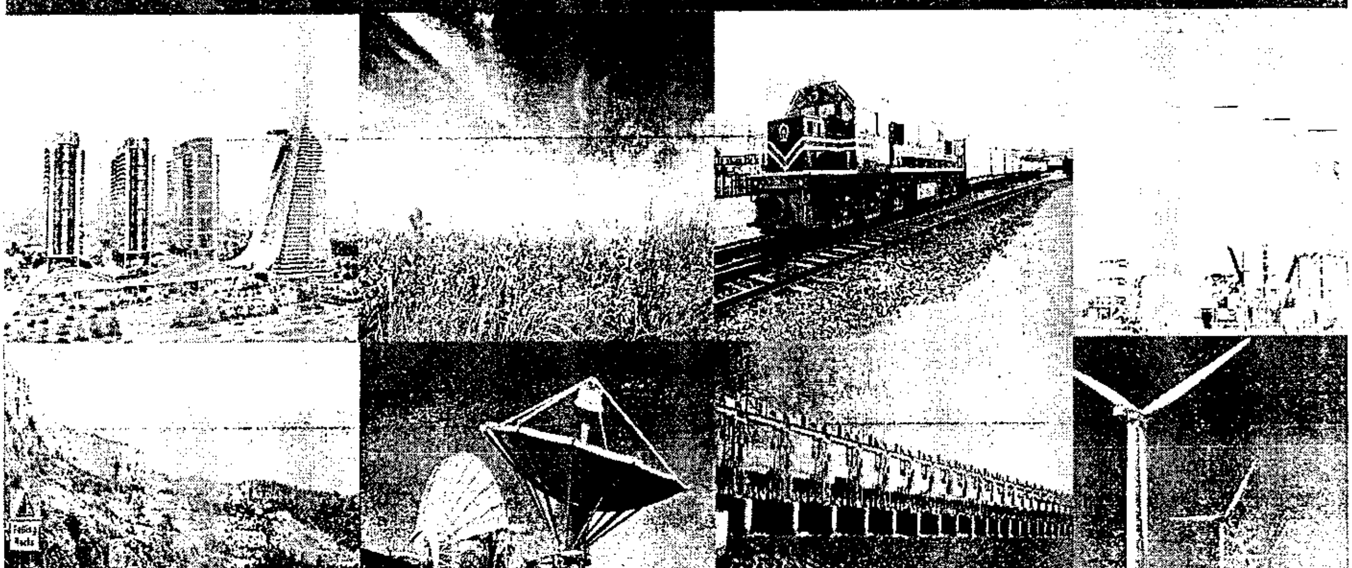
ANNUAL PLAN 2011-12



GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
PLANNING & DEVELOPMENT DIVISION

CONTENTS

FOREWORD

While we had envisaged a GDP growth rate of 4.5% for 2010-11, the outturn has been 2.4%. Growth slowed down from the 3.8% the year before (2009-10) largely because of the severe floods that we experienced last summer. Agriculture was badly affected by devastating flood in 2010 and manufacturing by shortfall in energy. Fiscal position remained under stress fueling monetary growth and inflation which surged to 15%. Some inflationary pressure also emanated from rise in food and energy prices which rose in line with international commodity prices. The external position improved as the global economy recovered: the current account balance turned positive as both exports (25% to $24.6 billion) and remittances increased sharply (35% to $12 billion).

The National Economic Council (NEC) in its meeting held on 28th May, 2011 under the Chairmanship of Prime Minister, reviewed performance of economy during 2010-11 and approved the Annual Plan 2011-12 that is presented here. The Annual Plan for the federation presents economic development initiatives of the country for the coming year 2011-12. For this year, the Annual Plan has been prepared in the backdrop of severe economic constraints arising from a deep fiscal crisis and continuing energy shortages. At this difficult time, the Annual Plan has developed an approach to deliver gains in human capital development and in the provision of key infrastructure. We think that the projects and ideas developed in this Plan are important to consolidating the emerging recovery.

The Annual Plan 2011-12 aims at GDP growth of 4.2%: the accompanying sectoral growth rates are Agriculture 3.4%, Industry 3.7% and Services 5%. Despite fiscal consolidation and an extreme shortage of resources, the PSDP is being increased by 58% (Federal and Provinces) in 2011-12 over the revised the allocation of the prior year: from Rs 462 billion in 2010-11 to Rs 730 billion in 2011-12. The federal PSDP has also been increased substantially this year to Rs 300 billion (an increase of 53% over the actual expenditure of 196 billion in 2010-11). In keeping with our priorities, we are allocating 57% of resources for physical infrastructure and 42% for human development. The national share for human development would substantially be higher with allocation of additional resources by provinces under 18th amendment. It is important for growth and employment that the PSDP not be cut substantially over the year. Fiscal discipline is therefore going to be very important.

While the over-arching goal of our annual strategy remains the ongoing consolidation of stabilization and fiscal control, the strategic trust of the Annual Plan 2011-12 is the development of the base for growth acceleration through investments in:

- Development of the energy and water resources to alleviate the prevailing constraints especially in the energy sector;
- People through education and skill development;
- Recovery of areas hit by floods;
- Backward areas and the areas affected by security threats and violence;
- Social protection for the vulnerable and dispossessed; and
- Improvements in connectivity to lower transport and transaction costs.

Planning Commission has along with the Annual Plan also developed a New Economic Growth Framework (NEGF) that seeks to accelerate growth through prioritizing reform and institutions building. The National Economic Council (NEC) also approved this Growth Framework.

Like rest of the world, Pakistan too must focus on productivity and development of key institutions that reduce the cost of doing business and improve the environment for investment. The NEGF notes that this is not an issue that requires large projects or funding. Instead, what is required is a strong thrust for reforms to improve our institutions to global quality standards. Persistent energy shortages, declining revenues, hemorrhaging public sector enterprises, continuing education deficit all are seen as management shortfalls which reforms can address. Pursuing reform must become an urgent priority for society and government if Pakistan is to sustain high growth rate as some of our neighbors. It is clear that the lack of reforms is holding up economic development.

Dr. Nadeem ul Haq
Deputy Chairman

Planning Commission
Islamabad 3rd June, 2011

EXECUTIVE SUMMARY

Overview

The Annual Plan 2010-11 envisaged macroeconomic stability and economic growth amid signs of global economic recovery. The economy was planned to grow at 4.5%. At the onset of current fiscal year, the economy faced the problems of energy shortage, circular debt in power sector, high subsidies and loss making public sector entities. The flood 2010 inflicted a loss of Rs 855 billion to the national economy. The federal and provincial governments had to divert resources to provide rescue, relief and rehabilitation work to the flood affected areas. This reduced the size of public investment and chances of achieving the target of economic growth. Accordingly, the GDP is estimated to grow by 2.4% against the target of 4.5% and 3.8% achieved last year.

The decline in growth has largely emