, and civil society. It shares responsibility for management of sound development by addressing the issues of accountability, transparency, participation, openness, rule of law and predictability. Governance is not limited to a single sector or a single stakeholder but is rather a cross cutting, requiring homogeneous strategies and joint actions of multiple stakeholders. Governance provides the system in which people have access to justice and the writ of the law is enforced. It is critical to the successful achievement of the strategic thrust, policies, programmes and targets, and prerequisite for economic growth and development. As growth generates income, good governance trickles this effect down to the masses, particularly the poor.

Responsibility of the state is to create conducive political, legal and economic environment for building individual capabilities and encourage private initiatives. While the market is expected to create opportunities for people, the role of civil society is to facilitate. Development activities under the governance sector revolve around knowledge management, organisational restructuring, institutional reforms, judicial reforms, law and order, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty.

The Pakistan Vision 2025 provides a realistic and sound framework for meeting the challenges faced by the government. It also provides a strategic direction to the economy which is the stepping stone for transforming Pakistan into next Asian Tiger. The key areas of vision framework include developing human and social capital, achieving sustained, indigenous and inclusive growth, energy, water and food security, private sector and entrepreneurship led growth, developing a competitive knowledge economy through value addition, and modernizing transportation infrastructure and greater regional connectivity. The Vision also recognises democratic governance, institutional reform and modernisation of public sector as one of the seven pillars of development and growth framework. In the aftermath of 18th constitutional amendment, governance reform agenda emphasis on new paradigm , that is, improving governance, strengthening institutions, fostering markets and initiating reforms in the areas of performance evaluation, service delivery, civil service, judicial systems and procedures, tax administration, procurement, financial management, police, e-governance, open government, enforcing property rights, and Public Sector Enterprises. This will be done by building consensus on major national issues and bringing a real change in institutions, political culture and socio-economic conditions in the country.

Performance review 2014-15

The government has undertaken a number of initiatives to improve economic governance. An amount of Rs. 4.72 billion including foreign aid of Rs. 1.27 billion has been allocated for the Governance sector during 2014-15 and Rs 3.4billion have been spent, thereby showing a utilisation of 73 percent. Some of the major initiatives are discussed as under:

Public Sector Management Efficiency

Access to Justice Programme: The Programme is being implemented since 2003 at a cost of Rs21 billion (\$ 350 million) for the improvements in judicial and non-judicial legal services, security and equal protection of law to citizens, and ensuring greater transparency and accountability in the performance of judiciary, police and administrative justice institutions. Two components of the programme, that is, Provincial programme and technical assistance have been completed. Major efforts have been focused on reduction in backlog of pending cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial courts have been established for quick disposal of litigation as a pro-investment measure. The programme contributes to this aim by supporting five inter-related governance objective:

- provide a legal basis for judicial, police, and administrative reforms;
- improving the efficiency, timelines, and effectiveness in judicial and police services;
- supporting greater equity and accessibility in justice services for vulnerable poor;
- improving predictability and consistency between fiscal and human resource allocation and mandates of reformed judicial and police institutions at the federal, provincial, and local government levels

The AJP has contributed considerably in improving the infrastructure facilities and working environment for the justice sector. The schemes launched under AJP are a milestone in the history of development work for the justice sector throughout the country. The schemes include construction of new courtrooms, judicial complexes, judges' residences, record rooms, judicial lockups, bar rooms and general amenities like public sheds and baths in the courts premises, construction of District Jails, new barracks in existing jails to overcome the problem of overcrowding in jails, training centres for judges, personnel of police and prison etc. 485 Court rooms and 714 residences for subordinate judiciary, 34 judicial complexes, 111 public amenities for improved environment for justice seeker, 39 police stations, 48 barracks in existing jails and 09 new jails have been constructed.

Information Technology related infrastructure have been provided to enhance the capacity of the Implementing Agencies which include enhancement of Management Information System at Supreme Court of Pakistan, automation of Law and Justice Commission of Pakistan, automation of Federal Shariat Court, Islamabad, development of MIS software for Federal Ombudsman, data entry digitalisation of complaints record of Wafaqi Mohtasib Secretariat, strengthening and streamlining of Sindh Ombudsman office, website for Punjab Ombudsman, establishment of Urdu Translation Units in Law Departments, trial through video conferencing between Central Jail and District Judiciary at Lahore, automation of Prosecution Department, Punjab and Prisons Management Information System in Balochistan.

A statutory endowment of Rs1,479 million as an initial grant to establish the Access to Justice Development Fund (AJDF) was provided, to address chronic under-resourcing of justice sector, create court infrastructure and capacity building of Subordinate judiciary in under-developed regions, provides for legal aid, improvement in quality of legal education and judicial trainings.

The high courts have issued and strictly enforced guidelines on delay reduction and brought improvements in process serving systems and procedures. Dedicated benches were set-up for commercial cases in the Sindh and Lahore High Courts. To reduce court case load, effective

utilisation of the avenues of alternative dispute resolutions offered by law has been advocated. Two courses, one on family laws related ADR for 24 Judges and another on Mediation techniques for another 24 Judges-cum-Magistrates were launched at Karachi Centre for Dispute Resolution. The amendments to CPC (Sec 89-A) were intended to operationalise ADR mechanisms for speedy and inexpensive justice. Utility allowance has been allowed to the judicial officers in Sindh and Balochistan.

Tax reforms: The government has launched number of incentives to improve public sector management efficiency. A comprehensive reforms program/strategy has been devised/initiated to enhance resource mobilisation efforts in the country and increase tax to GDP ratio from the lowest level of 9 per cent to 15 per cent in the next few years. The reform initiatives include broadening of tax base, rationalisation of concessionary regime and withdrawal of exemptions/ SROs, administrative improvement Initiatives , that is, restriction of exemptions and Computerised Risk-based Evaluation of Sales Tax (CREST), introduction of an e-filing process, strengthening Tax Audit, Customs Modernisation and control, and enhancement of capacity of human resources. To facilitate the trade at international crossing points, two major projects have been initiated. The first project titled “Development of Integrated Transit Management System (ITMS) under ADB Regional Improving Border Service”, will reduce dwell time for cargo clearance and its onward dispatch, monitor pilferage en-route, ensure proper exit of outbound cargo, keeping a strict check on passengers baggage’s, pave the way for one-window operation at country and regional level, and pave the way for introduction of Authorised Economic Operation. The 2nd project ‘Security Improvement in Karachi and Port Qasim’, 03 Fixed and 01 Mobile Scanners will be installed to provide fundamental element of a secured global supply chain, routed through Pakistan towards landlocked countries in the region.

Improvements in audit and accounts: The office of the Auditor General of Pakistan launched Phase-II of the project titled ‘Project for Improvement of Financial Reporting and Auditing (PIFRA)’ at a total cost of Rs10.335 million. The main objective of the project is to strengthen financial management practices, provide basis for enhancing public sector accountability through financial monitoring and control, and produce timely and reliable information for decision-making and policy formulation. This reform programme is being implemented to separate audit and account functions and establish effective accounting and reporting systems in line with the international best practices. Under the project, SAP system upgraded from R/3 to EEC 6.0, Five FABS against the targets of five departmentalised Account Office, 239 Financial Accounting and Budgeting System (FABS) out of 240 District Account Office (DAO) sites, and 53 System Application Programme (SAP) competency centres out of 53 have been established. Payroll of 2.2 million employees computerised on SAP system, pay slip through email and facility of direct credit to pensioners bank account initiated. Eleven foreign-funded projects brought on FABS system. All 200 divisions and departments of the federal and provincial governments have been linked to the system for preparation of budget and generation of financial reports. The PIFRA has made provisions for additional targets in case of Gilgit-Baltistan and AJ&K. New data centres have been established and Servers Replaced for AGPR Islamabad and four AG offices. The post-PIFRA IT setup has been developed.

Reform and innovation in government: Under the project ‘Reform and Innovation in Government for High Performance’, an Institutional Reform Group has been constituted. Pakistan Governance Forum organised at Convention Centre and about 1000 stakeholders attended the forum. The main objective of the forum was to achieve the objectives of the

Vision and review the state of reforms, develop innovative solutions and recommend plans for accelerated implementation of reforms. Fourteen groups were constituted to discuss and recommend proposals to improve service delivery in education, health, judicial and legal system, police and criminal justice, civil service, performance evaluation and management, ease of doing business, accountability and transparency, e-Governance, State Owned Enterprises, Post-18th Amendment challenges and opportunities, Service Delivery and Citizen Client Charter, Regulatory Bodies, and Effective Local Government.

A presentation was made to Prime Minister of Pakistan regarding reform agenda for the Government after consultation with stakeholders. To make the reform process effective and sustainable, consultation with all stakeholders including provincial government was also conducted. Views of the general public were also solicited through emails and in writing. An international well reputed consulting firm is being hired to undertake a study on Civil Service Reform. In addition Committees on Performance based Remunerations; Redundancies; Restructuring the core functions of the Prime Minister' Office; and Reforms in ICT have been constituted. A cost sharing agreement has been signed between UNDP and Ministry of Planning, Development and Reform to foster the reform process. Four new projects have been initiated in Ministry of Planning, Development and Reform to promote reform process in the area of agriculture policy planning, urban policy planning, energy sector reform, and implementation of Pakistan Vision 2025. Public Sector Enterprise (PSEs) Reforms project has been launched in Ministry of Finance to reduce fiscal, economic costs associated with PSEs and for successful implementation of privatisation and restructuring programme for selected PSEs.

Public information and statistical management: The Pakistan Social and Living Standard Measurement (PSLM) is being implemented to provide social and economic indicators in the alternate year at provincial and district level. PSLM is providing information on indicators, that is, demographic characteristics, education, health, employment, household assets and amenities, population welfare, water supply and sanitation and income and consumption. Moreover the PD&R Division also undertake Poverty Analysis on the basis of PSLM Household Integrated Economic Survey (HIES) data. Besides this, Indicators computed from PSLM surveys are used to monitor progress of Millennium Development Goals (MDGs). United Nations (UN) set 18 targets for 48 indicators for its member countries to achieve by 2015. Pakistan has committed to implement 16 targets. Out of 37 indicators 15 indicators are monitored through PSLM Surveys. Eight reports of the PSLM containing national, provincial and District Level Surveys have been released. The project titled 'Strengthening National Statistics (SNS) in Pakistan' 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 initiated two new projects. The first project titled "Change of Base of National Accounts from 2005-06 to 2015-16" has been initiated to change the base of the National Accounts from 2005-06 to 2015-16 and price indices from 2007-08 to 2015-16. The second project 'Updation of Rural Area Frame for the Conduct of Census/Survey' has been initiated for updating the rural area frame and prepare manual and digitalised mauza maps

Devolution and police reforms: For improvement of law and order in the country, National security policy has been prepared in consultation with all stakeholders. The National Action Plan has been initiated to crack down on terrorism and to supplement the ongoing anti-terrorist offensive in North-Western Pakistan. The Plan provided the framework for the 21st Amendment to the Constitution which established speedy trial military courts for offences relating to terrorism. It has also led to the resumption of capital punishment and mandatory re-

verification through fingerprint recognition of all subscribers on mobile telephony. To strengthen the law enforcement agencies in Balochistan, the project titled “Raising of Balochistan Constabulary” costing Rs 5.14 billion is meant to add 6,000 new personnel in the force. The project ‘Establishment of Emergency Service Rescue-1122 Centers in ICT Islamabad’ is being initiated for developing safer communities through establishment of an effective system for emergency preparedness, response and prevention, provision of basic rights to provide timely emergency care for residents of ICT. The projects ‘Establishment of Anti Riot Force in ICT Police’ and ‘Establishment Model Police Stations ICT’ are being launched to enhance the capacity of ICT police and to improve the service delivery.

Young Development Fellowship Programme: To ensure the active participation of the young people in national development, the Planning Commission is implementing Young Development Fellows Programme. The programme will groom talented young women and men with distinguished academic background and potential for leadership, who will lead Pakistan through the 21st Century. Under the programme, 220 emerging leaders during the period of five years (up to 40 each year) from around Pakistan will be brought together. After the successful completion of the first batch of fellowship under the programme, recruitment process of 2nd Batch of 40 YDFs has been completed and posted in different sections of the Planning Commission.

Monitoring of the federally-funded projects: An amount of Rs540 billion for the year 2014-015 was allocated in PSDP 2014-15 for the macroeconomic growth. The effective implementation of PSDP is strongly correlated with the mechanism of Monitoring and Evaluation in place. Vigilant monitoring and supervision of projects is a pre-requisite to ensure the achievement of the targets of economic growth which can be translated into the achievement of the Sustainable Development Goals (SDGs). This objective can be achieved when development projects are planned and executed with vigilant management in the presence of result based monitoring so that the outcomes of development planning can be transferred to the people and the agenda of bringing a positive change in their lives can be perused.

Performance 2014–15

The Planning Commission adopted a result-based monitoring of development projects. For 2014-15, a target of 400 projects (35 per cent of PSDP of the total projects) was planned for monitoring. Out of which, about 350 (87 per cent of target) projects have been monitored till March, 2014. The work on modernisation of the monitoring tools in collaboration of SUPARCO was also completed and a web based Android Application has been developed and is at testing stage.

Based on the RBM parameters, some of the major observations were taken up with the executing agencies to improve pace of implementation of the development projects. Following are the major observations:-

- Lack of planning and designing of the Projects.
- Change in scope of work
- Lack of management capacity of the executing agencies.
- Delay in procurements
- Flaws in technical appraisal of the projects
- Changed funding mechanism

- Weak performance of Planning and Monitoring Cells in ministries.
- Land acquisition and litigations

Evaluation of development projects

The Planning Commission undertakes evaluation of development projects and programs which includes systematic and objective assessment of completed and ongoing projects, programmes and policies, its design, implementation and results. The aim was to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. Seven projects were evaluated against the target of 15 projects. The low achievement of target is attributed to shortage of required manpower in the evaluation Section. The recommendations made in the evaluation reports benefited the stakeholders, and provided guideline to improve the future policy and in planning.

Result-based monitoring

The public sector organisations emphasise on results, outcomes and impacts. This means that the demand for monitoring and evaluation of the Public Sector must be located within the broader framework of the Government Systems and Policies. Results based monitoring and evaluation (M&E) is a powerful public management tool. This helps to track the status and progress made in policies, programs, or projects and also to provide timely information to the relevant stakeholders and allows for greater accountability, set the basis for establishing key goals and objectives and provides a justifiable basis for budget requests. Participatory approach has been adopted in monitoring evaluation process. It was ensured that stakeholders are involved in all stages of planning, monitoring and evaluation .Monitoring data indicates that the implementation of projects have suffered mainly due to low releases as compared to PC-I phasing and lack of capacity in management of projects. Thin allocation of resources to a large portfolio results into delays and cost over runs in majority of projects, improper preparation/designing of the PC-I's leads to delays, cost over runs, change in scope of work and ultimate revision of the PC-Is.

Management Information System

The MIS plays an important role in decision-making. An organisation cannot work effectively without a well-managed information system. To make the projects monitoring more effective and facilitate the working of Projects Wing, MIS Section of Projects Wing is managing a web based Project Monitoring and Evaluation System (PMES) for sustained flow of e-information on projects' implementation which is facilitating the line ministries/divisions and provincial departments as a central database for storing essential data of projects implementation and completion. PMES is the backbone of PSDP Projects for their effective monitoring. More than 3,000 PSDP projects have been added in the PMES system and 2,000 relevant users have been trained.

Governance reforms in provinces

Punjab

The Planning and Development Department of the Punjab, in collaboration with the World Bank, has initiated 'Punjab Public Management Reform Programme (PRMP) to strengthen performance monitoring system and feedback loops, improve transparency and access to information. Three main result areas of the PPMRP include (i) Transparency and Access to Services (ii) Performance Monitoring (iii) Resource Management. The programme is planned

over five year period with disbursement up to a maximum of \$ 50 million equivalent over this period. The program is being implemented in seven target departments of the provincial government, namely (i) Agriculture Department (ii)Excise and Taxation Department (E&TD) (iii) Higher Education Department (HED) (iv) Irrigation Department (ID) (v) Livestock and Dairy Development Department (L&DD) (vi) Local Government and Community Development Department (LG&CD) (vii) School Education Department (SED).

In collaboration with Department for International Development, Sub-National Governance Program (SNGP) has been initiated to improve management of service delivery by strengthening the evidence-based decision-making and responsiveness to citizens and enhance government transparency, local accountability and openness to citizens. SNGP aims to ensure that government services are being provided in accordance with needs of poor people. The project is being implemented in 6 districts , that is, Hafizabad, Sahiwal, Mandi Bahauddin, Vehari, Sheikhupura and Bahawalnagar to tackle problems such as weak planning, lack of evidence on which to base policies and budgets, poor staff performance management, corruption, and inadequate accounting to citizens and legislatures. The desired outcome by 2016 is that the poor Punjab find services better meet their needs. It expects the programme will achieve this by (i) Enhancing the evidence-base used by sub-national government for key decisions about service provision (ii) Encouraging sub-national governments to be more transparent and responsive to poor people's needs (iii) Strengthening the capability of sub-national government to ensure provision of decent services to poor people;

After the closure of PSCBP which was implemented in collaboration of World Bank at total cost of \$61 million, Government of the Punjab developed an integrated Punjab Capacity Building Program (PCBP-I-II-III and IV) for officers in the relevant areas which equipped them with suitable professional skills to undertake the upcoming challenges.

To curb corruption, bribery and slow pace of service delivery, the Government of Punjab has launched Proactive Governance Model in selected government departments to seek citizen feedback on public services. The programme has not only helped to improve the governance system but also creates deterrence for corruption in the system by empowering a common man to connect the government directly.

Sindh

The Sindh government has launched various initiatives to improve transparency and good governance through reforms in public sector. To improve the performance of public financial management, Public Expenditure and Financial Accountability (PEFA) Assessment with the assistance of development partners has been carried out. 32 performance indicators over the performance of Government were evaluated on six core dimensions of public financial management which include credibility of the budget, comprehensiveness and transparency, policy-based budgeting, predictability and control in budget execution, accounting, recording, and reporting and external scrutiny and audit.

Based on the PEFA Assessment, Sindh Public Sector Management Reform Project has been initiated with the assistance \$50 million from the World Bank. The objectives of project include increasing revenue mobilisation through tax policy reforms and increase administrative efficiency in tax collection, enhancing performance of public financial management systems, strengthening public procurement performance, strengthening management and transparency of the development portfolio.

The Sindh Tax Revenue Mobilisation Plan 2014-19 has been approved which comprises a set of activities to deliver results that cover a wide range of cross-cutting tax policy and tax administration issues including tax simplification, modernisation of tax administration and taxpayer facilitation. Under the plan, a Tax Reform Unit has been established which generate data and information; design and implement specific initiatives or measures for rising optimal tax revenue, and orchestrate a tax policy dialogue among the tax administration entities. To keep the Debt Management system in the province, a Debt Management Unit has also been established which would have an active and functional debt management office within FD structured along functional lines.

The Public Financial Management Reform Strategy (2014-15 to 2019-20) has been approved by the Sindh Cabinet and has been shared with all departments for implementation. The objective of the PFM Reform Strategy is to ensure a public finance system that is based on the principles of transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

The reforms initiated under the above lending were far reaching as these enabled the Government to move towards substantial reforms under debt restructuring; tax reforms; expenditure management reforms as well as sector and regulatory reforms. These reforms helped in creating the fiscal space, which in turn was used for providing higher allocations in poverty reducing sectors including the ADP.

Khyber Pakhtunkhwa

The District Delivery Challenge Fund (DDCF) in collaboration with the Sub-National Governance (SNG) programme has been launched by the Government of Khyber Pakhtunkhwa with the support of UK Government's Department for International Development (DFID). The main aim of DDCF is to identify, develop, finance and pilot innovative ideas for improving the delivery of public services. The first public service being targeted on primary education in Karak, Lakki-Marwat, D.I. Khan, Haripur, Nowshera and Buner. In addition, the government of Khyber Pakhtunkhwa has taken important initiatives to improve governance and development outcomes in the province. The initiative includes introduction of Right to Public Service Act 2014 under the Act Right to Public Service Commission has been established and operationalised. Ehtesab Commission has been established and operationalised under Ehtesab Act 2014. Citizen Feedback Model has also been operationalised to curb corruption, bribery and slow pace of service delivery. Conflict of Interest Bill has been drafted and handed over to Select Committee. Whistle Blower Bill has been finalised at the department level.

The Comprehensive Development Strategy (CDS), introduction of output/ performance Based Budgeting (OBB), gender response budgeting, development of Health Sector Strategy (HSS), Education Sector Plan and Social Protection Strategy, as well as the establishment of the office of the Provincial Ombudsman. The aim of these initiatives is to reform government of Khyber Pakhtunkhwa to conduct its business in an effective and efficient manner. The provincial government is also implementing 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 2014-15, the KPK government implemented number of projects to improve governance, capacity/ efficiency of government departments which includes District Governance Community Development Programme to build responsiveness and effectiveness of the State to restore citizen trust; stimulate employment and livelihood opportunities; and ensure the delivery of basic services. The project is being implemented in 6 districts of Malakand Division (Malakand, Chitral, Shangla, Swat, Upper Dir and Lower Dir).

Balochistan

The Balochistan government launched ‘Governance Support Project’ in 2012 with the financial assistance of Multi Donors Trust Fund (MDTF) to improve delivery and efficiency of the core government departments through institutional strengthening and support to line departments, while responding to priority governance needs. To enhance the capacity of government officials in the area of project management, Monitoring and Evaluation and appraisal, financial management, procurement etc. have been conducted at National Institute of Management (NIM), Pakistan Planning and Management Institute (PPMI) and Lahore University of Management Sciences (LUMS). Partnerships with local academic institutions have been established to address the emerging issues and challenges in the province, with mutual agreement, trust and dedication and to develop linkages for specialised services and improved governance. Following interventions have been undertaken in collaboration with local academic institutions:

- Comprehensive TNA for Government departments and Performance Management System has been developed with the support of Balochistan University of Information Technology, Engineering and Management Sciences (BUITEMS);
- Citizen Report Card Survey conducted and Result Based Management system is being initiated in collaboration with University of Balochistan;
- Citizens’ pre-budget consultative workshops for women at divisional level have been conducted with collaboration of Sardar Bahadur Khan Women University Quetta.

A result based M&E Centre of Excellence is being established in BUITEMS. The centre will be linked with Andrew Young School of Policy Studies of Georgia State University at Atlanta-US.

First time in history of the province, the GSP- Balochistan organised citizens’ Pre-Budget consultative workshops at Divisional and district level to record aspirations of the masses. Besides, support is being provided to strengthen the Planning and Development Department, Anti-Corruption Establishment Balochistan and Provincial Ombudsman Office. Hotlines in Anti-corruption establishment and Provincial Ombudsman are being established to facilitate the citizens of the far-flung areas of the province for lodging corruption complaints and grievances. Ten Year governance plan is being formulated and establishment of Public Policy and Research Institute is at final stage.

Outlook for 2015-16

The governance is perhaps the single most important factor in ensuring objectives of effective service delivery. Steps are needed to address issues relating to improving people’s participation and involvement of civil society, especially voluntary organisations and enhancing effectiveness of devolution. To create effective pressure group to check deterioration in governance and exploitation of the public resources, empowerment of marginal and excluded classes would be needed. Corporate governance will be improved to increase public-private interface, and by

developing legal and regulatory frameworks. Public sector management needs to be made more efficient through a variety of measures, which includes modernisation of public sector institutions, civil service reforms (recruitment, training, promotion, transfer/ posting and performance evaluation); procedural and process reforms; procedural regulations and controls; tax and judicial reforms. Smart governance would need a big push to increase transparency, fair play and make systems faster and user friendly.

An amount of Rs6,549 million is allocated for institutional reforms and good governance in the PSDP 2015-16. The allocation indicates an increase of 12 per cent over the last year's allocations.

Programmes

The reforms programmes and initiatives in the area of governance mentioned above and have already been under implementation at Federal and Provincial levels will be continued during 2015-16. A framework for civil service reform will be developed in consultation with stakeholders. In addition, an amount of Rs2.5 million is being allocated in PSDP 2015-16 to initiate reforms in Islamabad Capital Territory to make it as model and showcases for provinces in the area education, health, police and other civic service sector. A huge amount is being spent on security related projects to implement National security policy/ National Action Plan for the improvement of law and order in the country which will facilitate foreign direct investment and ultimately support sustainable economic growth and development. To improve and facilitate international trade, an integrated transit management trade system is being established at Wahga, Chaman, Karachi, and Thorkaham Borders Effective monitoring and evaluation will be encouraged and supported. Approximately 400 projects will be monitored to ensure effective implementation and timely completion of project. Emphasis will be laid on results based monitoring, to assess outcome of the projects. Ex-post evaluation of 15 projects will be undertaken to assess the outcome and impact of the projects with reference to their planned objective. New software applications will be developed on need basis keeping in view the demands of various reports required by the Prime Minister's office, Parliamentary Bodies, Public Accounts Committee and other senior management. The new projects in the next PSDP will be made part of this database and the progress of all the PSDP projects will be reported via PMES.

PILLAR-IV

**ENERGY, WATER AND FOOD
SECURITY**

CHAPTER 18

ENERGY

Pakistan is facing severe energy shortages since 2006. The main reasons include inadequate capacity addition, limited exploration, ineffective exploitation of hydro and coal, renewable potential and inefficient use of energy resources. The situation leads to a demand supply gap resulting in load-shedding of electricity and gas. Pakistan continues to suffer from the power crisis as nearly one-third of demand for electricity, during the last year, could not be met due to the supply constraints. On average, the supply deficit of around 5,000 Megawatt (MW) was experienced, while it touched the peak of over 7,000 MW last July.

The development of indigenous energy resources such as coal, hydro, and alternative and renewable sources are critical for sustainable economic growth as envisioned in the Vision 2025. The share of hydro power is 31 per cent of total generation in 2014-15 as compared to nearly 70 per cent in the 1980s. The development of the hydro power projects suffered a slowdown due to controversies about major dams despite the large potential of hydro power generation. According to estimates, Pakistan has a hydro potential of about 60,000 MWs of which only 6750 MW (11.25 per cent) has been harnessed so far. Consequently, thermal power was relied upon, as natural gas was abundant and cheaper than oil, and it was the preferred fuel for generation. However, depletion of indigenous gas has resulted in the increased usage of expensive furnace oil and high speed diesel oil in the electricity generation, adversely affecting its affordability in due course. Thus, special emphasis is to develop hydro potential through mega power projects, like Dasu (2500 MW), Diamer Bhasha (4500MW) and Neelum Jhelum (969 MW). In addition, imported and domestic coal (Thar Coal) has also been given high priority. Further, renewable potential (wind and solar) are under active exploitation. To bridge the gap at the earliest possible, efforts are being made to increase the domestic exploration and development supplemented by imported RLNG.

Similarly, Pakistan's existing primary energy supplies are highly skewed towards more expensive fuels like oil and gas instead of indigenous hydro and coal. Out of 67 MTOE of total primary energy mix for 2013-14, 46.4 per cent share is of natural gas, 35 per cent oil, 11.4 per cent hydro, 5.4 per cent coal and two per cent nuclear, including imported energy. Disproportionate reliance on the imported oil, that is, 85 per cent of the total oil supply, is exerting a strain on the balance of payments besides making the energy mix unfavourable.

Performance review 2014-15

Fuel sector

The overall targets set for oil and gas production have almost been met. Primarily, the private sector has played an important role in the exploration and development of the oil and gas sector. Further, the public sector organisations have been given autonomy and off-loaded from the PSDP for projects, which are now funded from their own resources. An allocation of

Rs166.720 million was made for the Geological Survey of Pakistan (GSP) for their coal exploration projects. The oil and gas production targets and achievements are tabulated below:

S.No	Items	Units	Targets 2014-15	Expected achievement up to 30-06-2015	Achievements (%)
1 Production					
11.1	Crude oil	Million barrels	35.62	35	98.26
11.2	Gas	Trillion cft	1.470	1.460	99.32
11.3	LPG	Tonnes	4,38,000	5,11,000	116.67
2 No. of wells drilled		Numbers	104	80	76.92
32.1	Exploratory	Numbers	54	40	74.07
32.2	Development	Numbers	50	40	80

LNG and Gas

Under the Fast Track LNG Services Project, the Sui Southern Gas Company Limited (SSGCL) and Engro Energy Terminal (Pvt.) Limited (EETPL) executed an LNG Services Agreement (LSA) for design, construction and operation of three million tonnes per annum (equivalent to 400 MMCFD) as well as its re-gasification and storage. The terminal has been completed and is operational now since March 2015. The terminal capacity can be enhanced up to 600 MMCFD.

Moreover, the Gawadar-Nawabshah LNG Terminal and Pipeline Project envisage laying of 42" 700 kilometre pipeline along with terminal at Gawadar for importing 500 MMCFD. A framework agreement for the project has been signed on the Government-to-Government basis with China during the last visit of the Chinese President to Pakistan in April 2015.

A total of 4,18,410 new consumers were added to the Sui Gas Companies, that is, Sui Northern Gas Company Limited (SNGPL) and SSGCL. Moreover, these Companies have also added 6,799 kms of new transmission and distribution pipelines in their respective jurisdictions. (Gas consumers, transmission, distribution achievements and targets are attached at Annexure-V.)

Coal

The Thar coal development is being given high priority, and the Sindh government has already constructed airport, improved and widened of roads for movement of heavy machinery and equipment from sea port up to the Thar Coalfield. In the current fiscal year, the provincial government has earmarked Rs21 billion for coal, wind and other energy projects. The Sindh Engro Coal Mining Company (SECMC) has started mining work at the Thar Block-II and about three million cubic meters overburden has been removed.

The GSP is also implementing three coal exploration projects in Sindh, Punjab and Balochistan, which are as follows:

- Appraisal of newly-discovered coal resources of the Badin Coal Field and its adjoining areas of Southern Sindh
- Exploration of tertiary coal in the Central Salt Range, Punjab
- Exploration and evaluation of coal in Raghni, Tehsil Sharig, Balochistan

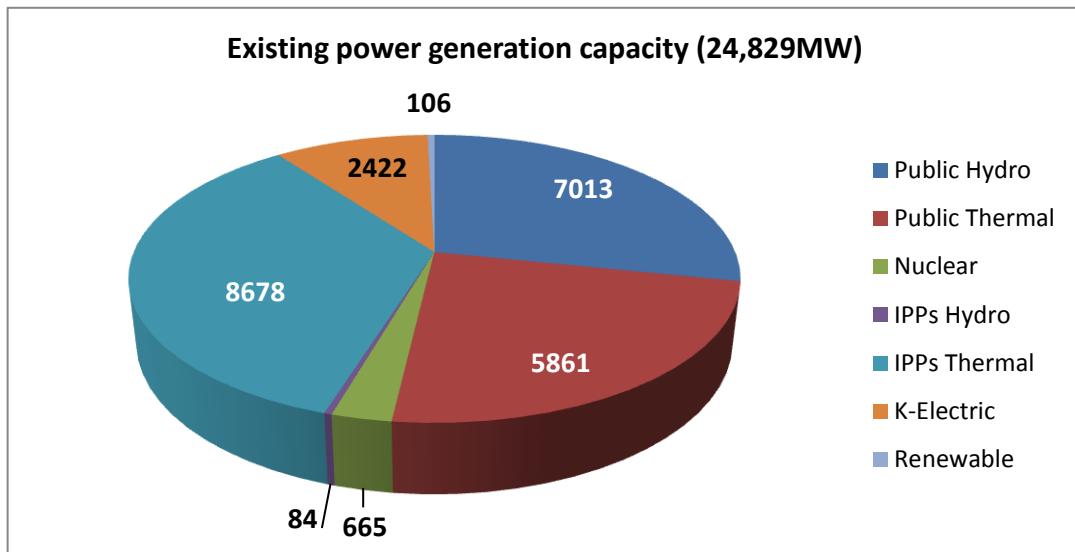
Power sector

An amount of Rs240 billion was allocated for the energy sector development projects in 2014-15. An addition of 536.2 MW out of 675 MW planned in 2014-15 was actualised. The remaining capacity of the Nandipur Combined Cycle Power Plant (138.8 MW) is expected to commission up to June 28, 2015. The power addition in the system is mainly from renewable resources, and is given in the table below.

Capacity addition 2014-15

Sr. #	Name of project	Agency	Fuel	Capacity (MW)
1 (a)	425 MW Combined Cycle Power Plant, Nandipur	NPGCL	FO	286.2
(b)	425 MW Combined Cycle Power Plant, Nandipur	NPGCL	FO	138.8
2	M/s Three Gorges First Wind Farm Pakistan Pvt. Ltd.	AEDB	Wind	49.5
3	M/s Foundation Wind Energy –I Ltd.	AEDB	Wind	50
4	M/s Foundation Wind Energy –II Ltd.	AEDB	Wind	50
5	Solar power park Bahawalpur	NPGCL	Solar	100
Total Addition 2014-15				675

The existing installed capacity is 24,830 MW, including 22,408 MW on the NTDC system and 2,422 MW on the K-Electric. The power generation mix by source is given in the pie chart below. The plant-wise details of power generation are attached at Annexure-I.



Transmission and distribution system

During the year 2014-15, the NTDC transmission has been enhanced by adding 3,150 MVA and 6,277 MVA on 500 kV and 220 kV systems respectively. Further, the transmission lines were extended by 1,944 kms accordingly. The distribution network has been enhanced by adding a total of 12,865 MVA distribution transformers corresponding 3,447 kms of transmission line to cater to the growing demand of all the ten distribution companies, which have also improved

their feeders by optimisation. The details of transmission projects are attached at Annexure-II, while the details of enhancement in distribution capacity of all DISCOs are attached at Annexure-III.

Outlook 2015-16

The projects for generating 1,027 MW are expected to come on line by year 2015-16. The demand-supply gap will, however, remain almost the same due to increase in demand, which is expected to grow at a rate of four to five per cent. The Neelum-Jhelum project is at an advanced stage of completion, and will come on line during FY 2016-17 adding 969 MW to the grid, which will reduce the demand-supply gap.

The government has initiated a programme with the assistance of China, where the energy sector has been given high priority to overcome energy shortages by the year 2017-18. The China-Pakistan Economic Corridor (CPEC) is expected to add 10,400 MW to the grid by 2018. The projects include coal, hydro and wind. List of the CPEC projects is attached as Annexure-VI. Not only that it will augment supplies in a major way, but will also significantly change the energy mix, replacing expensive oil and resulting in reduction in the average cost of generation. An important aspect of the CPEC projects is that it will be implemented in the private sector. All finance, equity and debt will be in the domain of project finance, and will not be affecting government debt portfolio. In the current year, the planning activities are expected to be completed and possibly some construction activity may also be started. In fact, on-ground activity has already been initiated on the Thar coal.

An important development in the fuel sector had been a substantial decrease in the international oil prices resulting in 29 per cent reduction in the local petroleum product prices. This development has lowered transport costs and electricity generation cost to the extent of electricity generation based on oil.

The Gas Infrastructure Development Cess (GIDC) bill has been passed by the Parliament. The Cess will increase average cost of gas for all sectors except domestic. However, a aspect of the Cess is that the gas transmission projects will be financed out of it to cater for imported LNG.

The projected demand for oil and gas during 2015-16 is 23 million tonnes (4,73,000 barrels per day) and 2.1 trillion cubic feet (six billion cubic feet per day) respectively. Keeping in view the planned supply of the indigenous oil of only 110,000 barrels per day and 1.5 trillion cubic feet gas, during 2015-16 a supply-demand gap in both oil and gas sectors is required to be met through an import of 18 to 19 million tonnes crude oil and petroleum products. Moreover, the indigenous gas supply will be supplemented through LNG imports to the tune of 400 MMCFD resulting in bridging to some extent the widening gas shortfall of over two billion cubic feet per day.

In line with the Vision 2025, the development of hydro power resources is being actively pursued and about 9551 MW projects are at various stages of construction. These are 4500 MW Diamer Bhasha, 128 MW Keyal Khwar, 106 MW Golan Gol, 2160 MW Dasu Hydropower Project (stage-1), 34.5 MW Harpo, 969 MW Neelum Jhelum, 1410 MW Tarbela 4th Extension, 243 MW 2nd Rehabilitation of Warsak Hydropower station. Similarly 2880 MW nuclear power projects are at various stages of construction.

The pre-feasibility and feasibility studies of approximately 18875 MW hydro projects have been completed. The projects are under various stages of approval, and finances for these projects are being arranged. These are 7100 MW Bunji Hydropower Project, 310 MW Refurbishment and upgradation of the Mangla Generating Unit 1-6, 1100 MW Kohala, 690 MW Shyok Dam, 665 MW Lower Plas Valley, 496 MW Lower Spat Gah, 40MW Basho, 2300 MW Pattan, 4000 MW Thakot, 2100 MW Dasu stage-II 48 MW Jagran, 26 MW Shagarthang.

Approximately, a total of 4445 MW thermal projects in the public sector are under construction. These are 425 MW Power Project Nandipur, 1320 MW Coal fired Power Plant Jamshoro, while two 2400 MW LNG-based power plants at Haveli Bhadur Shah and Balloki have been recently approved by the government, while 300 MW coal-fired Power Plant Gwadar is in the feasibility stage. These plants are expected to be completed by 2017-18.

The Planning Commission has deliberated on various proposals to facilitate and encourage the use of energy efficient LED lights and air conditioners by reducing import duty. Given the nature of the appliances, a reduction in rate of taxes will increase the quantity demanded, which will also result in increasing the overall tax revenue. In this respect, consultative meetings are being carried out to explore more options for energy conservation and efficiency. Also, the Building-Code of Pakistan has been outlined by the Pakistan Engineering Council, which has been done in collaboration with the government departments and ENERCON for implementation to improve energy conservation.

Energy programme for 2015-16

Fuel sector

The crude oil and gas production is planned to be 40 million barrels and 1.5 trillion cubic feet respectively. The Liquefied Petroleum Gas (LPG) production is planned to be 5,84,000 tonnes. Total 126 wells, including 61 exploratory and 65 developmental, are being planned to be drilled by the Exploration and Production (E&P) companies. The four existing OMCs will construct 10 new oil storages at six locations.

Shale oil and gas

In order to supplement the convention oil and gas exploration and production, a study has been initiated with the financial assistance of the USAID, which is expected to be completed by the end of 2015. The study will provide assessment and allied aspects of the shale oil and gas resources in the country, ultimately leading to development of a comprehensive and investment-friendly shale oil and gas policy.

Gas transmission and distribution

Both the SNGPL and SSGCL have plans to add total of 419,430 new consumers to their respective systems during the year 2015-16. In addition, the SNGPL and SSGCL have intended targets to lay down 7,332 kms in total of new transmission and distribution pipelines in their respective networks. In order to transmit the imported LNG to up-country, the SSGCL will construct 42" pipelines, which are expected to be completed by the end of 2016.

Gas losses and theft control

In addition to the Criminal Law (Amendment) Act 2011 by amending the Pakistan Penal Code 1860 and Code of Criminal Procedure 1898, the Gas (Theft Control and Recovery) Bill 2014 is under consideration in the National Assembly. After its passage from the Parliament, the law

will help in curbing the theft and reducing the gas losses, while also improving the arrear recovery from the consumers. In addition, to improve the operational efficiency of both the gas utility companies, a restructuring programme envisaging unbundling and separation of the transmission from the distribution is under active consideration.

LNG imports

During 2015-16, the LNG import will be enhanced from 400 to 600 MMCFD with further investment to be made by the public and private sectors in developing additional terminals. The pricing and other related matters, including allocation and its distribution through existing and new pipelines, will be undertaken by the Oil and Gas Regulatory Authority (OGRA) and sui gas companies.

The Gas Infrastructure Development Cess (GIDC) Bill 2015, passed by the both Houses of the Parliament, has enabled the government to collect additional revenue from the gas consumers, excluding domestic. The collection of revenue under the GIDC will be spent on gas infrastructure required for the imported LNG, and IP and TAPI projects.

In order to reduce an immense pressure on the limited supply of the indigenous gas, the government has allowed CNG sector to import LNG at a reduced GST of five per cent. Accordingly, the CNG sector has formed a gas company for the purpose, and is finalising the modalities for the LNG import. In addition, the fertilizer sector has also been persuaded to consider utilisation of syngas obtained from the Thar coal gasification.

Provincial participation in exploration and development of oil and gas

Under the 18th Constitutional Amendment, the provinces have been given equal and joint ownership over the oil and gas resources. The provincial energy departments are making all efforts to enhance oil and gas exploration in their respective jurisdictions. The KPK government has established the KP Oil and Gas Company Ltd (KPOGCL). The Sindh government, through the Sindh Energy Holding Company Ltd (SEHCL) and Sindh Petroleum Ltd (SPL), is planning to explore oil and gas in the province.

In order to facilitate and encourage the participation of locals in the development and security of oil and gas fields, a proposal for supplying gas to the community residing within five-km-radius of the gas fields, under a joint funding mechanism of gas utility companies and respective provincial governments, is being submitted of the Council of Common Interests (CCI) for consideration and approval.

Coal sector

The execution of the following three projects will be continued by the GSP and Ministry of Petroleum and Natural Resources.

- Appraisal of the newly-discovered coal resources of Badin coal field and its adjoining areas of Southern Sindh (PSDP allocation 2015-16: Rs30 million)
- Exploration of the Tertiary Coal in the Central Salt Range, Punjab (PSDP allocation 2015-16: Rs23.93 million)
- Exploration and evaluation of coal in Raghni area, Tehsil Sharig, Balochistan (PSDP allocation 2015-16: Rs15 million)

Thar Coal Development

The Thar Coal Projects have been enlisted as early harvest projects by the CPEC. The Sindh Engro Coal Mining Project (SECMC) and Sino-Sindh Resources have been prioritised to be financed by the Chinese institutions. Besides the SECMC, other block lease holders are also actively working.

Power sector

An amount of Rs317,177 million has been allocated for various power projects for 2015-16 of the Ministry of Water and Power, Ministry of Kashmir affairs and Gilgit Baltistan, Pakistan Atomic Energy Commission and Pakistan Nuclear Regulatory Authority. The WAPDA, NTDC, GENCOs and DISCOs will invest Rs174,950 million from their own resources. The installed power generating capacity is planned to be increased from 24,830 MW in June 2015 to 25,857 MW in June 2016 through an addition of 1,027 MW in system. The break up is given below:

Capacity addition 2015-16 (MW)

Sr. #	Name of project	Agency	Fuel	Capacity (MW)	Commissioning date
1.	Chashma-III Nuclear Power Plant	PAEC	Nuclear	340	April 2016
2.	Quaid-e-Azam Solar Park Phase-II	PTDB	Solar	300	2015-16
3.	Nandipur CCPP (Subject to gas availability)	GENCO	Gas conversion	100	2015-16
4.	Sapphire Wind Power Company (Pvt) Ltd	AEDB	Wind	49.5	Dec 2015
5.	Chiniot Power Ltd	AEDB	Bagasse	62.4	Dec 2015
6.	RYK Mills Limited	AEDB	Bagasse	30	Dec 2015
7.	Hamza Sugar Mill Limited	AEDB	Bagasse	15	Dec 2015
8.	Yunus Energy Ltd	AEDB	Wind	50	June 2016
9.	Tapal Wind Energy (Pvt.) Ltd	AEDB	Wind	30	June 2016
10.	Metro Power Co. (Pvt) Ltd,	AEDB	Wind	50	June 2016
Total Addition 2015-16					1,027

Transmission and distribution system

To enhance the transmission capacity during 2015-16, about 10,970 MVA transformers of 500 and 220 kV systems will be installed along with 1,236 km of transmission lines as per details given below. Moreover, under the power distribution, energy loss reduction and village electrification programmes include: installation of 15,686 MVA of the distribution transformers and 5,424 km of HT/LT transmission line. Detail is attached as Annexure-IV.

Sr. No.	Voltage Level	Addition in transformation Capacity (MVA)				Addition in T/Line (km)	Estimated Cost (MUS\$)	Amount Incurred (MUS\$)	Balance Amount (MUS\$)	Expected Completion
		New	Aug.	Ext	Total					
1-	500kV	3900	300	-	4,200	549	1084	370	714	2015-16
2-	220kV	5870	900	-	6,770	687				

Energy efficiency and conservation

The Planning Commission has deliberated on various proposals to facilitate and encourage the use of energy efficient LED lights and air conditioners by reducing duty. Given the nature of the

appliances, a reduction in the rate of taxes will increase the demand; thereby, increasing the overall tax revenue. In this respect, consultative meetings are being carried out to explore more options for energy conservation and efficiency.

Energy sector reforms

A number of consultative meetings with the ministries and divisions concerned were held on the enlisted-below agenda of the energy sector reforms:

- Merger of NEPRA and OGRA
- Definition of relationship of regulatory action and government policy
- Appellate Tribunals for the energy sector
- Regulatory Advisory Committees (RAC)
- Reorganisation of the NEPRA and OGRA, federal oversight and merit-based transparent and efficient appointment process in the energy sector
- Tariff-setting reforms in the regulatory process
- KE tariff reforms and restructuring
- Reorganisation of the energy sector ministries
- Delinking of transmission and distribution from SNGPL and SSGC
- Recognising, encouraging and rewarding energy efficiency and conservation
- Assist in the development of the local engineering design and manufacturing capabilities
- To encourage development of an integrated GIS framework of the energy sector
- To build inland water ways for transport of raw materials (coal) for the energy sector

Annexure-I

Existing power generation			
Existing installed capacity			
Sr. No.	Name of power station	Fuel	Installed capacity (MW)
Hydel WAPDA			
1	Tarbela	Water	3,478
2	Mangla	Water	1,000
3	Ghazi Barotha	Water	1,450
4	Warsak	Water	243
5	Chashma Low Head	Water	184
6	Allai Khwar HPP	Water	121
7	Jinnah Low Head	Water	96
8	Small Hydels5	Water	106
9	Khan Khwar HPP	Water	72
10	Dubair Khwar HPP	Water	130
Sub-Total (WAPDA Hydel)			6,902
Others			
11	Jagran Hydel	Water	30
12	Malakand-III Hydel	Water	81
Total Hydel			7,013
GENCOs			
13	TPS Jamshoro #1-4	Gas/FO/RFO	850
14	GTPS Kotri #1-7	Gas/HSD	174
Sub-Total GENCO-I			1,024
15	TPS Guddu Steam #1-13	Gas/FO	1,655
16	Guddu 747	Gas	747
17	TPS Quetta	Gas	35
Sub-Total GENCO-II			2,437
18	TPS Muzaffargarh #1-6	RFO/FO/Gas	1,350
19	NGPS Multan #1&2	Gas/RFO/HSD/FO	195
20	GTPS Faisalabad #1-9	Gas/HSD	244
21	SPS Faisalabad #1&2	FO/Gas/ RFO	132
22	Shahdara G.T.	Gas	44
23	Nandipur	RFO	286
Sub-Total GENCO-III			2,251
24	FBC Lakhra	Coal	150
Sub-Total GENCO-IV			150
Sub-Total GENCOs			5,862
Nuclear			
25	Chashma Nuclear (PAEC)-I	Uranium	325
26	Chashma Nuclear (PAEC)-II	Uranium	340
Sub-Total (Nuclear)			665
Hydel IPPs			
27	New Bong Escape	Water	84
Sub-Total (Hydel IPPs)			195
Thermal IPPs			
28	KAPCO	RFO/Gas/HSD	1,638
29	Hub Power Project (HUBCO)	RFO	1,292
30	Kohinoor Energy Ltd. (KEL)	RFO	131

Existing installed capacity			
Sr. No.	Name of power station	Fuel	Installed capacity
31	AES Lalpir Ltd.	RFO	362
32	AES Pak Gen (Pvt) Ltd.	RFO	365
33	SEPCOL	RFO	135
34	Habibullah Energy Ltd. (HCPC)	Gas	140
35	Uch Power Project	Gas	586
36	Rousch (Pak) Power Ltd.	Gas	450
37	Fauji Kabirwala (FKPCL)	Gas	157
38	Saba Power Company	RFO	134
39	Japan Power Generation Ltd.	RFO	135
40	Liberty Power Project	Gas	235
41	Altern Energy Ltd. (AEL)	Gas	31
42	Attock Generation PP	RFO	163
43	ATLAS Power	RFO	219
44	Engro P.P. Daharki, Sindh	HSD/Gas/FO	226
45	Saif P.P. Sahiwal, Punjab	Gas/HSD	225
46	Orient P.P. Balloki, Punjab	Gas/HSD	225
47	Nishat P.P. Near Lahore	RFO	200
48	Nishat Chunian Project. Lahore	RFO	200
49	Foundation Power	Gas	175
50	Saphire Muridke	Gas/HSD	225
51	Liberty Tech	RFO	200
52	Hubco Narowal	RFO	220
53	Halmore Bhikki	HSD/Gas	225
54	Uch-II	Gas	375
55	Davis	Gas	10
56	Sub-Total Thermal IPPs		8,678
Wind Power Projects			
57	Fauji Wind Power	Wind	50
58	Zorlu Energy Wind Power	Wind	56
Total Wind Power Plants			106
Total Installed Capacity (Public+Private)			22,408
Total Installed Capacity K-Electric			2,422
Grand Total (Sub Total + K-Electric)			24,830

Annexure-II

Transmission system expansion plan

Sr. No.	Name of the project	MVA capacity	Addition in T/L (km)	Approved PC-I cost million (Rs US \$)	Expected completion
1	220kV Gharo G/S and Extension at 500kV Jamshoro G/S	2x250 (Gharo) + 1x450 (Jamshoro)	85	7,952 80	2016-17
2	Evacuation of Power from 1320 MW Imported Coal based PP at Sahiwal	1x600	0.5	1413 14	2016-17
3	Replacement of existing 220 kV Tarbela-Burhan D/C T/L (35km) Replacement of existing 220 kV Tarbela-Burhan-ISPR D/C T/L (62.5km) In/Out of one circuit of 220kV Mansehra-ISPR D/C T/L (40km)	-	138	3,568 36	2016-17
4	Evacuation of Power from 1200 MW LNG Based Power Project at Bhikki	-	03	02	2016-17
5	Evacuation of Power from 1200 MW LNG Based Power Project at Balloki	750	40	31	2016-17
6	Evacuation of Power from 1200 MW LNG Based Power Project at Jhang (Haveli Bahadur Shah)	-	28	15	2016-17
7	Power Dispersal from 1200 MW Thar Coal Power Plant (500 kV Thar – Matiari T/L & Matiari 500 kV S/Station)	-	270	185	2017-18
8	Evacuation of Power from 1320 MW Bin Qasim Project	-	180	107	2017-18
9	Extension/Augmentation of 220/132kV Rewat substation (2x160 to 2x250 + 1x250)	430	-	7	2017- 18
10	500 kV Faisalabad West G/S along with allied T/Ls	3x250 + 2x750	125 (220 kV) 32 (500 kV)	72	2017-18
11	500 kV Islamabad West G/S along with allied T/Ls	3x250 + 2x750	35 (220 kV) 27(500 kV)	55	2017-18
12	220kV Mirpur Khas G/S along with allied T/Ls	2x250	70	32	2017-18
13	500kV Chakwal G/S along with allied T/Ls	2x250	20	30	2017-18
14	220kV Mastung G/S along with allied T/Ls	2x250	120	43	2017-18
15	Evacuation of Power from Tarbela 5th Extension	-	77	40.5	2017-18

Sr. No.	Name of the project	MVA capacity	Addition in T/L (km)	Approved PC-I cost million (Rs US \$)	Expected completion
16	T.M Khan to Hala Road 220kV D/C T/L	-	10	2	2017-18
17	Evacuation of Power from Karot and Azad Pattan HPPs	-	10	5	2018-19
18	Evacuation of Power from 1320 MW HUB Power Company Ltd	-	25	15	2018-19
19	Evacuation of Power from 350 MW Siddiqsons Ltd	-	32	20	2018-19
20	Evacuation of Power from 660 MW Lucky Electric Power Company Ltd.	-	32	20	2018-19
21	Evacuation of Power from 2160 MW Dasu Hydro Power Project (Phase-I)	-	615	560	2019-20
22	Interconnection Scheme for CASA-1000 (HVDC Part)	-	100km (HVDC)	167	2019-20
23	500 kV Peshawar New G/S along with allied T/Ls (HVAC Part of CASA-1000)	2x750	15 (500 kV) 24 (220 kV)	35	2019-20
24	Evacuation of Power from Suki Kinari HPP	-	200	107	2019-20
25	220kV Kohat G/S along with allied T/Ls	2 x 250	50	35	2019-20
26	220kV Jamrud G/S along with allied T/Ls	2 x 250	10	15	2019-20
27	220kV Kamra G/S along with allied T/Ls	2 x 250	5	12.5	2019-20
28	220kV Shadman G/S along with allied T/Ls	2 x 250	15	50	2019-20
29	220kV Jauhrabad G/S along with allied T/Ls	2 x 250	10	12.5	2019-20
30	220kV H.Faqiran G/S along with allied T/Ls	2 x 250	58	39	2019-20

Annexure-III

Investment requirements for Grids and T/L in DISCOs 2014-15

DISCO	Projected Demand (MW)	Trans. Line (KM)	Power Transformer (MVA)	Cost of T/L and Power Transformer (Rs. Mill)	HT Line (KM)	LT Line (KM)	Distribution Trans-Former (MVA)	Cost of HT/LT & Dist. Transformer (M.Rs)	Cost of replacement of meters (M.Rs)	Cost of installation of AMI (M.Rs)
FESCO	3059	187	642	6629	528	754	580	2683	94	-
MEPCO	4250	47	350	3000	70835	46776	7331	1560	700	580
HESCO	1290	97	217	1074	350	170	90	486	175	10
GEPCO	2386	2468	3885	955	22327	17917	3568	516		
TESCO	585	58	130	1630	250	192	8	616	0.5	5
IESCO	2565	313	247	5765	690	170	55	1577	365	0
QESCO	1715	84	92	425	522	51	430	996	31	4
PESCO	2894	52	312	2700	1644	1796	30	3695	28	20
SEPCO	1180	73	44	1195	347	88	426	861	230	1
LESCO	5022	68.1	269	1937.2	594	436	348	1301	40	0
	24946	3447.1	6188	25310.2	98087.24	68349.95	12865.367	14290.73	1663.3	619.3

Annexure-IV

Investment requirements for Grids and T/L in DISCOs 2015-16

DISCO	Projected Demand (MW)	Trans. Line (KM)	Power Transformer (MVA)	Cost of T/L and Power Transformer (Rs. Mill)	HT LINE (KM)	LT LINE (KM)	DISTRIBUTION TRANSFORMER (MVA)	COST OF HT/LT & DIST. TRANSFORMER (M.Rs)	Cost of replacement of meters (M.Rs)	Cost of installation of AMI (M.Rs)
FESCO	3261	202	806	6801	730	819	605	2859	108	18
MEPCO	4460	178	1507	9200	71511	46896	9833	3351	700	760
HESCO	1343	490	78	6058	604	252	114	675	340	0
GEPCO	2423	2548	4546	2645	22477	18142	3654	1277	500	1000
TESCO	627	120	52	1491	300	220	10	636	0.6	5
IESCO	2702	313	544	8909	755	177	55	1715	365	101
QESCO	1768	958	104	9943	602	54	456	1387	32	4
PESCO	3125	82	520	4200	1870	1158	33	4470	30	21
SEPCO	1250	330	210	2722	445	104	545	1094	230	1
LESCO	1312.5	203.44	1668	11797.72408	640	370	381	1416	248	131
	22271.5	5424.44	10035	63766.72408	99934.07	68191.59	15686.518	18880.445	2554	2041.618

Annexure-V

**Gas consumers, transmission and distribution addition
Achievements and targets**

Sr#	Items	Units	Targets 2014-15	Expected achievement up to 30-06- 2015	Achievement (%)	Targets 2015-16
Gas consumers added						
SNGPL						
	Domestic	Nos.	300,000	300,000	100	300,000
	Commercial.	Nos.	-	71		1,000
	Industrial	Nos.	-	-		20
	Sub-total SNGPL	Nos.	300,000	300,071	100.02	301,020
SSGCL						
	Domestic	Nos.	10,700	96,084	897.98	118,000
	Commercial.	Nos.	320	309	96.56	375
	Industrial	Nos.	25	9	36	35
	Sub Total SSGCL	Nos.	11,045	96,402	872.81	118,410
	Total SNGPL + SSGCL	Nos.	311,045	396,473	127.46	419,430
Transmission & Distribution extension by gas companies						
SNGPL						
	Transmission	Kms	114	111	97.37	111
	Distribution and service	Kms	4,675	4,675	100	5,274
	Sub-total SNGPL	Kms	4,789	4,786	99.94	5,385
SSGCL						
	Transmission	Kms	164	41	25	168
	Distribution and Service	Kms	1,846	780	42.25%	1,779
	Sub Total SSGCL	Kms	2,010	821	40.85%	1,947
	Total SNGPL + SSGCL	Kms	6,799	5,607	82.47%	7,332

Annexure-VI

Projects of the CPEC

Sr.	Projects	Energy projects		Category cost
		MW	(\$ million)	
1	Sinohydro Resource Limited & Al Mirqab Capital	1320	1,980	Priority
2	Sahiwal 2x660MW Coal-fired Power Plant	1320	1,600	Priority
3	Engrothar 2x330MW Coal-fired	660	1,000	Priority
	Surface mine in Block II of Thar Coal field,3.8 million tons/year		860	Priority
4	Gawadar Coal Power Project	300	360	Priority
5	Muzaffargarh Coal Power Project	1320	1,600	Priority
6	Rahimyar Khan Coal Power Project	1320	1,600	Priority
7	SSRL Thar Coal Block 6.5mpta & CPIH Mine Mouth Power Plan	1320	1,300	Priority
8	Quaid-e-Azam 1000MW Solar Park	1000	1,350	Priority
9	Dawood 50MW wind Farm	50	125	Priority
10	UEP 100MW wind Farm	100	250	Priority
11	Sachal 50MW Wind Farm	50	134	Priority
12	Sunnec 50MW wind Farm	50	125	Priority
13	SukiKinari Hydropower Station	870	1,802	Priority
14	Karot Hydropower Station	720	1,420	Priority
Total (Priority)		10400	15,506	
Projects		MW		
15	Gaddani Power Park Project			Actively promoted
(i)	4x660MW	2640	7,920	Actively promoted
(ii)	Jetty + Infrastructure		1,200	Actively promoted
(iii)	Transmission Line to Lahore and Faisalabad		3,000	Actively promoted
16	ChichokiMallian 525MW Combined-cycle Power Plant		550	Actively promoted
17	KohalaHydel Project	1100	2,397	Actively promoted
18	Pakistan Wind Farm II (Jhampir, Thatta)	100	150	Actively promoted
19	HUBCO coal power plant	660	970	Actively promoted
20	Salt Range Mine Mouth Power Project including mining	300	800	Actively promoted
21	Thar mine mouth oracle	1320	1,300	Actively promoted
Total (actively promoted)		6120	18,287	

CHAPTER 19

WATER

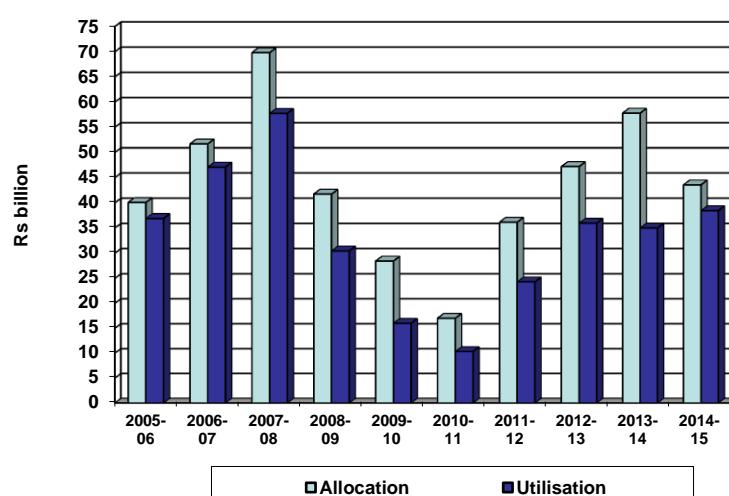
Water is essential to meet the food need for country's growing population. The efficient use of water is an important requirement for sustainable agricultural growth and agriculture oriented activities to tap more benefits from this sector. Increases in agricultural production to meet the needs of a rising population, will require additional water. Based on the population growth projections by 2025, an estimated additional 10 MAF will be needed at the farm gate. The level of agricultural production is directly related to the availability and effective use of water as a major input. The water sector's future strategies are based on the government of the Vision 2025 for the welfare, poverty alleviation and well-being of people. All efforts are being made to overcome the water sector's present challenges through formulation and effective implementation of a comprehensive set of measures for the development and sagacious management of water resources. Following are the areas of strategic investment based on the guiding principles of equity, efficiency, participatory decision making, sustainability and accountability:

- Augmentation of water resources (construction of small and medium dams)
- Conservation measures (lining of irrigation channels, modernisation and rehabilitation of irrigation system, lining of watercourses and micro irrigation system)
- Protection of infrastructure from onslaught of floods and water logging and salinity

Performance review 2014-15

During the fiscal year 2014-15, maximum resources were allocated for timely completion of on-going priority projects to achieve the planned targets for the year 2014-15. Rs43.557 billion were allocated for water sector's development programmes. An amount of Rs38.445 billion is expected to be utilised (about 88 per cent of allocation) by end of the year.

A glance at the previous years' allocation and utilisation



Landmarks achieved

The following were the major achievements made during 2014-15:

- Completion of (more than 83 per cent) Phase-I of Kachhi Canal in Balochistan and Rainee Canal (100 per cent) Sindh for irrigating 2.864 million acres
- Operationalisation of the Mangla Dam Raising Project and completion of the Satpara Dam in G-B
- Substantial completion of the Gomal Zam Dam Project Khyber Pakhtunkhwa area for irrigation of 163,100 acres of agriculture land and 17.4 MW power generations
- To overcome water scarcity, utilisation of Rs4,000 million for lining of irrigation channels in the Punjab and Sindh during the FY 2014-15
- For the modernisation of existing irrigation system, an amount of Rs1,929 million is expected to be utilised during 2014-15 on improvement of existing irrigation system in Punjab, Sindh and Khyber Pakhtunkhwa
- Rs5,500 million were allocated and expected to be utilised on construction of new medium dam in all over Pakistan (Mangla, Gomal, Darwat, Nai Gaj, Kurram Tangi and Naulong dams).
- In Balochistan, Sindh, Punjab and KPK about Rs5,490 billion are expected to be utilised on construction of new small, delay action and recharge dams.
 - Balochistan Rs3,700 million
 - Punjab Rs390 million
 - Sindh Rs500 million
 - KPK Rs900 million

In the drainage sector, a sum of Rs3.50 billion has been allocated for fast track implementation of RBOD-I, II and III Projects to protect and reclaim 4.90 million acres of irrigated land remained continue.

Projects completed during 2014-15

- Major physical targets achieved during 2014-15 are as under:-
- Rehabilitation of Flood 2010 Damages (RBOD-III), Jaffarabad, Nasirabad and Bolan
- Rehabilitation of SCARP Tws and Drainage System LBOD Nawabshah Sindh
- Chashma Right Bank Irrigation Project (Additional works)
- Construction of 100 small Dams in Balochistan (Package-I)
- Rehabilitation and reconstruction of Akra Kour Dam, Balochistan
- Earthwork and stone pitching along Chotiari Reservoir, Sindh
- Installation of 100 tubewells of saline water around Chotiari Sindh
- Rehabilitation of Sidhnai Mailsi Link Canal and Bahawal Canal Lower Punjab
- Lining of Irrigation Channels in the KPK

An overview of targets set for FY 2014-15 and achievements is given in table below along with targets set for FY 2015-16.

Key physical targets and achievements of 2014-15 and targets for 2015-16

Item	Unit	Target 2014-15	Achievements 2014-2015		Target 2015-16
			Physical	%age	
Irrigation	MAF	138	138.59 *		139
Water Availability (additional)	Mhm	17.03	17.10		17.03
Earthwork for dams & canals/irrigation System	MCM	20.00	18.00	92	15
Concrete work for dams/canal/ irrigation System	MCM Nos.	0.70	0.50	71	0.90
Const. of delay action/check and small dam		8	10	125	20
Drainage and reclamation					
a) Surface Drains (Earthwork) (Extension, rehabilitation & remodelling of drain)	MCM	8	4	50	6
Flood Control Programme					
Under Normal Flood Programme (flood scheme)	No	20	10	50	15

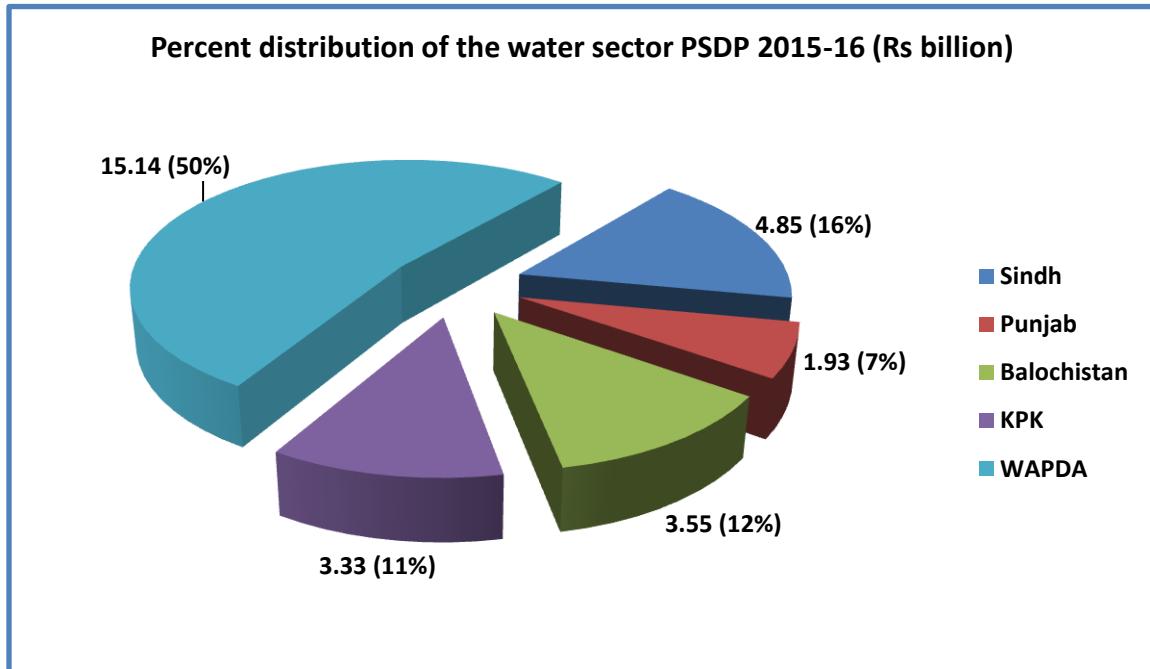
*Increase in achievement is mostly due to large inflow at Rim station and rainfall.

Outlook for 2015-16

Major goals of water sector for the next fiscal year have been planned keeping in view the strategies and policies mentioned in Pakistan Vision 2025 and 11th Five Year Plan (2013-18), which are summarized as under:

- Integrated water resource development approach will be adopted (as per previous years) to overcome water sector's current and future challenges,
- Priority will be given to the augmentation measures (construction of small and medium dams) and Safe disposal of drainage effluent in a safe manner (through construction of RBOD-I, II and III).
- Conservation measures (lining of irrigation channels, rehabilitation of irrigation system, lining of water courses) which are being implemented under federal programme are gradually transferred to the provinces.
- Timely completion of priority development projects in order to lessen the burden of throw-forward
- Protection of infrastructure, agriculture lands and abadies from onslaught of floods under the flood control and management programme
- Knowledge management, institutional strengthening, capacity building and human resources development.
- Trans-boundary water issues, demand management, water governance, resettlement, use of saline water, reuse of waste water, water rights management, recharging ground water, are the emerging realities for the sustainability of land and water resources. Implementation of the plan will be carried out in reconciliation with these facts.

For the next financial year 2015-16, out of total allocation water sector's budget Rs30,622 million, maximum resources have been earmarked for on-going development projects near completion, including construction of small and medium dams, drainage projects, construction of new canals projects and improvement of existing irrigation network.



Expected water availability

It is expected that the overall water availability at farm gate will remain about 17.03 Mhm (139.00) MAF in 2015-16. This will include surface water supplies through canal withdrawals, canal lining and remodelling, irrigation system rehabilitation and improvement programme, construction of small and medium dams, check dams and retention weirs. About 5.92 Mhm (48 MAF) of water will be included in the system from underground fresh water aquifer mainly by private tube wells. Water losses of the system through seepage will be improved through major emphasis on water conservation measures such as remodelling and rehabilitation of existing irrigation system, lining of irrigation channels and watercourses and completion of ongoing mega projects.

Drainage

In the drainage sub-sector and improvement of irrigation infrastructure, the work on RBOD-I, II and III continue for this about six MCM of earth work for surface drains, concrete and stone work is planned for the next fiscal year 2015-16, more than 15 MCM of earthwork targets have been fixed for rehabilitation of existing channels, small dams, irrigation infrastructure, system improvement and construction of major and minor structures. An amount of Rs908.833 million has been allocated for this sub-sector.

Flood management

Under normal and emergency flood schemes, it is planned to spend an amount of Rs1,000 million to complete about 15 ongoing and new small emergent flood schemes in Pakistan.

Irrigation

An amount of Rs22,529 million (75 per cent of total water sector allocation) has been proposed during 2015-16 for irrigation projects (small and medium dams, check and delay action dams, canals, lining of irrigation channels and improvement of the existing irrigation system). Programme for lining of irrigation channels in saline zones will continue in the Punjab and Sindh to check the seepage and other losses. A sum of Rs400 million has been proposed for this programme for the next fiscal year 2015-16. Sufficient budget has been allocated to the ongoing Gomal Zam Dam, Ghabir, Darwat, Nai Gaj, Kurram Tangi and Naulong dams. Remaining works of Phase-I of Kachhi (Balochistan) and Raineel canal (Sindh) will continue in full swing for their timely completion.

Major ongoing projects

The following are important ongoing projects:

- Gomal Zam Dam (Main structure has been completed, while work on irrigation network is 91 per cent complete.)
- Darawat Dam (more than 97 per cent completed physically)
- Naulong Dam (initial works in progress)
- Nai Gaj Dam (41 per cent completed)
- Mohmand (Munda) Dam Project KPK
- Kachhi and Raineel Canals (Phase-I of both canals is substantially completed)
- RBOD-I, II and III (Physical works completed 90 per cent, 77 per cent and 83 per cent respectively)
- Construction of 100 small dams (Package-II and III) Balochistan
- Construction of small dams in Sindh, KPK and Punjab
- Construction of the Mohre Shera Dam, Mujahid Dam and Ghabir Dam Punjab
- Revamping and rehabilitation of irrigation and drainage system in Sindh
- Punjab Irrigation System Rehabilitation (Punjab).
- Lining of the irrigation channels in Punjab and Sindh
- Makhi Farash Link Canal and fall structure on Nara Cana (Sindh)
- Construction of Shadi Kour Dam (Toiwar) Bathozai Dam, Balochistan
- Six flood dispersal structures on the Nari River, Balochistan
- Flood protection programme
- Survey, investigation and research

Projects to be completed during 2015-16

The following projects will be completed during 2015-16:

- Darawat dam Project (if fully protected as per demand 2015-16)
- Raineel Canal (if fully protected as per demand 2015-16)
- Land and water monitoring and evaluation of the Indus Plains (SMO)
- Rehabilitation of the Flood 2010 Damages (RBOD-I), Larkana, Dadu and Qambar Sindh

- Research studies on drainage, land reclamation, water management and use of drainage water, IWASRI, Mona and Lim
- Construction of six flood dispersal structures on the Nari River, Balochistan
- Construction of the Shadi Kaur Dam Balochistan
- Survey and study design for construction of the rain water Dams (reservoirs along the River Indus in Sindh)
- Construction of J-Head Spur at RD 4000 of Fazil Shah Flood Bund, Tehsil Kabirwala, khanewal, Punjab
- Construction of diversion Weir for Kabul River Canal, Peshawar and Nowshera Districts.
- Flood Management of Takhta Baig Khawar District Peshawar, KPK
- Bazai Irrigation Scheme 2nd Revised PC-I, KPK
- Indus 21 Water Sector Capacity-building and Advisory Services Project (WCAP)

CHAPTER 20

FOOD SECURITY AND AGRICULTURAL DEVELOPMENT

Agriculture being pedestal of food security, source of raw materials to numerous industries and major chunk of exports, is essential component of country's economy. Agriculture, food security and economic growth mutually interact and reinforce each other in the process of development. Though its share in the National Gross Domestic Product (GDP) has declined over decades but still it contributes over 20 per cent to the GDP and involves about 43 per cent of labour force (Pakistan Economic Survey, 2013-14).

Both the Vision 2025 and 11th Five Year Plan, as long and medium-term frameworks respectively, envisage due focus on the agriculture and food security.

As a long term development plan, the Vision seeks a Pakistan with ensured food security of its inhabitants in the context of the entire value chain. It aims achieving food security including; protection of the most food-insecure segments of the population, optimisation of production and supply mix, provision of stable and affordable access to adequate, nutritious and safe food and to make use of the resource base in an efficient and sustainable manner to create a modern and diversified agricultural sector.

The development strategy adopted in the Five Year Plan aims at improvement of the agricultural productivity, profitability, competitiveness and environmental safety on sustainable basis. Its main objective is to achieve growth rate of four to five per cent per annum during the plan period in order to ensure national food security, reduce rural poverty, galvanise agro-business potential and support the overall growth of country's GDP.

Performance review 2014-15

During this year, growth of the agricultural sector remained unsatisfactory as it achieved a growth rate of 2.9 per cent compared with the target of 3.3 per cent (Table1). Growth rate of crop sector reduced, however, livestock, fisheries and forestry sectors performed well. Keeping in view the present pace of growth and development of the sector, a growth rate of 3.9 per cent has been set for the year 2015-16.

Table 1: Growth rate of the agriculture sector (%)

Item	2013-14		2014-15		2015-16
	Actual	Target	Achievement	Target	
Important crops	8	2.5	0.3	3.2	
Other crops	-5.4	3	1.1	4.5	
Cotton ginned	-1.3	2	7.4	5	
Livestock	2.8	3.9	4.1	4.1	
Fisheries	1	2	5.8	3	
Forestry	-6.7	2	3.1	4	
Agriculture	2.7	3.3	2.9	3.9	

Source: Pakistan Bureau of Statistics, and Planning Commission

According to the Global Food Security Index (GFSI), an annual measure of the state of global food security, out of 109 countries of the world, Pakistan stands at 77th position (Table 2). Overall ranking of China and South Asian countries for 2014 and change in score as compared to preceding year is also presented in the Table 2.

Table 2: GFSI rankings of the South Asian countries

Country	2014		Change in score as compared to 2013
	Ranking	Score/100	
China	42	62.2	+1.2
Sri Lanka	60	51.7	+1.3
India	69	48.3	+2.4
Pakistan	77	43.6	+1.5
Nepal	85	37.7	+3.4
Bangladesh	88	36.3	-1

Source: *The Economist, Intelligence Unit*

According to the GFSI (2013), all South Asian countries represent very low food security levels indicating the region as one of the most food-insecure areas in the world. Despite achieving a notable economic growth and considerable boost in agricultural production, household food security and malnutrition continue to be a major concern hindering developmental efforts in South Asia. An overview of GDP growth, agriculture and food security of South Asian countries is presented as follows (Table 3).

Table 3: Agriculture and food security in South Asia (2013)

Country	Arable land (%)	Rural population (%)	Agriculture employment (%)	Agricultural contribution to GDP (%)	Prevalence of food inadequacy (2010-2012) (%)
Afghanistan	12.13	76	78.6	29.9	45.2
Bangladesh	55.39	71	48.1	18.4	26.8
Bhutan	2.3	64	65.4	18.7	-
India	48.83	68	51.1	17.2	27.5
Maldives	13.33	58	21.2	3.1	11.4
Nepal	16.07	83	66	38.1	25.9
Pakistan	24.44	63	44.7	21.6	27.7
Sri Lanka	13.96	85	32.6	13.7	32

Source: FAO 2013, World Bank 2013, Institute of Policy Studies of Sri Lanka, 2014

Although Pakistan is endowed with diverse agro ecological zones and hard working farming force which make the country capable of producing a variety of farming products, yet the average per unit productivity of most of the commodities is not only lower than the global but also than regional levels (Table 4).

Table 4: Comparison of an average yield of crops in 2013 (Kg/ha)

Crop	Pakistan	World	Asia	South Asia
Wheat	2,787	3,268	3,141	2,848
Rice	2,437	4,486	4,566	3,717
Sugarcane	5,6476	70,935	67,709	64,970
Cotton	2,225	2,271	2,349	2,848
Maize	4,231	5,499	5,053	2,810
Gram	757	967	917	886
Onion	13,191	1,9307	1,8361	15,827
Sunflower	1,241	1,750	1,495	972
Potato	21,802	19,468	18,925	21,923

Source: FAO

Production of important crops

The latest available data regarding production achievements and targets of important crops is given in the Table 5.

Table 5: Crop production achievements and targets

(‘000’ tonnes)

Crops	2013-14 Actual	2014-15 Target	2014-15 Achievement (P)	% change over 2013-14 Actual	% change over 2013-14 Target
Major crops					
Wheat	25,979	26,000	25,478	-1.93	-2.01
Rice	6,798	7,040	7,005	3.05	-0.50
Sugarcane	67,460	70,035	62,652	-7.13	-10.54
Cotton (million bales)	12.769	15.10	13.983	9.51	-7.40
Maize	4,944	3,709	4,695	-5.04	26.58
Minor crops					
Gram	399	715	484	21.30	-32.31
Onion	1,740	1,967	1,763	1.32	-10.37
Sunflower	193	189	186	-3.63	-1.59
Potato	2901	3,565	3,084	6.31	-13.49

Source: Pakistan Bureau of Statistics, FCA proceedings MNFS&R, P=Provisional

Major crops

Wheat: Being Pakistan's dietary staple, wheat is of paramount importance for country's food security. The production of wheat for the year 2014-15 is expected to be around 25,478 thousand tonnes, which is lower than the target and production of preceding year. In some areas the crop was affected due to unusual rainfall and hailstorm at its ripening stage.

Rice: It ranks as second amongst the staple food grain crops in Pakistan and it is an important source of foreign exchange earnings. The production of rice during 2014-15 was recorded as 7,005 thousand tonnes which surpassed the previous year's rice production by 3.05 per cent; however, it missed the target by 0.50 per cent.

Generally about two third of total production of rice is exported from the country. According to Rice Exporters Association of Pakistan, during the period from July, 2014 to February, 2015 more than 2.39 million tonnes of rice have been exported which is about 2.93 per cent higher

than that of 2.69 million tonnes exported during the corresponding period of previous fiscal year.

Sugarcane: Its production remained around 62,652 thousand tonnes during 2014-15 which is (-7.13 per cent) less than previous year and (-10.54 per cent) targets. The decline in area under sugarcane as well as reduction in its yield resulted in less production. From achieved crop size, production of around 5.0 million tonnes of white sugar has been estimated.

Cotton: It is a mainstay of the country's economy and has been under stress for the last many years. During 2014-15 the production of 13.983 million bales was achieved, which was higher by 9.51 per cent than previous year. However, it missed the target of 15.10 million bales by 7.40 per cent.

Maize: Productivity of maize has been improving consistently in Pakistan for the last many years mainly because of improved germplasm and management. A production of 4,695 thousand tonnes was recorded during the year under review, which is about 26.58 per cent, higher than the target. However, it is less (-5.04 per cent) than the achievement made in the preceding year.

Minor crops

The minor crops mainly contribute towards kitchen items. Their performances generally influence the Food Price Index and Sensitive Price index. During 2014-15 production of gram and onion crops has been estimated at around 484 and 1,763 thousand tonnes, respectively. The production of sunflower and potato were recorded as 186 and 3,084 thousand tonnes, respectively. To arrest the inflation trend and ensure indigenous food security, there is need to focus on increased production of oilseeds, vegetables and horticultural crops.

Agricultural inputs

Fertilizers: Fertilizers use in Pakistan has surged several times since green revolution as all of the country's soils are deficient in nitrogen (N), 80 to 90 per cent in phosphorus (P) and 30 per cent in potassium (K). Deficiency of micronutrients is also appearing in different areas (Table 6)

Table6: Fertilizer off-take, target and achievement

(000 tonnes)

Nutrient/ product	2013-14		2014-15		% change over	
	Actual	Target	Achievement*	2013-14 Actual	2014-15 Target	
Nitrogen	3185	3280	3222	1.16	-1.77	
Phosphate	881	810	912	3.52	12.59	
Potash	24	25	28	16.67	12	
Total	4090	4115	4162	1.76	1.14	
Urea	5747	6257	5836	1.55	-6.73	
DAP	1623	1639	1690	4.13	3.11	

Source: National Fertilizer Development Centre (NFDC); Estimated

The policy of curtailment of supply of natural gas has affected fertilizer industry which resulted in low production, undue price hike, amplification in import bill and subsidy burden on national economy. In addition this policy has caused depletion of foreign exchange reserves and erosion of investments in this sector.

During fiscal year 2014-15 off-take of all the three major nutrients, that is, nitrogen (N) phosphate (P) and potash (K) increased by 1.16, 3.52 and 16.67 per cent, respectively over previous fiscal year. Though the increase regarding N and P is meagre, however, the substantial increase in off take of K is mainly due to its increased availability. In Pakistan overall fertilizer off take for 2014-15 has been estimated as 4162 thousand tonnes, which is slightly above than target and that of actual application of 2013-14.

Fertilizer use per unit of arable land is a measure of the application of the quantity of plant nutrients. As per latest available figures released by the FAO, the per hectare use of fertilizers in Pakistan for the year 2012 was 167 kg, compared to 648 kg in China, 575 kg in Egypt, 279 kg in Bangladesh and 200 kg in Sri Lanka. Although India used 164 kg per hectare, yet it got better productivity level, possibly on account of other factors involved. In Pakistan use of fertilizers per unit of land is increasing and for the year 2013-14 it has been reported as 180 kg per hectare.

Agricultural credit

Credit facilities are the integral part of the process of commercialisation of the rural economy including agriculture sector, which is already lacking in investment. Ample and timely availability of credit along with its effective utilisation are important tools for getting the inputs and actions especially for the resource poor and small landholders. Agriculture based growth has positive and far-reaching influence on poverty alleviation, food security, employment and export earnings.

Presently 33 financial institutions are providing agricultural credit in the country, as compared with only 20 doing the same in 2010. During 2013-14 around Rs. 389 billion were disbursed by June 30, 2014, which exceeded the revised target of Rs. 380 billion set for the year and indicated positive outcome of the central bank's initiatives for improving access of the farming community to finance.

For the fiscal year 2014-15 the State Bank of Pakistan (SBP) had assigned the target to disburse Rs500 billion as annual agriculture credit disbursement, which was about 32 per cent more than that of previous year. During first 10 months of current fiscal year (July 2014 to April 2015) banks have disbursed about Rs368.7 billion as agricultural credit which is more than 73 per cent of the targeted amount. It is about 28 per cent higher than that of Rs. 288.4 billion disbursed during corresponding period of preceding fiscal year.

Improved seed

Seeds are the primary basis for human sustenance on the globe and their quality is of pivotal significance to improve quality as well as quantity of crops. Increased use of improved seeds can play a central role to bridge a wide gap existing in average crop yields and potential of available varieties in Pakistan. Country's agricultural research system and private sector are the main sources for seeds which unfortunately could not fulfil the demand of improved seeds of major crops.

Pakistan is the fourth biggest user of Bt. (*Bacillus thuringiensis*) Cotton seeds which are sown on about 85 per cent of crop area. The distribution cotton seed and other major crops during 2014-15 have been given in the Tables 7and 8, respectively.

Table 7: Cotton seed distribution during 2014-15

Item detail	(Metric tonnes)				
	Public sector	Private sector	Total	Punjab	Sindh
Bt. cotton seed	697.14	19,906.31	20,603.45	19,033.18	1,178.27
Share of total requirement	1.74%	49.76%	51.5%	61.39%	14%

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

Table 8: Improved seed distribution during 2014-15

Crop	(Metric tonnes)		
	Indigenous	Imported	Total
Paddy	30,686	3,841	34,527
Maize	3,114	13,512	16,626
Pulses	0	1,215	1,215
Oilseeds	73	3,016	3,089
Vegetables	113	5,124	5,237
Fodder	0	16,693	16,693
Potato	0	18,674	18,674

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

Irrigation water

In the Vision 2025, the connection of Food with energy and water has been included as a 'Pillar' with a aim to achieve sufficient, reliable, clean and cost-effective availability of energy, water and food. Irrigation water is a life line for agricultural development and ensured food security. Federal as well as provincial governments are heavily investing on water and irrigation sector. The water sector programmes have been focusing on increasing water storage capacity by building mega and small dams; improving water conveyance efficiency by improving canals and watercourses and improving water use efficiency at field level by and adapting high efficiency irrigations system and better water management practices. Federal PSDP 2014-5 allocated around Rs43billion for water sector projects. Punjab and Sindh governments are implementing World Bank funded mega projects for productivity improvements of irrigated agriculture. During 2014-15, against estimated availability of 142 MAF, about 138.59 MAF became available for agricultural use. It is expected that around 139 MAF irrigation water would become available in 2015-16.

Plant protection

In Pakistan, major chunk of pesticides is generally used to control pests related to cotton crop. However with the spread of Bt. cotton the pesticide use for control of chewing type pests like worms and caterpillars has gone down since Bt. technology has inbuilt control system against such pests. Now most of the pesticides on cotton crop are used to control sucking type pests such as white fly which is a major cause of CLCV in Pakistan. During 2014-15, the pest incidence was comparatively less that was also reflected in cotton productivity. Private sector is primarily engaged in the business of indigenous production, import and distribution of agriculture pesticides. The federal and provincial governments keep a check on quality control and related issues. The pesticides availability situation is given in the following Table9:

Table9: Pesticides availability in Pakistan

Quantity of pesticides	2013-14 (July 2013 to June 2014)	2014-15 (July 2014 to March 2015)	(Metric tonnes)
Imported	22,183	11,611	
Indigenous Production	19,013	64,921	
Total availability	41,196	76,532	

Source: Department of Plant Protection, M/o NFS&R

Agricultural mechanisation

Mechanisation is an integral part of modern agriculture as it saves time and labour, increases inputs use efficiency, reduces post-harvest losses, cuts costs of production and boosts crop output and farm income in the long run. However, in Pakistan mechanisation is mainly taken as tractorisation. Around 90 per cent farmers do not have access to proper set of farm implements. The market of farm implements is highly disorganised and quite complex and is dominated by large number of small and medium scale enterprises located mostly in selected places of provinces of Punjab and Sindh with negligible outreach in other areas of the country. The small-scale industries seldom have research and development facilities and depend upon public institutions for technological support. The available farm machinery is inefficient and of poor quality. For agriculture productivity enhancement, there is a need of complete mechanisation package comprising proficient equipments, technologies and dissemination of skills for operation and maintenance of machinery pertaining to production, post harvest processing, value addition, food engineering and renewable energy technologies focusing especially towards small farm holders. During the period from July 2014 to April 2015, around 41,191 tractor units were produced in the country which was 43 per cent higher as compared to the corresponding period of previous fiscal year.

Livestock, dairy, poultry and fisheries

The livestock sub-sector, along with poultry and fisheries, is the most vibrant segment of the agriculture sector of Pakistan and plays a vital role in national food security and the overall economy in several ways. Physical performance of livestock, dairy, poultry and fisheries sub-sectors during 2014-15 are given in Table 10.

Table 10: Physical performance of livestock, poultry and fisheries

Items	2013-14		2014-15		% Change over	
	Actual	Target	Achievement	2013-14 Actual	2014-15 Target	
Meat	3,531	3,758	3,696	4.67	-1.65	
Beef	1,887	1,976	1,951	3.39	-1.27	
Mutton	657	682	671	2.13	-1.61	
Poultry	987	1,097	1,074	8.81	-2.10	
Milk	50,989	56,113	52,632	3.22	-6.20	
Eggs (Millions)	14,556	15,575	15,346	5.43	-1.47	
Fish	745	806	765	2.68	-5.09	
Inland	270	294	285	5.56	-3.06	
Marine	475	512	480	4.67	-1.65	

Source: Pakistan Bureau of Statistics

Livestock and dairy

During 2013-14, its contribution to agricultural value addition and to the national GDP was 55.9 and 11.8 per cent respectively, while its gross value-addition amounted to Rs776.5 billion. More than \$650 million were earned as foreign exchange through the export of livestock and allied products. Pakistan is one of the largest milk producers in the world, but only about five per cent of milk is processed for value addition while major chunk is consumed locally through traditional marketing system. The performance of the livestock sector is being impacted by shortage of high yielding and efficient breeds, ineffective disease control, poor availability of quality feed and improper animal husbandry. Solution of these issues will not only increase the productivity of the livestock sector but also improve the resilience and alleviate the poverty.

Poultry

Poultry has attained an incredible status in rural economy and is the second largest industry in Pakistan and mean of livelihood for millions. Poultry meat and eggs are cheaper sources of protein diet. It contributes about 29 per cent of the total meat production in the country and plays vital role in soothing demands of mutton and beef. During 2013-14, poultry has contributed 1.3 per cent to the GDP, while its contribution in agriculture and livestock value added was recorded as 6.1 per cent and 10.8 per cent respectively. Proper disease management by vaccination and medication, shed management, marketing and food safety (excessive use of antibiotics) are the key challenges of the poultry sector that needs attention of the public as well private sector.

Fisheries and seafood

Fishery and fishing industry are means of food and source of livelihood for millions especially in the coastal areas and play a significant role in the national income through export earnings. Overfishing and use of illegal nets (catching of juvenile fish), quality control, unhygienic handling and supply chain issues are major impediments which cause volatility in this sector. A quantity of 160,000 tons of fish and fish products has been exported, earning US \$ 370 million foreign exchange in 2014-15.

Climate change

Agriculture envisages a vast component to be carried out in the open, hence is more subject to climatic conditions, occurrence of changes and their implications upon the dynamics of whole system. During 2014-15 comparatively dry winter and excessive rainfalls during spring season have been observed to affect farming. Pakistan being ranked as 8th most vulnerable country to the climate change may face certain implications especially in farming sector. The most drastic impacts of climate change are likely to be faced by small landholders who are in majority and rain fed areas which contribute one fifth to overall national agricultural production in Pakistan. They have direct dependence on natural resources and have low financial and technical capabilities to adapt to climate variability. A comprehensive and coordinated policy is needed desperately to mitigate negative effects of climate change and harness the potential of both human and natural resources efficiently and effectively.

Marketing and trade

Agricultural commodity markets have been crashed worldwide. In globalised world all markets are linked so that affected the local markets in Pakistan. Farmers could not get a good price of their produce despite the intervention by the government to stabilise the market of cotton, rice and wheat. Market price fluctuations have severe implications not only for the government but also for the farmers. Perishables were severely hit with that price trend which affected the

consumers and producers. With regard to trade, government announced subsidies for export of sugar and wheat. Likewise duties were imposed and waved off for vegetables import. Food items trade account in the outgoing fiscal year (July to April) was recorded negative with \$300 million (export \$3.9 billion, while imports \$4.2 billion).

Food security

Role of agriculture in food security is mainly of supply of food commodities in market place. The situation of cereals, country staple, was very much stable as the country harvested good crops of wheat and rice in last year. Likewise the sugar supply remained steady as surplus stocks were available and millers were allowed to export as well. It was also reflected by the food inflation which remained -0.03 per cent in April vis-à-vis last year in the same month. However non-food inflation was recorded at 3.7 per cent in the same time frame. Some imports have been made for some vegetables (tomatoes and potatoes), tea, pulses and edible oils to bridge the supply demand gap in 2014-15.

Provincial Annual Development Programme

The provinces made an allocation of Rs28 billion to support their respective programs for agriculture, livestock and fisheries in 2014-15 (Table16). The allocation for 2015-16 is expected to be enhanced substantially.

Table 16: Allocations made in the Annual Development Programme (2014-15)

(Rs millions)

Province/region	Agriculture	Livestock	Fisheries	Total
Punjab	7,960	5,200	58	13,218
Sindh	4,476.2	1,549	521.6	6,546.9
KPK	1,967.9	378.8	144.4	2,491.2
Balochistan	3,483.3	467.8	385.0	4,336.1
Gilgit-Baltistan	234.8	56.8	27.7	319.2
FATA	340.0	419.9	18.5	778.4
AJ&K	333.0	87	-	420
Total	18,795.3	8,159.3	1,155.3	28,109.9

Source: Provincial and regional governments

Outlook 2015-16

Keeping in view the overall spectrum, outlook for 2015-16 may be based on diverse assumptions related to several segments of the sector. Targets of production of important crops for 2015-16 are presented in Table 11.

Table 11: Crops production targets for 2015-16
(‘000’ tonnes)

Important crops	2015-16 Target
Major Crops	
Wheat	26,000
Rice	6,902
Sugarcane	68,035
Cotton (million bales)	15.49
Maize	3,709
Minor Crops	
Gram	715
Onion	1,967
Potato	3,564

Source: Ministry of National Food Security and Textile Industry

Seed is the most important input to achieve the crop production targets. Seed requirements and targets for the year 2015-16 are given in table 12.

Table 12: Targets of improved seed and fruit nursery plants distribution
(000 tonnes)

Crop	Total Requirements	2015-16	
		Target	per cent
Wheat	1,085.0	233.36	21.50
Cotton	40	40	100
Paddy	42.48	14.44	34
Maize	31.91	10.85	34
Fodders	40.14	12.84	32
Oil seeds	10.58	2.22	21
Pulses	47.50	10.45	22
Vegetables	5.07	5.07	100
Potato	372.73	48.45	13

Source: 11th five year plan, Planning Commission

The projected forecasts related to fertilizers' offtake during 2015-16 are given in Table 13.

Table13: Fertilizers' off-take targets
(000 tonnes)

Nutrient/Product	2015-16 Target
Nitrogen	3331.2
Phosphate	857.4
Potash	26.8
Total	4215.4
Urea	5982
DAP	1775

Source: NFDC, Planning Commission

The target of agricultural credit for 2015-16 is expected near to Rs600 billion. The Seed (Amendment) Act, 2014 has been passed by the National Assembly on March 16, 2015. After completion of the procedure of enactment, its implementation is expected to enhance the role of private sector regarding production of basic seed, its multiplication, and certification and also in establishment of accredited seed testing laboratories.

In energy and water sectors, the investments are being made to ensure the needed additional supply; as the government is committed to creating and encouraging a culture of conservation and efficiency in the usage of energy and water. Current decline in diesel prices has reduced operational cost of tube wells; however, as long time strategy there is a need to invest in sources of alternative energy and high efficiency irrigation systems to sustain the agriculture of the country. Installation of solar energy units, biogas plants and utilisation of bagasse, a by-product from sugar industry and provision of maintenance facilities can help a lot in this regard.

Farm machinery and equipment segment is facing multiple challenges related to infrastructure, technology, markets, operations, legislation, financing, policy framework and other related areas. Moreover, land holdings, cropping patterns, market price of crops including Minimum Support Price (MSP), availability of labour and cost of labour are the major factors deciding the agricultural mechanisation. Government is focusing to address these issues.

The projected targets of production of livestock, poultry and fisheries are given in the Table 14.

**Table 14: Production targets of livestock, poultry and fisheries
(000 tonnes)**

Items	2015-16 Target
Meat	3,873
Beef	2,017
Mutton	686
Poultry	1,170
Milk	54,328
Eggs (Million Nos.)	16,188
Fish	788
Inland	295
Marine	493

Source: Ministry of National Food security and Research

Pakistan's geographic position provides a scope of considerable opportunities to boost livestock. This potential to enhance the quality of livestock, poultry, fisheries and sea foods production and trade can be exploited by developing veterinary infrastructure, improvements in gene pool, standardisation of feed, development of skill of manpower, effective enforcement of legislation, adoption of global best practices, compliance to international standards, advancement towards value addition and provision of standardised and efficient veterinary services. Value chain systems are being encouraged to overcome huge post production losses which occur to farm products specifically perishable ones due to improper transportation, unhygienic handling and inadequate marketing infrastructure.

National annual consumption of fish in Pakistan is about 0.6 kg per capita, much lower than required, however, tends to increase and indicates broader prospectus for the future. Besides this promotion of seafood has an enormous potential to harvest through adoption of standardised measures.

Programmes

Development initiatives

In the devolution process, after the 18th amendment to the Constitution, the MINFA was wound up that resulted in drastic cut in public sector investment for agriculture sector from the federal government. In 2010-11 an amount of Rs20 billion was allocated for agriculture and livestock projects. Compared to that the allocation for Ministry of National Food Security Research was only one billion in PSDP 2014-15. Since agriculture is a cross cutting subject therefore many other federal ministries and divisions are running various programs. In the Federal PSDP, 2014-15, a total sum of Rs8.9 billion was allocated to overall 64 (46 on going and 18 new) schemes related to different ministries / divisions / agencies for development of food and agriculture sector(Table15). Rs1,706 million have been earmarked for agriculture sector in the PSDP 2015-16.

Table 15: Food and agriculture sector, PSDP allocations 2014-15

Ministry, division, agency	Number of schemes			Total cost	(Rs millions) Allocation 2014-15
	Ongoing	New	Total		
National Food Security & Res.	10	9	19	8,169.9	1,071.3
Planning, Dev.& Reform	-	1	1	200	25
Higher Education Commission	14	4	18	9,758.4	1,129.7
Science and Tech. Research	2	-	2	196.3	45.5
Water and Power	7	1	8	92,246.1	6,126
Interior	7	-	7	372.2	66.7
Port and Shipping	1	3	4	642.2	165
Finance	2	-	2	1,725.4	287.4
Industries and Production	3	-	3	582.9	54.6
Total	46	18	64	13,893.4	8,971.2

Source: PSDP 2014-15

An amount of Rs1,500 million has been allocated in the PSDP 2015-16 to fund the schemes of the Ministry of National Food Security and Research (NFS&R). Some of the important projects are given below:

- Establishment of Horticulture Research Institute, Khuzdar Balochistan
- Establishment of Livestock Research Institute, Turbat, Balochistan
- Indigenisation of Hybrid Seed Production for Enhanced Crop Production (Islamabad)
- Monitoring of Crops through Satellite Technology Phase-II
- Pak China Cooperation for Agricultural Research and Development
- Research for Agriculture Development Programme
- Strengthening of Coastal Agriculture Research Station Bhawani Balochistan
- Up-gradation & Establishment of Animal Quarantine Stations in Pakistan
- Mad Cow Surveillance and Capacity Leading to O/E Negligible Risk Country Status for Pakistan
- Capacity Development of Agriculture Extension Services in Khyber Pakhtunkhwa
- Commercialisation of Soybean crop
- National Pesticides Residues Residues Monitoring System in Pakistan (PARC)
- Promotion of Olive Cultivation on Commercial Scale in Pakistan
- Value Addition in Agriculture – Cluster Development Approach
- Up gradation of Arid Zone Research Institute (AZRI)

A Centre for Rural Economy is being established under the Planning Commission to give evidenced based policy guidance to the Government for making policies, plans and programs for the development of the rural economy of Pakistan.

CHAPTER 21

NUTRITION

Food is a basic need of everyone and therefore, access to food is the fundamental right of every human being. Every individual has a right to adequate nutritious food. Eating too little or eating an unbalanced diet creates malnutrition. According¹to a report, malnutrition is directly responsible for 3,00,000 deaths per year in children younger than five years in developing countries and contributes indirectly to more than half of all deaths in children worldwide.

Pakistan also suffers from high rates of malnutrition among children and mothers. It occurs due to number of reasons particularly low nutritional knowledge, awareness and improper food intake; inadequate health care services; insufficient intake of protein, vitamins and minerals. United Nation in 2010 started Scaling up Nutrition (SUN) Movement to overcome malnutrition in the world by adopting multi-sectoral strategy. This strategy contains nutrition specific and nutrition sensitive approaches. Pakistan joined the global SUN Movement in 2013 to overcome malnutrition issues in the country.

The Vision 2025 envisages hunger free Pakistan by adopting innovative and cost-effective strategy. Accordingly, the Plan aims for the provision of safe food and adequate nutrition at all levels along with communication strategy for awareness and behaviour change. A National Nutrition Policy is being formulated on the basis of provincial policy strategies.

Performance review 2014

Nutritional situation

The Global Gathering 2014 for Scaling Up Nutrition (SUN) Movement was held in Rome, Italy prior to the second international conference on nutrition (ICN2) in November 2014 with the theme 'Better Nutrition Better Lives' and with the aim to address global nutrition issues and challenges. It proposes a flexible policy framework to address nutrition challenges and identify priorities for enhanced international cooperation on nutrition. A delegation from Pakistan participated in both the international events particularly Deputy Chairman Senate participation in the Ministerial Conference to overcome malnutrition.

According to the GFSI² Pakistan has been placed at the 77th position amongst the 109 countries ranked by the new GFSI, (2014). Millions of people around the world are malnourished due to inadequate dietary intake and illness especially children and women of child bearing age over time. Child malnutrition status of the Southern Asian Countries (SAC) is given bellow:

¹Harohalli R Shashidhar

²Global Food Security Index

Prevalence (%) of child malnutrition <5 years anthropometry of SAARC

Country	Under-weight	Stunting	Wasting
Afghanistan	33	59.3	8.6
Bangladesh	36.8	41.4	15.7
Bhutan	12.8	33.6	5.9
India	43.5	47.9	20
Iran	4.6	6.8	4
Maldives	17.8	20.3	10.2
Nepal	29.1	40.5	11.2
Pakistan	32	45	10.5
Sri Lanka	26.3	14.7	21.4

Source: World Health Organization (WHO) Global Targets Tracking Tool

The NNS³ (2011) reflects a widespread micronutrient deficiency among children up to five years and pregnant & lactating women suffering from anaemia, zinc, iodine, and vitamin-A deficiencies. Data shows that 44 per cent of the children less than five years are stunted, 32 per cent are underweight, 15 per cent wasted and 62 per cent are iron deficient. The data of underweight mothers illustrate that 18 per cent, 14 per cent, 20 per cent at the national, urban and rural respectively. In addition, Anaemia and other micronutrient deficiencies such as Iron, Zinc, Vitamin A and D are widespread in the country.

In this regard, to reduce malnutrition among children and mothers, first time having nutrition specific interventions, provinces developed and approved PC-1s with the help of nutrition development partners: Nutrition Support Programme for Sindh (NSP); Balochistan Nutrition Programme for Mothers and Children (BNPMC), while the Punjab and Khyber Pakhtunkhwa (KPK) have integrated health reforms PC-1s with nutrition strong component. Governments of Baluchistan & KP enacted Protection and Promotion of Breastfeeding and Child Nutrition Acts in 2014 and 2015 respectively, while the Punjab government notified the Infant Feeding Act.

At national level, the Ministry of National Food Security and Research submitted the National Food and Nutrition Security Policy for approval, the PC-II for Zero Hunger Programme initiated and technical committee as well recommended first Wheat Variety having Zinc in it whereas the Ministry of National Health Services, Regulation and Coordination revitalised the National Food Fortification Alliance (NFA) and strengthen Primary Healthcare (PHC) system.

The nutrition development partners (WFP, FAO, UNICEF, WHO, WB, MI, GAIN, Save the Children, Harvest Plus, etc.) are supporting at national and provincial level through various interventions to improve malnutrition in the country.

Food availability

Availability of essential food items in the country has been sustained during the fiscal year 2014-15 to meet the food consumption requirements; moreover, export of surplus wheat and sugar was allowed. The per capita per annum availability of major foods worked as in

³National Nutrition Survey

kilogrammes; cereals 161, pulses 5.2, sugar 32, meat 21 and milk 130 litre respectively. The caloric availability calculated as 2485 kcal per capita per day.

Food consumption

The food consumption information is worked out from HIES⁴ and according to the 2011-12 data of food consumption kg per capita per month remained about: wheat 7.7, Rice 1.0, Pulses 0.1 Sugar 1.3, Meat 0.6 and Milk 6.6 litres respectively. Calories intake comes round 1700 kcal as compared to availability 2485 whereas recommended food consumption dietary allowance (RDA) is 2150 kcal. There is wide gap between food availability and consumption.

Cost of food basket

The price increase in food items has direct impact on food consumption. The cost of food basket is worked out on the monthly basis from Pakistan Bureau of Statistics data. Based on national average, the estimated average food expenditure has been Rs2258 per person per month in 2014-2015 (July 2014 to February 2015). This expenditure corresponds to commodities for basic food basket for provision of 2150 calories, 60 grams protein (including some micronutrients).

Outlook 2015-16

Multi-sectoral approach has been adopted to reduce malnutrition. The provincial Nutrition Policy Guidance Notes and Strategy and SUN roadmaps have been developed and approved within the parametres of the Vision 2025. In order to implement the province-specific nutrition multi-sectoral policy and strategy the national strategy will be developed.

The SUN Movement Secretariat at national and provincial levels is being established at each planning and development department. It will enhance strong coordination and collaboration at each level for implementation of multi-sectoral strategy and development of M&E system. This will also develop linkages among all public sector departments & provinces, SUN Networks and the Global SUN Movement Secretariat. The Global SUN Movement working through networks, that is, donors, UN, Civil Society Alliance (CSA) and business. In Pakistan, government, donors, UN, Civil Society Alliance (CSA) are functioning, whereas business, and research and academia networks are going to be established to streamline SUN Movement innovative approaches.

At national and provincial levels, nutrition development partners are supporting through various interventions including: Community-Based Management of Acute Malnutrition (CMAM), Management of Severe Acute Malnutrition and Nutrition Surveillance system, trainings and development manual, integrated community case management (CCM) of diarrhoea, pneumonia and malaria through the Lady Health Workers (LHWs), behaviour change and communication; food and nutrition security through Strategic Priority Area (SPA-VI).

Lipid-based nutrient supplement for malnourished pregnant and lactating women is currently under development and being tested for safety and acceptability to replace the Wheat Soya Blend (WSB) and vegetable oil ration for pregnant and nursing mothers. Wheat flour fortification with iron and folic acid has been launched in AJK whereas the same is going to be revitalized in Punjab and other provinces. The Universal Salt Iodization (USI) Programme is being implemented and will be continued in 110 districts by enhancing quality control and assurance. Bio-fortified high zinc wheat variety (Zincol 2015), which contains 38 micro-gram zinc

⁴Household Integrated Economic Survey

per gram, has been recommended by the Variety Evaluation Committee (VEC) of the PARC for its release by the Provincial Seed Councils for its commercial cultivation during crop season of 2015-16. An amount of Rs100 million in the PSDP 2015-16 has been allocated for a project titled ‘National Initiative for SDGs/ Nutrition’.

Programmes

The following are the interventions for 2015-16.

- Nutrition Specific Interventions are going to be taken care in each province through approved projects which are given as under:
- Nutrition Support Programme for Sindh (NSP), costing Rs4,118 million, has been approved and is going to be implemented during this year. The overall goal of the project is to improve the nutritional status of male and female children under five years and that of pregnant and lactating women in nine selected districts.
- The Balochistan Nutrition Programme for Mothers and Children (BNPMC), costing Rs1,493 million, has also been approved and it will be implemented this year. The overall goal of the project is to improve the nutritional status of male and female children under five years age, including women reproductive age, by improving the coverage of effective nutrition interventions in the selected seven district.
- In the Punjab and Khyber Pakhtunkhwa (KP) integrated health reforms programmes, having nutrition strong component, started implementation and are going to be strengthened.
- Universal Salt Iodization (USI) Programme is being implemented with the assistance of the development partners Micronutrient Initiative (MI), WFP, UNICEF and Global Alliance for Improved Nutrition (GAIN) will be continued in 110 districts to benefit almost 174 million population of the country. A technical and financial review of the programme will be conducted.
- The National Food Fortification Alliance has been re-established at the Ministry of National Health Services, Regulation and Coordination to restart fortification programme which was abandoned due to devolution. Hence wheat flour fortification with iron and folic acid is being revitalized to overcome micronutrient deficiency disorders with the support of the UN agencies and Nutrition Development Partners.

Under nutrition sensitive approaches are:

- Benazir Income Support Programme (BISP) will continue their services as effective social safety Net Measures by providing cash incentives to the poor segments of the population through the country.
- National Zero Hunger Programme with joint collaboration between public sector and UN agencies is being devised to address hunger and malnutrition.
- Various Scaling Up Nutrition (SUN) Movement Networks (government, UN, donors, CSA, business and research and academia) will be streamlined. The SUN secretariat and units at all levels will start functioning to deliver the desired results.
- Advocacy for launch of the multi-sectoral nutrition strategies in Balochistan, and Khyber Pakhtunkhwa provinces, while advocating with the Sindh and Punjab governments for implementation of their multi-sectoral nutrition strategies will be provided by nutrition partners. Pre-Budget Advocacy Seminars will be conducted in all provinces by Save the

Children to secure budgetary allocation for scaling up nutrition and intervention of the multi-sectoral nutrition strategies in Pakistan.

- All four provinces in Pakistan have promulgated laws on breastfeeding. During 2015-16, it will be carrying out follow up activities for the implementation of the laws on breastfeeding in all provinces and at the federal level.
- By 2015, to improve maternal and new-born health, Save the Children will ensure increased access and availability of quality Maternal and Newborn Health services to 4.2 million beneficiaries in its target districts. The expected results include 1,00,000 (49 per cent) of pregnant women attended by skilled birth attendants in our target areas (expected no. of deliveries is the denominator), 2,700 health workers (facility based and community based) trained on the MNCH, FP topics and Emergency Preparedness, 14,000 (40per cent) married women using contraceptive methods (short-term and long-term) in target areas , 95 health facilities strengthened to provide the MNCH&FP services in the areas (through selective repair and renovation, including risk reduction and preparedness, essential supplies and equipment, trained human resource), and one million mothers and newborns indirectly reached through health interventions.
- To establish child health services and promote child health, Save the Children will promote use of key child health services and preventive practices for 6 million children under five years of age in its targeted districts.
- To improve child nutrition, Save the Children will improve child feeding practices for 1,50,000 infants and young children in its target districts. To increase coverage of the CMAM, it will increase community-based management of the CMAM interventions for 3,50,000 children 6-59 months in its target districts.

CHAPTER 22

ENVIRONMENT AND CLIMATE CHANGE

The world is facing serious environmental problems such as climate change, air and water pollution, waste disposal, natural resources depletion, deforestation, loss of biodiversity, and ocean acidification. Industrialised nations which are still major consumers of the Earth's resources, are also leading emitters of greenhouse gases thus they are prime responsible for environmental degradation and climate change in the world. Pakistan, like many other countries, is also facing some environmental challenges. Water pollution, desertification, soil erosion, water logging and salinity, solid waste management and deforestation are some of the major environmental issues in Pakistan. Industrial pollution, though not too high at the moment but may get worse if unchecked. Air pollution is endemic because of a surge in automobiles, insufficient emission standards, and in the absence of effective law enforcement. Land degradation is a serious problem both in irrigated and barani areas. Elsewhere, mining, erosion and deforestation are major causes of land degradation. All this is compounded by relentless urbanisation¹, changing consumption patterns, and climate change.

Despite its overarching role, the environment sector has not been recognised fully in the calculus of the economic or social sectors, even though the direct and indirect losses to the economy are estimated at over Rs365 billion annually. The inability to address the situation will result in extremely high costs in the future. It is therefore necessary to help improve country's capacity to achieve environmentally sustainable economic development to meet the needs of present and future generations.

To achieve sustainable economic development, it will be necessary to keep in mind the balance between the ecological footprint (resource demand) and the bio-capacity (resource supply) in Pakistan. The ecological footprint across the planet has been increasing inexorably, as its capacity has diminished, leading to a state of deficit as far back as the '80s [Source: WWF²]. This allows a better understanding of the underlying causes behind phenomenon such as climate change.

Fresh water faces perhaps the most critical threat. With an estimated population of 227 million by 2025, Pakistan's current water availability of less than 1100 cubic meters per person, down from 5000 cubic meters in 1951 classifies it as a "water-stressed" country that is heading towards becoming a water-scarce country if action is not taken urgently. Thus there is need to develop a comprehensive water strategy that must combine the building of a substantial amount of additional water storage; the minimisation of losses in the conveyance system; and implementation of effective policies to maximise crop yields per unit of water.

While Pakistan makes a negligible contribution to total Global Greenhouse Gas (GHG) emissions (among the lowest in the world), it is among the countries most vulnerable to climate change.

¹ Pakistan is the most urbanised country in South Asia (Ref :Vision 2025, 2007)

² See www.wwf.ca/downloads/lpr2008_ecologicalfootprint.pdf

The country has very low technical and financial capacity to adapt to and mitigate the effects of climate change. Global warming has caused acceleration in melting glaciers, shifts in biodiversity, changes in crop and vegetation distribution, vulnerability of mountain, desert, marine and coastal ecosystems. Therefore, there is need to aggressively explore opportunities of capacity building and institutional strengthening to address the climate change issues in Pakistan.

Performance review 2014-15

The government has undertaken several projects and programmes on many levels to support the Environmental goals through the federal and provincial resources. Many projects have been completed with focus on areas of capacity building, provision of clean drinking water, environmental management, biodiversity, air pollution control and watershed management, urban development, promotion of tourism, restoration of lakes and water bodies, environmental awareness, waste management, and wetlands management, etc. One of the major issues which are being faced in the country is desertification and land degradation. To combat desertification and land degradation, federal govt. started an umbrella project with the assistance of UNDP. First phase of this project has been completed and targets such as institutional and knowledge capacity building, feasibility studies for testing Sustainable Land Management (SLM) practices and designing full demonstration investments, has been achieved. Second phase of this project is also under implementation in 14 districts of Pakistan with approved cost of Rs1666.67 million.

The government is also working with several NGOs, INGOs and United Nations organisations, such as Leads, WWF, IUCN and UNEP on environmental issues and has implemented projects in capacity building on climate change adaptation, environment rehabilitation, mountain area and wet areas conservancy and in provision of clean drinking water. Due to the efforts of the government of Pakistan, performance of Pakistan in achieving the targets set under MDG 7² (Ensure Environmental Sustainability) is remarkable. Target of conversion of 0.92 million vehicles on the Compressed Natural Gas (CNG) has been achieved. Target of access to improved water resources through hand pump, electronic motor and tap water has also been achieved. Progress is on track to meet the target for land protection for the conservation of wildlife as a percentage of total land area. However, Pakistan's performance on other targets such as forest cover and lowering the Sulphur content in high speed diesel as well as access to sanitation and energy efficiency by the proportion of population is not such remarkable and Pakistan is behind in achieving these targets from its regional counterparts. Thus there is need to increase awareness and to change attitude of people regarding environmental issues as well as strict compliance of government regulations is also imperative in the achievement of environmental sustainability targets.

Outlook 2015-16

The Annual Plan focuses on provision of productive and healthy natural resources, gradual improvement in air and water quality, institutional strengthening, and taking up sustainable development across different sub-sectors of the economy and to achieve these objectives, the following actions will be taken:

- Transformation of existing environmental policies into practice by implementing a programme based approach and to identify gaps and issues, activities and action plan as well as strategies to overcome the environmental issues.

- A realistic approach in the management of ecosystem will be carried out with the special emphasis on imperative ecosystem segments such as protection of biodiversity, water conservation and soil erosion protection, carbon sequestration and biodiversity protection, etc.
- In Pakistan supply of drinkable water and sanitation (WSS) requires special attention as presently a large number of households don't have access to enough potable or shallow water, numerous also lacks in proper sanitation system and toilets. Poor sanitation leads to sickness as well as negative impact of ecosystem. Therefore, a strategy to improve sanitation and to expand access to clean drinkable water particularly in rural areas is being implemented with the help of provincial governments.
- Due to the water scarcity in the country, the wastewater treatment is imperative for the continuous and affluent supply of water for agriculture in future. Despite having the potential and capacity of our industry for designing and fabricating waste water and sewage treatment plants locally still a meagre portion of industrial waste water is being treated and reused. Therefore, to treat and recycle industrial effluents, a Wastewater Treatment Programme will be initiated in the country in collaboration with the provincial governments.
- For increased forest cover and enhancement of natural resources, a strategy to developed forest cover along with conservation and restoration of the natural resources of the country will be implemented through applied approach of ownership. Another strategy will be designed to prepare locals to manage forests areas and wild lands around their residences. Strategy would also include provision of alternative energy resources to the residents of forest cover areas at affordable price.

The Plan also focuses on the achievement of following targets in the area of sustainable environment.

S.#	Environmental indicators ³	Benchmark 2012-13	Targets 2015-16
1	Forest cover including state-owned and private forest and farmlands (as percentage of the total land area)	5.2%	5.4%
2	Area protected for conservation of wildlife (as %age of total area)	11.6%	11.7%
3	Access to sanitation (national)%	72%	76%
4	Access to clean water (national)%	87%	89%
5	Number of continuous air pollution monitoring stations	7	9
6	Percentage of Sulphur (by weight) in high speed diesel	0.6	0.50 to 0.05
7	Sanitary landfill in major cities	0	2

³ See 11th five year plan

Programmes

In 2015-16, the environment and climate change programmes and projects are aligned with the Vision 2025 by focusing on sustainable growth of the country through integration of environmental considerations in development. Pakistan is a resource scarce country and the careful allocation of resources is planned to achieve the optimum growth without the cost of environmental degradation. An allocation of Rs169 million has been earmarked in the PSDP 2015-16 for following federally implemented programmes:-

- Establishment of Clean Development Mechanism Cell (Islamabad)
- Sustainable Land Management Programme Phase-II, (in 14 districts of Pakistan)
- Installation of Weather Surveillance Radar at Karachi
- Carbon Neutral Pakistan
- Pollution Control Research and Development Project
- National Biogas Plan

PILLAR-V

PRIVATE SECTOR AND

ENTREPRENEURSHIP-LED GROWTH

CHAPTER 23

MANUFACTURING AND MINERAL SECTOR

The manufacturing sector is one of the main sources of economic growth of any country besides agriculture and services sectors. Main industries of the country are textile, cement, agriculture, fertilizer, steel, tobacco, edible oil, pharmaceuticals, construction materials, automotive industry, sugar, food processing, chemicals and machinery etc. It is an historical fact that countries with strong and robust industrial sector have showed more economic growth and resultantly higher national income and better living standard of their population. Unfortunately, due to divergent reasons, the global demand for our industrial products is unstable, and resultantly, we are losing our share in the international market.

In order to be competitive at the international level, the Vision 2025 and 11th Five Year Plan envisage fundamental improvements for the manufacturing sector. Some salient features of the Vision for industrial sector are: strengthening institutions; removing infrastructure bottlenecks; promoting public private partnership; encouraging investment; developing skills and building knowledge economy; easing of doing business; increasing labour market efficiency; using of ICT; and tapping large domestic and regional markets. The strategy of 11th Five Year Plan includes: sufficient availability as well as an easy access to finance for entrepreneurial activities; business development services; strategic initiatives and infrastructure development, like industrial estates, parks, industrial zones, trade corridors, and others; and institution building and networking.

Performance review 2014-15

Generally industrial growth is influenced by availability of energy, raw material, skilled manpower and market forces. Market forces are oriented around profitability, consistency and continuity in policies, etc., therefore Government can perform an important role in creating conducive environment to foster private sector investment and increase growth. During the current fiscal year 2014-15, the overall Large Scale Manufacturing Sector has shown growth of 2.49per cent for the period of July-March 2014-15 when compared with the same period of last year which was 4.63per cent. The sectors showing growth and decline during July-March 2014-15 compared to July-March, 2013-14 are given at Annexure-I.

According to the National Accounts Committee (NAC) in fiscal year 2014-15 industrial sector grew at the rate of 3.62 per cent against targeted rate of 6.8per cent, manufacturing sector by 3.17 per cent against targeted rate of 6.9 per cent, LSM by 2.38 per cent against targeted rate of seven per cent, while SME grew at the rate of 8.24 per cent against targeted rate of 8.4 per cent. These growth rates are provisional and final figures for full year will be determined later. The main growing industries in 2015-16 would be textile, chemicals, automobile, pharmaceuticals, electronics, leather products, paper and boards, cement and non-metallic minerals.

As far as allocations and releases are concerned, Rs1148.367 million has been allocated for twenty seven (27) development projects of Industries and Production Division in PSDP 2014-15, against which Rs540.398 million is released up-till April 17, 2015. Similarly, Rs329.330 million has been allocated for five development projects of the Textile Industry Division in the PSDP 2014-15, against which Rs101.580 million has been released till April 17, 2015.

Outlook for 2015-16

During 2015-16, the strategic focus of the manufacturing sector will be on the following areas:

- Innovation and efficiency
- Build high skilled human capacity through skills development programmes
- Provide technology through technological up-gradation; provision of sophisticated machines, equipment, tools and spares in Common Facility Centres 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 labour productivity
- Promote and develop sub-contracting
- Revival of sick industries by restructuring its management
- Privatization of Government owned entities

Table 9.1: Sector-wise allocation in PSDP 2014-15 and 2015-16

Sector	PSDP 2014-15		(Rs million) Proposed allocation 2015-16
	Allocation	Releases	
Ministry of Industries and Production	1,148.34	6,96.24 (May 22, 2015)	790.9
Ministry of Textile Industry	329.330	115.380 (April 17, 2015)	165

Programme

The federal government has initiated various projects for the revival and boosting-up of industrial growth in Pakistan. The basic objective of these projects is the provision of various facilities to investors like developed infrastructure, skilled workers, marketing facilities, and common facility centres. Detail of some of the PSDP 2015-16 projects are discussed as under: Peshawar Light Engineering Support Centre, Peshawar (Rs230.5 million); Hyderabad Engineering Support Centre, Hyderabad (Rs223.5 million); Water Supply Scheme for Hub Industrial Trading Estate Phase-II (Rs373.20 million); Establishment of Chromite Beneficiation Plant at Muslim Bagh, District Killa Saifullah, Balochistan (Rs104.3 million); Establishment of Bostan Industrial Estate Phase-I (Rs400.5 million); Provision of Infra-structure in Quetta

Industrial Estate (Phase-IV) (Rs126.9 million); Establishment of Turbines and Power Plants Equipment Manufacturing Facilities at HMC, Taxila (Rs21,543.00 million); and Establishment of Gems and Jewellery Training and Processing Centre in Muzaffarabad, AJK (Rs59.90 million); and Development and Installation of Sun-tracked Solar Collectors for Industrial Processes (Rs55.33 million).

In fiscal year 2015-16, the Federal government is going to initiate a new project namely 'Value Addition in Industry – Cluster Development based Industrial Development Plan – V2025' with a total cost of Rs1,000 million. Similarly a new initiative for the skill development of the youth in textile industry will also be initiated. It will train nearly 120,000 people.

Recently the government of Pakistan and the Peoples Republic of China has agreed on multi-sectoral developments under the China-Pakistan Economic Corridor (CPEC). This Corridor will create new economic opportunities for the people of Pakistan as there will be established industrial and export processing zones along with the corridor which will boost up our industrial growth.

Commerce sector

This sector is one of the vital sectors of the economy. It contributes towards the national economy through trade facilitation, by improving export competitiveness and persistently trying to reduce the cost of doing business so as to achieve higher market access for Pakistani products in the international market. Pursuing the exports enhancement in the global trade, Pakistan achieved the Generalized Scheme of Preferences GSP Plus status from the European Union from January 1st, 2014. This status is one of the major achievements of this Government and is likely to open EU markets through duty free import of GSP-eligible products. The extension of the European Union's GSP preferences to Pakistan will certainly boost its competitiveness, but success in accessing the EU market in greater quantities will certainly depend on Pakistan's capacity to meet EU consumer's demand both in terms of quantity and quality, increasing its production efficiency, investment in technology and manpower development, and to withstand its competitor's defensive and offensive actions.

The Global Competitiveness Report 2014 by World Bank indicates that Pakistan's global ranking in terms of ease of doing business stood at 110/189 and in ranking of global competitiveness it appeared as 133/149. Similarly cost of production is also at higher side. This reflection is primarily due to the prevalent power crises. Therefore minimization of taxation at the investments stage and reducing power crises can help to reduce cost of doing business.

Commerce and industry both are interdependent sectors therefore to achieve high GDP growth rate the industrial sector needs to be revived. By investing in technology we will shift from producing low value added products to high value products. Engineering Development Board, PTA, PCSIR and other research and technology institutions will play a key role in modernization and indigenization of technologies.

The government in accordance with the Vision 2025 will help to access regional markets. It will also help drive sector expansion by supporting the growth of economic cluster's facilitating access to technology, expanding the capital market and improving its efficiency, disseminating knowledge of markets, upgrading labour's technical skills, ensuring adequate incentives for research and development and encouraging movement up the value chain. A Corporate Synergy Development Centre comprising of industrial experts and professionals in the

government will implement the manufacturing / industry component of Vision 2025. Furthermore Planning Commission is working on smoothing and bringing in similarity in procedures regarding "Ease of doing business in Pakistan". In this regard a high level seminar under the title of Governance reform 2014 has been conducted with the participation of all the stakeholders from public/ private sector to have a clear view for way forward.

The Strategic Trade Policy Framework 2012-15 aims to achieve export target of \$95 billion in three years, that is, 2012-15. The Strategic Trade Policy Framework has set export targets of \$31 billion for 2014-15. While exports remained \$25.2 billion against the target of \$27 billion and imports were reported to be \$41.8 billion against the target of \$44.2 billion in 2013-14 as per the State Bank of Pakistan's annual report 2013-14. The reasons behind decrease in exports are as under:-

Decrease in international prices of commodities:-There has been a global trend of decrease in prices of cotton and rice. These commodities have seminal importance in Pakistan's exports and the decrease in prices has adversely affected Pakistan's exports. The average unit price (AUP) of non-basmati rice, which constitutes 70 per cent of Pakistan's rice exports by value, declined by two per cent, similarly, the AUP of cotton and yarn have declined by 78 per cent and 10 per cent respectively.¹

Increase in cost of production: While the prices of agricultural commodities have declined, the cost of production in Pakistan has increased due to increased energy and other input costs. Pakistan's ranking in Global Competitiveness Index decreased from 128th in 2013-14 to 129th in 2014-15.²

Depreciation of dollar and Euro against Pak Rupee: The appreciation of Pak Rupee during the period Jul-Jan of the current financial year as compared to the corresponding period of previous year, has made Pakistan's exports less competitive. The average exchange rate of \$ vis-à-vis PKR, during the period July 2014 to January 2015, remained Rs100.183 as compared to Rs104.076 during the corresponding period of the previous year.³Consequently, the 3.73 per cent decrease in exports in dollar terms during the first 7 months translates into 7.3 per cent decline in rupee terms. The impact of PKR appreciation was compounded by six per cent depreciation of Euro vis-à-vis international currencies during the period July 2014 to January 2015 compared with the corresponding period of the previous year.

Energy crises: The energy deficit and the bias in energy distribution policy in favour of domestic consumers vis-à-vis industrial consumers are seriously affecting the supply capacities of exporting enterprises.

Lack of funding to implement STPF initiatives and EDF projects: Short releases to Export Development Fund and initiatives of Strategic Trade Policy Framework have affected the implementation of export development policy initiatives.

Lack of research and development: Research and development has traditionally been a low priority both in the public and private sectors. For instance, there is near absence of development of new high yielding varieties of cotton and rice.

¹Source: Pakistan Bureau of Statistics

² The Global Competitiveness Report 2014-15 by World Economic Forum

³Source: www.oanda.com

Performance review 2014-15

During this year, the Ministry of Commerce has been allocated an amount of Rs363 million for the development of Commerce Sector and likely to be utilized till June 2015 indicating 100 per cent utilization. Major projects envisaged as a result of Trade Policy initiatives aims at creating trained and qualified manpower in the field of fashion and design, textile, furniture, gems and jewellery and 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 for simplification of trade and transport procedures. Important projects executed during the year under review include 'Enhancement in Exhibition Halls and additional Technology work, (Expo Centre Lahore phase-II' (Costing Rs955 million) showed financial and physical progress of 100 per cent and 95 per cent respectively. 'Purchase of equipments, furnishing, curriculum Development and Training of Pakistan institute of Fashion Design Lahore' (Costing Rs.755.747 million) reflected 8.41 per cent financial progress, while the physical progress remained 49.7 per cent and the project 'Restructuring of Pakistan Institute of Trade and Development' showed 79.5 per cent financial progress while physical progress remained 75 per cent.

The wholesale and retail trade is the largest component, which shows the trading margins of commercial activities. The growth in this subsector was 5.2 percent during financial year 2013-14, as compared to the 2.5 per cent in the year 2012-13. This high growth is mainly on the back of higher growth in major crops and the real increase in imports. (As per State Bank of Pakistan's Annual Report 2013-14)

Outlook 2015-16

Approach to be followed for the improvement of the Commerce Sector include development of resourceful and approachable markets along with better competitiveness of our products through enhancement of productivity and demand driven value addition. Tariff and non-tariff trade barriers are the main hurdles in the way of expansion of trade therefore efforts would be applied to eliminate these barriers and trade fairs and expos will be organized frequently to capture attractive markets for expanding the trade sphere and to protect the interests of consumers/ producers. There is need to strengthen consumer protection committees with the Government intervention. Trade with neighbouring countries will be strengthened. GSP plus trade concessions from European Union for ten years is quite optimistic, which could prove to be quite helpful in increasing exports if the basic inputs like electricity and gas availability are ensured for timely response of orders.

Programmes

In 2015-16, an allocation of Rs875.62 million has been allocated for the development projects of the Commerce Division. Prominent projects, which will continue during financial Year 2014-15 include 'Restructuring of Pakistan Institute of Trade and Development (PITAD) Islamabad' (Rs508.44 million), 'Purchase and Equipment, Furnishing, Curriculum development and Training of Pakistan Institute of Fashion Design' (Rs755.747 million). In the year 2015-16, the Peshawar Expo Centre, costing Rs2,500 million, has been planned by the Ministry of Commerce.

Mineral sector

Pakistan has tremendous mineral potential including precious metals, dimension stones, industrial minerals, rock salt, coal, etc., but the potential has not been developed accordingly. Inadequate facilities are behind the inadequate exploration and production of mineral resources. Poor infrastructure, poor management and non availability of obsolete technology are the main hurdles. Government of Pakistan has taken various steps to overcome these hurdles. Mismatch primarily is due to capital intensive nature of investment. These natural resources play great role in economic growth of the country. Energy and minerals such as coal, oil, gas, copper, gold, limestone, marble, precious gemstones and others, estimated figure of copper reserves 1.9¹ billion tones and 11.2 million ounces of gold. Similarly, coal reserves of 185 billion tons are going to be utilized. Currently, minerals contribution to the GDP is less than 1 per cent but it has a vast potential of increasing up to 5 to 6 per cent. In the year 2013-14, production of important minerals like rock salt, limestone and coal remained 2034 thousand ton, 32308 thousand ton and 2667 thousand tons respectively.

Pakistan has a good scope for the gems and jewellery sector, the accessibility of gemstone as raw material is in huge quantity as well as have the additional advantage of low cost of production, able, energetic, and diligent artisans are the major promising features for investment. The value addition at source by gem processing can be in the interest of investors as the raw material will be readily available and processing can be made comparatively at lower cost. Investment in mineral sector has growth prospective in the following lines.

The Pakistan Mineral Development Corporation (PMDC) offers joint ventures in following projects:

- Gold and Base Metals Exploration in the Northern Areas of Pakistan
- Coal Briquetting Plan
- Coal mining for small thermal power plants
- Production of Ultra Refined Salt.

The Geological Survey of Pakistan is striving hard to strengthen natural resources of the country so that due share from the natural resources of the country could be utilized for the uplifting of the economy of the country, well being of its population and increasing reserves of the foreign exchange. Geological Survey of Pakistan (GSP) collects and provides detailed information about the natural resources of the country. It is the national department which is responsible to exploit and utilize the earth's resources. The GSP's performance review as well as its plans for achieving goals in accordance with the Vision 2025 are elaborated below:

Performance review

I. Appraisal of newly-discovered coal resources of the Badin Coal Field and its adjoining areas of Southern Sindh

- Drilling of two bore hole have been completed at the depth of 381.46 meters and 423 meters, encountered coal seams at different depths from 342.54 m to 380.24 m, with a cumulative thickness of coal, 6.17 meters and 5.00 meters, respectively.
- Core samples collected and their chemical analysis have been completed.
- Geological logging has been completed to the drilled depth.

II. Exploration of the Tertiary coal and iron ore in the Central Salt Range, Punjab

- A large quantity of iron ore and other minerals have been located in Chiniot and large quantity of coal in Rajana.
- Survey carried out for selection of suitable sites for establishment of camp and other logistic arrangements including water supply for carrying out drilling.
- Field parties have been started “Reconnaissance Survey” to establish base for conducting detailed geological and geochemical exploration.
- Geological Mapping over 160 square kilometre area on 1:10000 scales has been completed.
- 67 samples have been collected from project area.
- Section measurement completed at 05 sites.
- Potential sites have been selected for drilling.
- 25 samples collected and their chemical analysis have been completed.
- Tenders to purchase drilling accessories for drilling rigs have been published in the local newspapers.

III. Exploration and evaluation of coal in Raghni area, Tehsil Shahrig, Balochistan

- Study of the maps, toposheets, aerial photographs and satellite imageries of the area.
- Transferred data from aerial photographs and satellite imageries to topographic maps.
- Arranged the parties for drilling operation, geophysical and geological logging / mapping.
- Maintained the technical equipments and vehicles for the project.
- Arrangements for camping at project area.
- Selection of suitable outcrop areas from the point of view of availability of coal in the project area.
- Finalisation of specifications of required items and invitation of tenders / quotations for procurement.
- Tenders published in the local press for procurement of office equipments, drilling accessories and repair of drilling rigs/mud pumps etc.
- Complete the process of bids and comparative statement for award of contracts to the selected bidders.

IV. Regional geological mapping on 1:50,000 scales

- The regional geological mapping of total area of 6,400 sq. km on 1:50,000 scales were completed in different parts of the country. The geological mapping included the coverage of 2,560 sq. km. area in Balochistan (including 1,280 sq. km. under ‘accelerated geological mapping of chemical exploration of the out crop area of Pakistan’ (AGM Project), 640 sq. km. in Punjab, 1280 sq. km. area in Khyber Pakhtunkhwa (KPK), 640 sq. km. in Northern Areas and Gilgit-Baltistan.
- Collection of the data, geological maps, toposheets and compiled the geology and digitized the maps of 35N/16, 1, 2, 3 and 15 of 35N, Dadu and Jamshoro Districts, Sindh

Pakistan. Preparation of Geological Map of Gilgit-Baltistan was undertaken by the GSP Northern Areas Office, Islamabad, on 1:25,000 scales.

V. Maps on 1:50,000 scales

- Geological Map of Samer Bagh Quadrangle, Toposheet No 38 N / 9, District Dir Lower, Khyber Pakhtunkhwa.
- Geological Map of Timergara Quadrangle, Toposheet No 38 N / 13, District Dir Lower, Khyber Pakhtunkhwa.
- Geological Map of Pulwai Area, Quadrangle No. 43-J/9, District Neelum, Azad Kashmir.
- Geological Map of Gharo, Toposheet 35 P/9, District Thatta, Sindh.
- Geological Map of Nooriabad, Toposheet 35/12 District Dadu, Sindh
- Geological Map of Band Murad, Toposheet 35 O/4, District Hub, Balochistan.
- Geological Map of Sindh on 1: 600,000

VI. Exploration and evaluation of Durbanchah Copper Deposits, District Chagai, Balochistan, Pakistan (GSP-SML, Joint Project)

- Induced Polarization (IP) and Magnetic Surveys in Durbanchah Area, Chagai are being carried out over an area of about 7525.066 sq.km.
- Economic geology
- During this period investigations were carried out for the following Economic Geology projects:

VII. Economic prospect of the Thar Desert Eolian Sand Block, Sindh

- 44 samples collected from the Thar Desert; locations marked on satellite image and sent to Geosciences Lab, GSP Islamabad for XRF and XRD analysis. Results of samples awaited as the next strategy will be developed on the basis of Lab report.
- Soapstone deposit of the Golengol area, Chitral District, Khyber Pakhtunkhwa.
- Carbonatite occurrences in the Koga area with reference to Rare Earth Elements study District Buner, Khyber Pakhtunkhwa.

VIII. International and national collaborative projects

- During this period investigations were carried out under the following International/National Collaborative projects:
- Survey for Geo-hazards and their preventions and management in Earthquake hit areas (Neelum and Kaghan valleys, North Pakistan) in collaboration with the Federal Institute of Geosciences and Natural Resources, (BGR), Hanover, Germany.
- Survey of Hazardous sites in AJK, KPK and Gilgit-Baltistan on the request of Earthquake Reconstruction and Rehabilitation Authority (ERRA) and National Disaster Management Authority (NDMA).

IX. First-ever geological map of Sindh at 1:600,000 scales

- The Geological Survey of Pakistan has published First Ever Geological map of Sindh on 1:600,000 scales. Since the discovery of Thar coal field, several areas of Sindh had attained a significant importance in their stratigraphic settings and natural resources potential such as bentonite, granite and celestite etc. It was quite difficult in the past to have a quick and easy access to these sources of information, mainly because of absence of a reliable data base. Now, that the GSP has come up with this monumental work of research by compilation and updating of the previous work, the problem has been resolved to some extent. A reliable data base is pre-requisite to attract investment in the mineral sector. This latest map provides a solid foundation for such a data base.

X. Chemical laboratory work

- Sample Preparation: 754 samples
- Thin Section : 172 and 23 ore block
- Chemical lab: 2898 samples
15424 estimations
- XRD/DTA: 281 samples
- SEM: 111 samples and 404 EDS analysis

Outlook 2015-16:

Projects of the Geological Survey of Pakistan during 2015-16

The Geological Survey of Pakistan is an attached department of Ministry of Petroleum and Natural Resources has designed a number of annual field program/projects to be tasked in the year 2015-16 which include; preparation of plan for minerals investigation, geological mapping, exploration and evaluation of coal, geochemical exploration of precious metals, geo-environmental and ground water studies, exploration of iron ore, geo hazard assessment projects and geochemical analysis, which have been designed and approved by competitive authority. Aforementioned projects are based at various parts of the country. Similarly development projects of the GSP intended to be conceived during the financial year 2015-16 include:

- Appraisal of newly-discovered coal resources of the Badin coal field and its adjoining areas of Southern Sindh
- Total cost Rs170.64 million and the second year Rs52.43 million for 2014-15
- Exploration of the tertiary coal in the Central Salt Range, Punjab
- Total cost Rs43.35 million, and the second year Rs18.50 million for 2014-2015
- Exploration and evaluation of coal in Raghni area, Tehsil Sharig, Balochistan
- Total cost Rs56.78 million and the first year Rs5.60 million for 2014-15.

Similarly the Development Projects of Pakistan Gems and Jewellery Development Company (PGJDC) is an important project for the development of gems and jewellery sector. Total cost of the project is Rs1400 million and financial expenditure is 80 per cent whereas physical progress is 85 per cent. Upon completion of the project, a value based gems and jewellery industry will be created as a result of up-gradation of the local craftsmen. The sector will be able to produce

more competitive and demanding products as a result of increased awareness about new technologies, trends and techniques. Skilled manpower and employment generation will be increased and the sector will be shifted from traditional to contemporary design of products making them more presentable and acceptable in international markets. The quality and standard of Pakistani products will be increased building consumer confidence ultimately leading towards bringing good name to Pakistan resulting into rise in exports and earning of foreign exchange for the Government.

Annexure-I

Manufacturing item	Growth / Decline (%)	
	July-March 2013-14	July-March 2014-15
Textile	1.45	0.50
Food Beverages & Tobacco	8.24	-1.03
Coke & Petroleum Products	7.49	4.73
Paper & Board	9.30	-7.26
Pharmaceuticals	-0.37	6.38
Fertilizers	21.64	0.95
Electronics	7.02	8.21
Iron and Steel products	3.38	35.63
Leather Products	12.39	9.62
Chemicals	6.73	5.94
Non Metallic Mineral Products	0.20	2.56
Rubber Products	9.41	-0.56
Wood Products	-8.91	-78.46
Engineering Products	-20.15	-10.68
Automobiles	0.35	17.02

Source: Pakistan Bureau of Statistics

Data of industrial production

Items	Units	2013-14	2014-15
		(Revised)	(Provisional)
Industrial production		(July 2013 - June 2014)	(July 2014 - March 2015)
(Large Scale Manufacturing)			
1 Cotton Yarn	Tonnes	3066030	2304460
2 Vegetable Ghee	Tonnes	1180619	873171
3 Sugar	MT	5582353	4812408
4 Paper & Paper board	MT	681839	463130
5 Nitrogenous Fertilizer	NT	2527352	1940098
6 Phosphate Fertilizer	NT	569997	442164
7 Soda Ash	MT	409148	318973
8 Caustic Soda	MT	167465	128162
9 Paints & Varnish (L)	000Ltr	43908	39136
10 Paints & Varnish (S)	Tonnes	36714	31174
11 Petroleum Products	000Ltr	13428792.36	10244097
12 Cement	000 MT	31304	23428
13 HR/CR Sheets	MT	2641245	2343374
14 Trucks	Nos	2674	2781
15 Buses	Nos	559	410
16 Cars & Jeeps	Nos	117498	106135
17 LCVs	Nos	17477	17521
18 Tractors	Nos	34524	35753
19 Air Conditioners	Nos	320727	145320
20 Refrigerators	Nos	1309906	991254
21 TV Sets	Nos	426374	327670
22 Bicycles	Nos	205448	151554
23 Electric Transformers	Nos	11363	19045
24 Electric Meters	Nos	1101983	1221973
25 Coke	Tonnes	31924	190794
26 Cigarettes	Mln Nos	64482	46789
27 Jute Goods	MT	101722	71670
28 Motor Tyres	000 Nos	8770	6500
29 Motor Tubes	000 Nos	20841	15882
30 Pig Iron / hot Metals	Tonnes	89433	195741
31 Bobbins & Shuttles	000Nos	50	48
32 Electric Motors	Nos	9891	7010
33 Power Looms	Nos	486	585
34 Tea Blended	Tonnes	102352	91950
35 Liquids / Syrups	000Ltr	91238	72743
36 Ointments	000Kg	2577	2140
37 Cooking Oil	Tonnes	371983	267837

Source: Pakistan Bureau of Statistics

Annexure-II

Items	Countries production during 2014 - %age change over the previous year 2013							
	Pakistan ¹	China ²	India ³	B.Desh ⁴	Malaysia ⁵	Vietnam ⁶	Indonesia ⁷	S. Lanka ⁸
Textile	0.50	6.7	2.1	11	11.1	16.12	2.35	14.1
Food Beverages & Tobacco	-1.03	7.9	6.2	9.6	7.3	-1.82	7.24	-497.8
Coke & Petroleum Products	4.73	0	1.1	11.2	1.8	n.a	-2.27	-23.5
Paper & Board	-7.26	n.a	2.7	n.a	6.3	4.17	6.15	11
Pharmaceuticals	6.38	12.3	n.a	n.a	n.a	4.91	n.a	4.4
Fertilizers	0.95	-2	-0.5	n.a	n.a	14	1.27	n.a
Electronics	8.21	n.a	n.a	n.a	10.3	-10.66	n.a	-0.4
Iron and Steel Products	35.63	6.2	1.6	n.a	n.a	2.9	4.21	n.a
Leather Products	9.62	n.a	9.7	6.3	11.1	10.11	2.35	-1.1
Chemicals	5.94	10.3	-1.8	n.a	1.8	-1.91	1.27	15.6
Non Metallic Mineral Products	2.56	9.3	4.5	2.4	4.8	10.22	1.52	0.7
Rubber Products	-0.56	8.6	4.5	5	1.8	-0.82	1.27	0.3
Wood Products	-78.46	n.a	2.3	2.3	6.3	-19.26	7.33	-8.8
Engineering Products	-10.68	n.a	2.9	8.7	8.7	7.20	8.91	n.a
Automobiles	17.02	7.1	1.2	n.a	n.a	4.59	6.05	n.a
Sugar	-6.48	3.1	n.a	n.a	n.a	8.00	n.a	48.8
Cement	2.66	1.8	n.a	n.a	n.a	4	1.52	-8.35

Source:

¹ Pakistan Bureau of Statistics and the selected items production period is July – March 2014-15.² National Bureau of Statistics of China, and the selected items production period is Jan – December 2014.³ Central Statistics Office, Govt. of India and the selected items production period is April 2014 to Jan 2015.⁴ Bangladesh Bureau of Statistics and ADB Report and the selected items production period is July 2013 – June 2014.⁵ Department of Statistics, Government of Malaysia and the selected items production period is Jan – December 2014.⁶ General Statistics Office of Vietnam and the selected items production period is Jan – December 2013.⁷ Statistics Indonesia, Government of Indonesia and the selected items production period is January-December 2014.⁸ Central Bank of Sri Lanka and the selected items production period is 2012.

PILLAR-VI

**DEVELOPING A COMPETITIVE
KNOWLEDGE ECONOMY THROUGH
VALUE-ADDITION**

CHAPTER 24

HIGHER EDUCATION

The government has formulated a long-term roadmap as the Vision 2025 for a developed and prosperous Pakistan addressing key sector of the country. The Vision 2025 stands on 7 Pillars. Pillar-I emphasized developing human and social capital. It seeks to bring human resource development to the top of national agenda by substantial expansion in levels of education as well as improvements in the quality of education. A larger share of the GDP, at least four per cent to education, would have to be allocated. Key goals under this pillar are; i) universal primary education with 100 per cent net primary enrolment, ii) increase higher education coverage from seven per cent to 12 per cent, and increase number of PhDs from 7,000 to 15,000.

To realize the Vision, the 11th Five Year Plan presents a comprehensive approach for addressing human and social development gaps with an emphasis on developing human and social capital to take full advantage of Pakistan's youth bulge. Pakistan has been projected to become the 5th populous country by 2030, with a population ranging between 230 and 260 million people. Large portion will be the youth. This dividend can be gained through higher productivity and a faster economic growth by providing quality education throughout the population.

In line with the Government of Pakistan's development Vision, the Higher Education Commission has taken numerous measures to address the above mentioned human resources needs by providing access to higher education to masses, providing opportunities to the youth to seek higher studies in the top world class university, provision of research and academic conducive environment to student and faculty.

Performance review 2014-15

Quality

Since the establishment of the Higher Education Commission (HEC), several headways have been made to improve the quality of education. However because of previous neglect for extended period of time on university education, Pakistan is still not in a very good position. To catch up with the high ranking countries in quality of university education, still much has been desired to make. The ranking of universities in Pakistan against regional countries is given in below table 1.

**Table 1: Number of universities in global ranking
(701+ Score)**

Country	No. of universities in 701+ category
China	28
India	12
Turkey	10
Pakistan	05
Iran	02
Sri Lanka	02
Bangladesh	01
Nepal	00

Source: QS-2014

Access

The HEC has taken up the target as envisaged in Vision 2025 to enhance the enrolment in higher education institutions 12 per cent of the youth aged between 17-23 years. A comparison over the last one decade is given below:

Table 2: Year-wise increase in universities and students enrolment

Year	Universities/Degree Awarding Institutions			Student Enrolment*
	Public	Private	Total	
2004-05	57	53	110	471,964
2008-09	70	57	127	803,507
2012-13	87	66	153	1,080,000
2013-14	87	69	156	1,230,000
2014-15	94	69	163	1,400,000

Source: HEC

Now higher education institutions have coverage throughout the country. Region wise number of universities & their sub campuses as on April 2015 are depicted below in table 3.

Table 3: Region-wise spread of universities in Pakistan

Region/ Province	Public Sector		Private Sector		Total	
	Uni	Camp	Uni.	Camp.	Uni.	Camp.
Punjab	31	35	23	5	54	40
Sindh	17	14	29	3	46	17
Khyber Pakhtunkhwa	19	10	10	3	29	13
Islamabad	14	0	4	8	18	8
Balochistan	7	1	1	1	8	2
AJ&K	5	1	2	0	7	1
Gilgit-Baltistan	1	1	0	0	1	1
FATA	0	0	0	0	0	0
Total	94	62	69	20	163	82

Source: HEC

Global visibility

The HEC tried to develop sustainable, dynamic and internationally competitive higher education sector in Pakistan that makes a major contribution to economic prosperity, national wellbeing and the expansion and dissemination of knowledge. Due to collective and concerted effort of HEC in coordination with the major stakeholders, the output in Higher Education Institutions (HEIs) of the country have shown tremendous improvements and Pakistan has been acknowledged as rising star by the international higher education community in a number of disciplines. Today many Pakistani universities are seen on the globe. The addition of Pakistani universities in QS Asian ranking over the year is given below in table 4.

Table 4: Asian ranking of the Pakistani universities

2012		2014	
University	Rank	University	Rank
NUST	108	PIEAS	106
Univ. of Karachi	191-200	AKU Karachi	116
AKU Karachi	201-250	QAU	123
UET Lahore	201-250	NUST	129
LUMS	251-300	LUMS	181-190
Univ. of Lahore	251-300	CIIT	201-250
		Univ. of Karachi	201-250
		Univ. of Punjab	201-250
		UA Faisalabad	251-300
		UET Lahore	251-300
Total = 6		Total = 10	

Source: QS

Financial

The government had allocated Rs20 billion for 191 development projects of the universities and HEC during 2014-15. The amount was divided between approved ongoing and un-approved schemes. An amount of Rs12 billion (60.3 per cent of the total allocation) has been made against approved PC-Is up till 3rd quarter.

Outlook 2015-16

Human resource development

The youth is the real driving force towards a prosperous Pakistan; therefore, government has launched numerous initiatives to get the youth bulge dividend by developing human resources. Under the HEC, activities mainly focus on providing opportunities to access top universities of Pakistan and the world through various scholarships programmes. HEC had completed 13 scholarship schemes while same numbers of programmes are ongoing that contains around 28000 slots. Around 18000 scholarships have already been awarded. In coming time remaining 10,000 will be awarded. Beside this the phases-II of Fulbright programme for 550 MS and 266 PhD and Phase-III of Overseas Scholarship Programme for 2000 foreign MS leading to PhD scholarships will be launched in 2015-16.

The HEC is also focusing to equip the universities and students with latest equipment. Almost all programmes for strengthening of universities have provision of modern equipment. For students, under the PM scheme 100,000 laptops have been provided to talented students

enrolled in Public Sector Universities. Phase-II of the project at a total cost of Rs20.5 billion is going to provide 400,000 laptops in coming years.

Research and development

The HEC has been adopting a wholesome approach to ensure sustainable and progressive research culture in higher education institutions, ranging from personal development to strengthening of universities – through capacity development of human resource, exposure of faculty and researchers to international academia by establishing linkages with foreign universities, strengthening of research and teaching labs, and development of research incubators. Due to this, the research activities have enhanced in the public sector institutions resulting in more than 6 folds increase in research articles published in impact factor journals. Streamlined research, generated by strategic academic processes that build strong societies and economies has now entered a takeoff phase of commercialization. Business and Technology Incubators are being established in universities across Pakistan to promote university-industry collaboration. In order to sustain the trend and to expand the horizon of research activities in HEIs while reaping the benefits of research in real term of community impact and research commercialization, HEC focused on research activities those have direct impact on community wellbeing and economy of the country. About 30-32 per cent of the development funds have been allocated for provision of latest teaching and research lab equipment to expand and enhance the R&D infrastructure of the universities.

Infrastructure development

Every project undertaken for either strengthening of old universities or establishing of new universities contains a major component of infrastructure development. Planning Commission is very keen in the designing and outlook of the façade and elevation of the buildings. A policy has been adopted where universities must develop the signature campuses matching with the local cultural heritage and their old historical buildings.

About 40 per cent of the development funds have been allocated for infrastructure development of the universities to expand the access to higher education. This includes new development projects approved in 2014-15 for universities. Hopefully this trend will continue in 2015-16 as well.

Programmes

The HEC will continue to evaluate, improve and promote higher education by providing policies guidelines, improving standards and making investments for infrastructure and human resource development in Pakistan. Increasing the accessibility to higher education will be the main focus. Human resource development will continue through implementation of a number of initiatives like award of scholarships, provision of ICT infrastructure, state of the art Labs, laptops etc. To achieve those objectives an amount of around Rs20.5 billion has been allocated for higher education sector in the PSDP 2015-16. Around Rs17.6 billion will be provided to support the ongoing portfolio of the HEC. Several new initiatives with an allocation of Rs2.9 billion has also been chalked out for funding under PSDP 2015-16. Details of programmes are given below.

Technology Development Fund for the HEC scholars returning from abroad

Since inception of the HEC, millions of rupees have been spent on the human resource development as a result thousands of PhD scholars have returned to the country. Now it is time to ask for the return on investment, therefore, government has set aside funds to help the industrial sector. A project titled Establishment of Technology Development Fund for HEC

scholars returning after completion of PhD to introduce new technologies application in Pakistan has been proposed at a cost of Rs5 billion.

Establishment of new universities

- University of Sibi, Balochistan
- Establishment of AJ&K Women University, Bagh, AJ&K
- Establishment of University of Baltistan
- Establishment of Muhammad Nawaz Sharif University of Agriculture, Multan
- Establishment of FATA University

Strengthening of universities/ degree awarding institutions

Besides ongoing projects, several new activities for the strengthening of universities/ degree awarding institutions will be undertaken. Following are the new initiatives which will be funded afresh in PSDP 2015-16.

- School of Dentistry, Shaheed Zulfiqar Ali Bhutto Medical University, Islamabad
- Development of Fatima Jinnah Women University, Campus-II, Rawalpindi
- Establishment of National Science & Technology Park at Central Campus Islamabad
- Up gradation of National Institute of Science & Technical Education (NISTE) Islamabad into Skill University
- Strengthening & Expansion of Balochistan University of Information Technology and Management Sciences, Quetta
- Establishment of sub campus of Balochistan University of Information Technology and Management Sciences, Quetta at Muslim Bagh, Qila Saifullah
- Establishment of School and Professional Development at Sardar Bahadur Khan Women's University, Quetta.
- Capacity Building and Strengthening of the Pakistan Study Centre, University of Balochistan Quetta
- Strengthening of Academic & Professional Facilities at University of Peshawar
- Strengthening of Research Programmes at Islamia College University, Peshawar.
- Provision of new facilities and infrastructure for main campus, UET, Lahore
- Up-gradation and Strengthening of Essential Facilities at Sukkur IBA
- Provision of academic and research facilities, Air University, Islamabad
- Strengthening of Academic and Research Programme at Bahria University Islamabad/Karachi
- Strengthening of Academic & Research Facilities at Pakistan Institute of Engineering & Applied Sciences (PIEAS), Islamabad
- Strengthening of Academic and Research Programmes at National University of Modern Languages (NUML), Islamabad
- Establishment of Sub-Campuses of Public Sector Universities at District Level
- Enhancement of academic and research facilities at Quaid-e-Azam University, Islamabad.

- Innovation Centre and Software Park at UET Sub-Campus Lahore
- Establishment of Central Asian Regional Economic Cooperation University

Scholarship programmes

Several ongoing scholarships programmes will continue to be funded in the PSDP 2015-16. Couple of new programmes such as next phases of Fulbright program and overseas scholarship programmes will be launched in this year. Faculty development component in newly established universities will contain some foreign as well as scholarships. To support the scholars of friendly countries in Pakistan, several initiatives are also included in the PSDP.

CHAPTER 25

SCIENCE AND TECHNOLOGY

The role of science is very important in technological advancements of any country. In Pakistan, the Ministry of Science and Technology (MoST) is the national focal point and enabling arm of government for planning, coordinating and directing efforts to initiate and launch scientific and technological programmes and projects as per national needs.

The Vision 2025 identified important technologies that may drive the development. These technologies include micro-electronics, computers, telecommunications, nano-technology, human-made materials, robotics, and biotechnology. Use of technologies increases productivity, however, in the context of Pakistan, there is a disconnect between the scientific organisations and the production disciplines. The Vision encourages identifying the indigenous solutions for the local problems. It also suggests revamping of the dormant S&T organisations to bring them in mainstream. Exploring possibilities of collaboration with private and public sector has been emphasised. Poor innovations and registration of patents are identified as major obstacle in success of science and technology in Pakistan.

In line with the strategy adopted in the 11th Five Year Plan 2013-18 to implement the Vision, R&D organisations of MoST have diverted their efforts and resources towards demand driven R&D and implementation of projects having significant economic impact. These organisations are encouraged and supported to transfer technology to the local industry and commercialise their products and processes to become sustainable over a period of time with the goal to achieve Knowledge Based Economic Development. The MoST programmes are mainly implemented by the following 15 institutions/ organisations working under its administrative control.

- Pakistan Council of Scientific and Industrial Research (PCSIR)
- Pakistan Council of Research in Water Resources (PCRWR)
- Pakistan Science Foundation (PSF)
- Pakistan Council for Science and Technology (PCST)
- Council for Works and Housing Research (CWHR)
- Pakistan Council for Renewable Energy Technologies (PCRET)
- National Institute of Electronics (NIE)
- National Institute of Oceanography (NIO)
- Pakistan Standards and Quality Control Authority (PSQCA)
- Pakistan National Accreditation Council (PNAC)
- Pakistan Engineering Council (PEC)
- National University of Sciences and Technology (NUST)
- COMSATS Institute of Information Technology (CIIT)
- Science and Technological Development Corporation (STEDEC)

Performance review 2014-15

The Global Competitiveness Index with regard to science and technology tells the country's technological readiness, capacity for innovation, higher education training, availability of scientists and engineers, university and industry linkages, spending on R&D and quality of scientific institutions. Unfortunately Pakistan is lagging behind than the regional peers in all parameters (Table1).

Table 1: Global Competitiveness Index 2014-15 Score

Parameters	Pakistan	China	India	Malaysia	Turkey
Technological Readiness	2.8	3.5	2.8	4.2	4.3
Capacity for Innovation	4	4.2	4	5.2	3.7
Higher Education & Training	2.8	4.4	3.9	4.8	4.7
Availability of Scientists & Engineers	4.3	4.4	4.4	5.2	4.2
University Industry Collaboration in R&D	3.2	4.4	3.9	5.3	3.7
Company Spending on R&D	2.9	4.3	3.8	4.9	2.9
Quality of Scientific Research Institutions	3.4	4.3	4	5.2	3.9

Scale of 1-7: 1=Very poor, 7=Very good

Source: Global Competitiveness Index Report 2014-15 (World Economic Forum)

In such a situation, it becomes difficult to get advantage of the new growth opportunities. However in recent past high emphasis on university education in Pakistan has generated a chance to leverage science for knowledge economy.

During the fiscal year 2014-15, an amount of Rs1211.357 Million was allocated against 39 development projects in the federal PSDP for advancement of scientific knowledge and technological advancement. Out of this, Rs547.999 Million have been released and utilised till March 2015 (Three quarters). Eight projects are expected to be completed during the year under consideration.

Realizing the financial constraints, MoST is focusing more on transfer of technology and commercialisation of the products and processes, developed over the years by its organisations to compete in the open market for direct contribution to the economy. Outreach activities and demand driven R&D with various sectors of local industry is the priority. Issues, problems and needs of various industrial sectors have been identified and are being addressed by the relevant R&D organisations. Following are some of the key highlights of these efforts:

- The MoST is encouraging the private sector through its public-private partnership programmes for viable R&D, in order to meet the future challenges of WTO. Universities and private sector are being persuaded to establish R&D facilities to inculcate innovation culture in the country. MoUs with leading academic institutions and chambers have been signed for collaborative efforts.
- **Technology Incubation Centre** has been established in National University of Science and Technology (NUST) which has emerged as a centre of excellence for advanced scientific and technological education and research in the country. NUST is ranked at 108th in Asia and 417th among world ranking of universities. COMSATS Institute of Information Technology (CIIT) with seven campuses, provided graduate and post graduate level education to more than 26,000 students in IT, engineering and emerging science and technology fields.

- **International Cooperation in the fields of Science and Technology** is being pursued both at policy and working levels with the main objectives of: (i) enabling Pakistani researchers to get access to technologies developed elsewhere in the world, (ii) mobilizing S&T capacity of national institutions and development of human resource for mutual benefits, and (iii) sharing of resources in areas of science and technology having excellence at home and abroad. The MoST has adopted two pronged strategy of developing linkages i.e. through bilateral agreements with friendly countries and coordination with intergovernmental, international and regional organisations dealing with science & technology.
- **The National Science, Technology and Innovation Policy** has been prepared and circulated among all stakeholders for implementation. The Technology Foresight Exercise for the facilitation of the strategist and policy planner is underway. Six foresight reports on sectors, that is, agriculture, energy, health, education, environment and IT have been compiled and circulated to all stake holders. Work on two reports on Biotechnology and Electronics is in progress.
- **Industry focused R&D** is the prime impetus at the Pakistan Council of Scientific and Industrial Research (PCSIR). Presently, the PCSIR is promoting lab scale development in areas of pharmaceutical and chemicals, food, herbal, minerals, cosmetics, etc. The PCSIR has developed processes and leased out to different industries, got patents registered and provided consultancy services to various industrial clients.
- In its efforts for Provision of Safe Drinking Water to Public, the Pakistan Council of Research in Water Resources (PCRWR) completed construction of 14 water quality monitoring lab buildings (Karachi, Hyderabad, Nawabshah, Sukkur, Multan, DG Khan, Sahiwal, Abbottabad, DI Khan, Sargodha, Sialkot, Mianwali, Gujranwala and Loralai) while three are in progress (Faisalabad, Gilgit, and Muzaffarabad). Moreover, upgradation of six existing labs (Islamabad, Lahore, Peshawar, Quetta, Bahawalpur and Tandojam) has also been completed. PCRWR undertakes site-specific water sector R&D activities in almost all areas of Pakistan through its five Regional Offices and Research Centres located at Tandojam, Quetta, Bahawalpur, Lahore and Peshawar.
- Various alternate and renewable energy and green energy initiatives are being introduced by the Pakistan Council for Renewable Energy Technologies (PCRET) and more than 500 biogas plants of 5m³/day capacity in four provinces along with more than 100 micro hydel power plants in Khyber Pakhtunkhwa and earth quake affected areas of the country have been installed. These installations are electrifying more than 5000 houses. On R&D front, the PCRET indigenously produced third generation solar cells in its labs using organic materials which are a milestone achievement in the field of indigenous solar photovoltaic technology. PCRET also signed MOUs with some private stake-holders for commercialisation of PCRET designed renewable energy products.
- **Trade-related interventions** are being undertaken through Pakistan Standards and Quality Control Authority (PSQCA), Pakistan National Accreditation Council (PNAC) and National Physical and Standards Laboratory (NPSL). These organisations are actively involved in export enhancement, trade increasing and improving health and safety of consumers through mandatory and voluntary standards.

Outlook 2015-16

During 2015-16, policy focus will be on acquiring world-class expertise in emerging technologies, establish a nanotechnology parks/ innovation incubators as well as create a cadre of technically trained professionals.

Nanotechnology, Biotechnology and Fuel Cell Technology

For economic development, PCSIR, CIIT, NUST and CAMB are initiating coordinated effort with specific focus on the emerging technologies i.e. Nanotechnology, Biotechnology and Hydrogen Fuel Cell Technology.

Renewable energy technologies

To overcome energy crisis in the country, high-tech, low cost and sustainable energy solutions with renewable resources would be another thrust area during 2015-16. A total of 6 projects with an estimated outlay of approx. Rs856.00 million are in pipeline in this regard that will be initiated in 2015-16.

Human resource development

It is planned to introduce multidisciplinary science focused initiatives during 2015-16. The highly trained manpower in S&T organisations will essentially multiply the RoI (Return on Investment) ratio. Science talent farming scheme will be launched to identify and nurture the science talent in the country.

Development of Innovative Incubation Centres and Technology Cluster Centres

In addition to the above, the MoST in collaboration with the Provincial Governments has planned to launch Innovation Incubator Centres as well as Technology Cluster centres. The said activity will generate employment opportunities in the SMEs and technology companies. Feasibility is being undertaken for establishment of the Technology Park in Islamabad.

Halal Food Authority

To capture multibillion dollar halal food market of the world, halal food production, processing and export will be promoted. In this regard, Pakistan Halal Food Authority is being established.

Programmes

An amount of Rs1,060 million has been allocated for different projects of the MoST in PSDP 2015-16. Rs1,040 million will be spent on the ongoing portfolio, while the rest of Rs20 million has been allocated for new unapproved projects. Some of the key programmes/projects to be undertaken in 2015-16 are given below.

- Balancing, Modernisation and Refurbishment of PCSIR Laboratories, NPSL and National Institute of Electronics
- Computing Research and Development Centre
- Construction of Office Building for MoST and its Organisations
- Establishment of National Central Marine Research Laboratory at NIO, Karachi
- Scientific and Technological Cooperation with Friendly Countries.
- Participation of Scientists and Technologists in International Conferences
- Demarcation of Groundwater Quality Zones in Indus Plain

- National Capacity Building Institute (NCBI) for Water Quality Management
- Proficiency Testing Provider Facility for Analytical Laboratories, NPSL/PCSIR.
- Integrated Water Resources Management
- Discovery of new potent natural antiglycation agent
- Construction of Offices and Labs and purchase of lab equipment.
- Establishment of Technology Park
- Certification Incentive Programme for SMEs

CHAPTER 26

INFORMATION AND COMMUNICATION TECHNOLOGIES

The emerging structural shift in the human society is profoundly linked with the use of Information Technology and its application in all aspects of human life. The Vision 2025 lays a very strong emphasis on Knowledge Economy, creativity and innovation, thus provides the strategic direction regarding close alignment with this paradigm shift. The ICTs hold the promise for an accelerated economic growth based on creativity and innovation. It is now an established fact that pervasiveness of ICTs is a precondition for job creation, entrepreneurship and new business avenues.

The collaborative technologies such as video/ web conferencing, conference calls, interactive social media, etc., are setting the stage for the next stage of human development. These innovations primarily rely on ICTs to create knowledge for higher value economic activities. Around the world, a number of socio-economic issues, such as, poverty alleviation, quality education in remote locations to under-privileged, healthcare, access to knowledge, etc. are being addressed through innovation and entrepreneurship. Thus these strategic goals will invariably contribute towards growth of a vibrant Pakistani ICT industry.

Strategic focus of the National ICT Vision 2025

Provide the right digital and knowledge infrastructure for economy, security, governance and society through:

- Strategic investments in modern and high speed national broadband infrastructure;
- Creation of high impact automation initiatives in the public sector to enhance economic competitiveness;
- Improving governance and efficient service delivery to citizens.

Performance review 2014-15

Telecommunication sector in Pakistan has seen a phenomenal growth during the last decade and has reached tele-density of 75.1% as of March, 2015 (*Pakistan Telecommunication Authority*). The auctioning of 3G/4G/LTE licenses has enabled the telecom sector to enter into the next phase of its growth. The rapid increase of subscribers of mobile broadband has increased the overall broadband subscriber base to 15.6 million by March 2015 from 4.7 million in June, 2014. This increase is mainly attributed to mobile broadband after the newly introduced 3G/4G/LTE services by the telecom operators.

In the Information Technology, many PSDP-funded projects have been closed/ terminated during the current year due to non-performance over the last many years such as Federal Government Data Centre (FGDC). Furthermore, some other small projects are near completion by the end of this fiscal year. This has been done to utilize the available resources more efficiently.

Some of the major projects executed in the ICT sector for 2014-15 are:

- National ICT Scholarship Program for students of non-metropolitan areas to have access to quality IT/Computer Science education in the country.
- Machine Readable Passport/ Machine Readable Visa Project - Phase-II.
- Automation of Central Directorate of National Savings (CDNS) project

A strategic, long-term ownership at the highest level is a vital ingredient to make it a success. Introduction of public sector services are being made accessible online to facilitate the citizens, enhance efficiency and transparency in governance. The efforts have been initiated to move public e-services to the lowest tier of government for a real change towards good governance. Also, for successful implementation of e-government initiative, availability of IT professionals within the public sector further needs to be ensured.

E-government initiative which lost steam in the past was re-taken with a new strategic approach during the outgoing year. This new approach will enable the Government to introduce e-government solutions in its various departments on an accelerated pace. The Federal Government, during the year, established National Information Technology Board (NITB). This new organisation will enable better utilization of resources and effective coordination amongst the various organs of the Government for the implementation of e-government initiative.

Outlook 2015-16

Pakistan's IT industry is now on the verge of experiencing an exponential growth. However, to create a synergistic effect that translates into visible and significant economic growth, certain tangible measures have to be put in place.

One significant step already taken in this direction is introduction of 3G/4G/LTE. Equally important measures such as availability of high-speed national broadband backbone, creation of new technology centres in the country, policies that give impetus to localization of content and establishment of third-party payment gateways in the country will indeed help IT industry to develop rapidly in future. In this regard State Bank of Pakistan and Ministry of Information Technology is working on Rules/ Regulations for setting up e-commerce payment gateways. Furthermore, Cybercrime Bill 2015 is also under review in the Parliament. These steps will help in accelerating the growth of economy, increase in investments and help in improving domestic e-commerce activities by facilitating online payments.

For a continuous and sustained supply of high quality skilled workforce all forms of media have to be encouraged for imparting knowledge. Thus to remain competitive globally, innovation is the kingpin which can thrive only with entrepreneurship. ICT sector has the potential to attract young workforce in producing high value innovative products and services. We have to remain focused on provision of quality IT education that can meet both the domestic demand of IT industry as well as cater the international requirements.

The China-Pakistan Economic Corridor (CPEC) is the harbinger of change. Where other infrastructure initiatives will be undertaken within this umbrella, alternative international internet connectivity through China will provide further impetus to the IT industry in carrying out its offshore business more effectively. This link is strategically very important and would also serve as alternative route to the existing submarine cables, already landing in Karachi.

Programmes

The PSDP earmarked for 2015-16 is meant for ongoing projects and some new initiatives. The size of the ICT sector portfolio for 2015-16 is about Rs3,543 million. The emphasis will be on the development of human resource, IT industry, IT infrastructure and e-Government. Major thrust in IT for the 2015-16 will be on the following:

Improvement of 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 2015-16 are:

- Establishment of Software Technology Park in Islamabad with the assistance of Korea.
- IT Industry Support Program is a multi-million rupee initiative that will provide help to IT industry in further strengthening its capacity, improve its processes, expand outreach to international markets and strengthening academia-industry-government linkages by providing young professionals an opportunity to work as interns and further polish their skills.
- E-government projects will continue to be the centre-piece of public sector information technology initiative. The major e-government projects in 2015-16 include:
 - Innovation Fund Program will provide impetus for developing low cost, high impact applications and systems that would improve the working of the public sector, increase facilitation to citizens in access public services and enhance productivity and good governance in the public sector.
 - Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-III will provide deployment of the system in the remaining 75 districts of the country, thus providing full geographical coverage for citizens.
 - Automation of processes and offices of Central Directorate of National Savings (CDNS) will enable to facilitate the citizens for more investment into the government schemes.
- Construction of Cross-Border Optical Fibre Cable for Alternate International Connectivity.
- Design and Development of Remote Sensing Satellite.

PILLAR-VII

MODERNISING TRANSPORTATION INFRASTRUCTURE AND GREATER REGIONAL CONNECTIVITY

CHAPTER 27

TRANSPORT AND LOGISTICS

The transport and Logistics sector comprises physical and soft infrastructure. The physical portion constitutes rails, roads, road transport, sea trade and related freight and air transport, whereas the soft infrastructure covers packaging, delivery, storage, and trade logistics and facilitation. The T&L sector's cost is an important component since it determines efficiency of connectivity, while high freight, insurance and longer delivery times in Pakistan restrain growth in connectivity of the people and places.

Pakistan is gifted with a strategic location, which is well-suited to serve as a hub of commercial activity. Transport contributes about 10 per cent to the GDP, accounts for over six per cent of employment, and consumes 35 per cent of the total energy annually.

The Vision 2025 set the target of raising the road-density to a level of 0.45 kilometre per square km by 2018, which will increase the existing road national network from about 2,60,000 kms to 3,58,000 kms. Major upgrade in the railway system includes: increasing speed from 95 km per hour to 120-140 km per hour, doubling tracks of the main line sections, increasing line capacity with a modern signalling system, establishing North-South and East-West corridors and developing linkages through road and rail to the Central Asian states, China, and other neighbouring countries and development of a separate freight corridor on the railway tracks. The Vision emphasises participation of the private sector as a growth-driver. This will further enhance productivity, competitiveness, efficiency, innovation and entrepreneurship in the country.

Pakistan has a total of 46 airports for conducting commercial operations. Out of these airports, 42, including 10 international, are owned and operated by the Pakistan Civil Aviation Authority (CAA). At present, out of these 42 airports, 13 are being used for both international and domestic operations, whereas 11 are only for domestic operations, and the remaining 22 are either scaled down or closed for operations due to various reasons. Out of the four private airports, Sialkot is serving both international and domestic operations, while remaining three are for only chartered aircraft operations.

Road transportation is the backbone of Pakistan's transport system, which accounts for 96 per cent of all passengers and freight traffic. This highlights the current minimal participation of the Pakistan Railways in Pakistan's passenger and freight transport.

Pakistan has a coastline of over 1,000 km and an offshore exclusive economic zone, covering an area of 2,40,000 square kilometre, remains unexplored. Two major ports, Karachi and Qasim, handle 95 per cent of all international trade, and 14 dry ports cater to high-value external trade. The Gwadar Port will be built as a leading one in the region to serve as a gateway for the China-Pakistan Economic Corridor (CPEC).

Recognising importance of transport in economy and besides making large investments to improve road, rail, air and ports infrastructure, the government has planned to focus on supporting trade and logistics services. Through initiative of the CPEC, the Economic Trade Corridor will be developed to connect Gwadar with Khunjrab up to Kashgar, and creating further east and west linkages besides developing economic trade centres and zones at potential locations.

The federal government has initiated steps to provide mass transit transport facilities to the citizens of major urban cities, that is, Islamabad-Rawalpindi, Karachi, Lahore and Peshawar.

Performance review 2014-15

The PSDP for 2014-15 provided an outlay of Rs1,72,712 million for the federal programme. Against this, expenditure of Rs1,58,806 million is expected to be incurred by the end of the current financial year, giving an overall expenditure of 92 per cent. Annexure-I gives details of the outlay. The salient features of implementation are given below.

Pakistan Railways

During 2014-15, the main thrust was at the improvement of existing infrastructure, signalling system, and procurement and manufacture of rolling stock like locomotives, coaches, and bogie wagons. Three projects were completed during the year, which include: procurement and manufacturing of 202 passenger coaches, pilot project for the manufacturing of five (3000 HP) locos and feasibility study (PC-II) for construction of new rail link from Islamabad to Muzaffarabad via Murree.

The projects, which reached at an advanced stage of completion, include: doubling of track on Khanewal-Raiwind Section (246 km), rehabilitation of over aged 27 HGMU-30 DE Locos, procurement of high-capacity bogie wagons and 40 power vans, rehabilitation, upgradation and conversion of 400 passenger coaches, strengthening and rehabilitation of 159 weak bridges, and rehabilitation of 300 traction motors.

Against an allocation of Rs39,566 million, an expenditure of Rs38,000 million is expected to be incurred during 2014-15.

Ports and shipping

Against an allocation of Rs2,576 million, an expenditure of Rs800 million is expected to be incurred by the end of the Fiscal Year, showing a utilisation of about 31 per cent. During the year, work was initiated on the Gwadar Eastbay Expressway and Mehran Highway (Phase-III), Karachi.

National Highway Authority

During the year, funds were utilised to gear up the slow moving ongoing projects, especially for Gwadar links and regional connectivity, and provided funds for those projects, which were near completion or on the verge. Also, work on the establishment of the Highway Research and Training Centre (HRTC) near Burhan on M-1, in collaboration with the Japanese government, continued during the year.

Against an allocation of Rs1,11,563 million (FEC: Rs35,133 million), an expenditure of Rs1,03,000 million is expected to be incurred during the period, showing 92 per cent utilisation.

Among the ongoing projects, works continued on the acquisition of land and property compensation for construction of 184-km Faisalabad-Khanewal Phase-II, rehabilitation of Larkana-Rasheed Wagan-Nasirabad Road (34 km), bridge over the River Indus linking N-5 with N-55 at Nishtar Ghat, construction of the bridge across the River Chenab linking Shorkot and Garh Maharaja, construction of the Ratodero-Daddu-Sehwan ACW (E-6B) (200 km), Peshawar Northern Bypass (34 km), Khuzdar-Shahdakot-Ratodero (Khori-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road N-85 (459 km), Burhan-Havelian-Manshera Expressway (land acquisition, property compensation and shifting of utilities), rehabilitation, improvement and widening of the KKH (Raikot-Khunjerab section, 335 km), N-5 Highway Rehabilitation Project (883 km)-revised, National Highway Development Sector Project (NHDSP) – revised for improvement and construction of 687 km of roads under the ADB financing, Jalkhad-Chillas Road N-15 (66 km), Kalat-Quetta-Chaman N-25 (247 km), Kolpur Bypass N-65, Lowari Tunnel and access roads, Bewata-Khajuri-Waigum Rud N-70 (132 km), Alpuri-Besham Section N-90 (34 km), rehabilitation and upgradation of the Jalalpur Pirwala-Ucch section (45 km) of the Multan-TMP Road, widening and improvement of the Bosan Road Multan, construction of the Amri-Qazi Ahmed Bridge over the River Indus at Qazi Ahmed Amri including Sakrand Bypass, realignment of the KKH and Barrier Lake Attabad, Khushal Garh bridge over the River Indus (N-80), Multan Inner Ring Road, including six interchanges and approaches for the Larkana bridge over the River Indus.

National Highways and Motorways Police

The entire allocation of Rs40 million is expected to be incurred during 2014-15. The ongoing work includes: construction of the Central Police Office at Mauve Area, Sector G-11/1, Islamabad. The NH&MP is playing an important role in maintaining discipline and safety on the National Highways and Motorways and is a role model for any public sector entity. Its contribution has helped in reducing the road accidents and other mishaps on the National Highways and Motorways.

Construction Technology Training Institute

The entire allocation of Rs128 million is expected to be incurred during the period on the ongoing works under the project ‘Enhancement of Training Capabilities of the CTTI (Phase-IV) Islamabad.

Maritime Security Agency

The entire allocation of Rs2,100 million is expected to be incurred on the continuation of construction of six Marine Patrol Vessels (MPV).

Civil Aviation Authority

The entire allocation of Rs1,195 million is expected to be incurred on the preparatory works for construction of New Gwadar International Airport (NGIA) at Gwadar besides land acquisition for the establishment of basic aerodrome facilities at Mansehra and development of sustainable rainwater resources for the New Islamabad International Airport.

Karachi Shipyard and Engineering Works

Against an allocation of Rs900 million an expenditure of Rs622 million (69 per cent) is expected to be incurred on completion of project ‘Civil works for upgradation of KSEW’ and continuation

of work on 'Installation of new Ship Lift and Transfer System with lifting capacity up to 7,781 tonnes'.

Finance Division

Against the total allocation of Rs4,533 million, an expenditure of Rs1,491million (33 per cent) is expected to be incurred for completion of ongoing works of various provincial road projects sponsored by the Finance Division.

Housing and Works Division

Against the total allocation of Rs1,497 million, an expenditure of Rs2,816 million is expected to be incurred for completion of the ongoing works of various provincial and federal road projects, which are sponsored by the Housing and Works Division. The excess utilisation was made through reappropriation on the project 'Dualisation and improvement of Mandra-Chakwal road.

Kashmir Affairs and Gilgit Baltistan Division

The entire allocation of Rs500 million is expected to be incurred for continuation of works of Rathua Haryam Bridge, Athmuqam Keran Bypass Road and Nuasehri Laswa Bypass road sponsored by this Division.

Outlook for 2015-16

During the financial year, emphasis will be on: i) Asset management with consolidation, upgrading, rehabilitation and maintenance of the existing system, ii) Enhancing the role of private sector participation in sector development and institutional capacity building, iii) research and development by adopting modern technology, procedures and processes to increase sector efficiency, and iv) Improving the regional and domestic connectivity, regional connectivity will provide links to China, Central Asian States, Iran, Afghanistan and India.

It is planned to revitalise the Railway system by transforming it into a commercially-oriented entity, while retaining the railway network in the public ownership. In the aviation sector, the government has approved New National Aviation Policy, which will provide equal opportunities to all airlines and operators, enhance competition, benefit passengers and provide more employment opportunities.

Development of the port infrastructure and rationalisation of the port charges is envisaged to cater to trans-shipment through the Landlord Port concept with enhanced private sector participation. Likewise, the rationalisation of airport charges and development of airports through the private sector are also planned.

Urban Mass Transit System

The federal government has initiated steps to provide mass transit transport facilities to the citizens of major urban cities, that is, Islamabad-Rawalpindi, Karachi, Lahore and Peshawar. The proposed system is being taken up as a result of pre and feasibility studies in a phased manner. The Metro Bus Service for Islamabad-Rawalpindi (total length: 22.5 km, 8.6 km in Rawalpindi and 13.9 km in Islamabad) is expected to become operational in June 2015. Its cost is Rs44,850 million, which was funded by the federal and Punjab governments on 50:50 sharing basis. The project of the Green Line for Karachi (length 17.8 km) at the cost of Rs16,100 million, which is fully funded by the federal government. It has been approved and scheduled for completion

during the Plan period. A project of the Lahore Orange Line Metro Train has been approved, which was to be funded by the Chinese loan under the CPEC, is to cost Rs165,226 million, and is scheduled for completion in 2018. The Mass Rapid Transit System project in Peshawar is under preparation, and funding of \$180 million has been committed by the ADB.

China-Pakistan Economic Corridor

Under the CPEC, Pakistan and China have signed financial agreements worth \$46 billion. Out of \$46 billion, agreements worth \$28 billion will immediately kick-start early harvest projects, which are expected to be completed by the end of 2018. Projects worth \$17 billion, which are in the pipeline, will follow as soon as required studies, processes and formalities are completed. Out of the above investment, \$11.8 billion will be the concessional loans from China for infrastructure development like roads, ports and railways, etc. Through the CPEC, China will expand its trade and transport links and boost economic influence across the Central and South Asia.

Under the infrastructure development, financing agreements include: construction of the Karachi-Lahore Motorway (KLM) Multan-Sukkur section costing about \$2,600 million, Karakoram Highway (KKH) Phase-II Thakot-Havelian section costing \$920 million, Gwadar Eastbay Expressway at \$140 million, New Gwadar International Airport (NGIA) \$230 million, expansion and reconstruction of the existing main railway line (ML-1) from Peshawar to Karachi including construction of a dry port at Havelian and \$1.63 billion for the Orange Line Metro Train Lahore.

Another component of the CPEC is the development of the Gwadar port, which has already been given to the Chinese with an operational control lasting 40 years. The Chinese government will construct a container handling facility, a major highway and an international airport. Control over Gwadar will bring China closer to Europe and Africa. The cost of shipping from the Western Europe to China is almost double the cost of shipping from Pakistan.

The Chinese people and government will also benefit from it immensely. The project creates an easy outlet for the western region of China to the Gwadar seaport; thus bringing China close to the Middle East. A ship takes just one day from Dubai to reach Gwadar, whereas it might take about two weeks to reach Shanghai. It also cuts costs as per container cost from the UAE to Pakistan is about \$250, while the same could be up to \$1500 for China.

On completion, the distance of goods transported from Urumqi in Xinjiang to Dubai via the Gwadar Port will be 5,772 km, with reduction in distance by 11,061 km as compared to the old route via Shanghai. And the distance from Urumqi to London will be vastly cut by 10,884 km. This will make Gwadar a primary gateway for trade between China and Middle East and Europe as well as making Xinjiang a transit hub for China.

To provide overall policy guidance on the CPEC, a Project Management Unit (PMU) has been set up in the Planning Commission and a functional unit in the PM office and line ministries. The CPEC PMU will take all relevant ministries and organisations on-board including Ports and Shipping, Railways, Communications, IT and Telecom, Board of Investment, Information Broadcasting and National Heritage, Economic Affairs Division, Petroleum and Natural Resources, Federal Board of Revenue, National Highway Authority, Civil Aviation Authority, international development partners and the private sector to work together in achieving the desired objectives.

Programmes

An allocation of Rs2,22,764 million has been proposed for the development programme of the sector. The share of the sector is about 32 per cent of PSDP 2015-16 (Annexure-1). The salient features of the proposed programme are outlined as under:

Pakistan Railways

An allocation of Rs41,000 million has been made for 2015-2016. Works will continue on the projects for rehabilitation and doubling of track, procurement and manufacture of the DE locomotives, repair of DE locos, procurement and manufacture of passenger coaches, replacement of old and obsolete signalling system, rehabilitation of over aged DE Locos, replacement of metal sleepers and track renewal.

The new initiatives will include: procurement of new rolling stock, improvement of signalling system, feasibility study for provision of new rail links from Gwadar to the rest of the Railway network to facilitate functioning of the Gwadar Deep Sea Water Port. Work on the Karachi Circular Railway (KCR), under the JICA funding, will also be taken up. Additional schemes during the period include: i) feasibility study for up gradation of main line (ML-1)from Karachi to Peshawar and development of dry port at Havelian under the CPEC, ii) conversion of 260 passenger coaches from 110 volts to 220 volts electrical system, iii) feasibility study for dedicated freight corridor for transportation of coal from Karachi to Lahore, iv) renovation and upgradation of major railway stations, and v) development of infrastructure for uninterrupted coal supply chain from Karachi to various coal-fired power plants, including procurement of locomotives and rolling stock.

Ports and Shipping

An allocation of Rs12,000 million has been made for Ports and Shipping (P&S). Under the CPEC initiative, construction of Eastbay Expressway, construction of the Break Waters, Capital dredging of berthing areas and channels for Additional Terminal are also envisaged.

National Highway Authority

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 Rs1,59,600 million has been proposed for the NHA. An amount of Rs14,666 million has been allocated for ongoing projects, while Rs86,834 million has been allocated for new projects and Rs58,100 million under new initiatives of the CPEC projects. Among the ongoing projects, works will continue on the projects for acquisition of land and property compensation for construction of 184-km Faisalabad-Khanewal Expressway and construction of Faisalabad-Khanewal Expressway 184 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, Construction of Ratodero-Daddu-Sehwan ACW 200 km, Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero Khor-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road N-85 (459 km), National Highway Development Sector Improvement Programme (NHDSIP) – revised under the ADB financing, Kalat-Quetta-Chaman (N-25) [247 km], Lowari Tunnel and access roads, Alpuri-Besham Section (N-90) [34 km], construction of Amri-Qazi Ahmed Bridge over the River Indus, including the Sakrand Bypass, realignment of the KKH

and Barrier Lake Attabad, dualisation of Sukkur bypass, Lyari Expressway, and bridge over the River Indus at Larkana.

New projects under the CPEC include: i) Land acquisition for Karachi-Lahore Motorway (KLM), ii) construction of Lahore-Abdul Hakim-Khanewal Section (276 km) of KLM, (iii) construction of the Multan-Sukkur Section (387 km) Credit Financing (90:10), iv) Construction of Raikot-Havelian-Islamabad Section (460 km) Credit Financing (90:10) including Land, and v) land acquisition, construction of the western alignment and other CPEC projects.

Other new initiatives are: i) construction of the Burhan-Havelian Expressway (59.1 km), ii) land acquisition and construction of the approach road to the New Islamabad International Airport, iii) improvement and widening of the Jaglot-Skardu Road S-1 (167 km), vi) dualisation of Multan-Muzzaffargarh-DG Khan section of N-70 (80 km) VGF, iv) land acquisition and construction of the Lahore Eastern Bypass on the GT Road, v) land acquisition and construction of the Lahore-Sialkot Motorway, vi) feasibility for construction of bridges over the River Indus connecting Layyah with Taunsa and Kaloor Kot with DI Khan, vii) Road Yakhmach Kharan, viii) construction of Muzaffarabad Mirpur Mangla Expressway, viii) Sangla Hill (Pendorian-Beranwala) Interchange on M-3, ix) dualisation of (Gandhi Chowk to Sarai Narang) and (Domail to Rangeenabad) Old Bannu Road N 55, and land acquisition and construction of the Sialkot-Lahore Motorway (110 km) 30 per cent VGF on the BOT.

Ministry of Communications

An allocation of Rs364.65 million has been proposed for green line bus transit project Karachi, enhancement of training facilities at the CTTI and construction of the Central Police Office for the NH&MP, Islamabad.

Ministry of Defence

An allocation of Rs1,000 million has been proposed for continuation of work on the construction of 6-Maritime Patrol Vessels for the Pakistan Maritime Security Agency.

Karachi Shipyard and Engineering Works

An allocation of Rs900 million has been proposed for continuation of ongoing works for the installation of ship lift and transfer system to provide docking and repair facilities for big ships of up to 7,781 tonnages at the KSEW.

Finance Division

A total allocation of Rs2,530.60 million has been proposed for continuation of ongoing works besides initiation of new provincial road projects in all the four provinces by this division.

Civil Aviation Authority

A budget of Rs3,471.42 million have been proposed for continuation of the ongoing works on the New Gwadar International Airport besides development of sustainable rainwater resources for the New Islamabad International Airport. Also, land acquisition for the establishment of the basic aerodrome facilities at Mansehra will be done.

Housing and Works Division

An allocation of Rs769.62 million has been proposed for continuation of the ongoing works besides initiation of new provincial and federal road projects in all the four provinces by this Division.

Kashmir Affairs and Gilgit Baltistan Division

A total allocation of Rs700 million has been proposed for continuation of the ongoing road projects by this Division.

Annexure-I

Transport and communications

(Rs million)

No.	Executing agency	PSDP Allocation For 2014- 15	Estimated Expenditure during 2014- 15	Expenditure in %age of PSDP Allocation	Proposed PSDP 2015-16
1	National Highway Authority (NHA)	1,11,563	1,03,000	92	1,59,600
2	Pakistan Railways	39,566	38,000	96	41,000
3	M/o Ports & Shipping	2,576	800	31	12,000
4	Ministry of Communications				
	– Green line Bus Transit Project, Karachi	7,961	7,961	100	100
	– Const. Technology Training Institute (CTTI)	128	128	100	53
	– National HW & Motorway Police (NH&MP)	40	40	100	201
	– National Transport and Research Centre (NT&RC)				10.65
5	Aviation Division				
	– Pakistan Meteorological Department (PMD)	35	35	100	28.58
	– Civil Aviation Authority (CAA)	1,195	1,195	100	3,471
	– ASF barracks accommodation at NIIA, Islamabad	118	118	100	400
6	Defence Division				
	– Construction of 6 Marine Patrol Vessels of Maritime Security Agency (MSA)	2,100	2,100	100	1,000
7	Defence Production Division				
	– Ship lift & Transfer System (KSEW)	900	622	69	900
8	Finance Division (provincial roads)	4,533	1,491	33	2,530.60
9	Housing & Works Division (provincial roads)	1,497	2,816	188	769.62
10	Kashmir Affairs & GB Division (const. Of Rathua Haryam Bridge, Athmaqam Keran Road, Nauseri-Laswa Road, AJ&K)	500	500	100	700
	Total T&C	172,712	158,806	92	222,764
				Total PSDP	7,00,000
				T&C share	32%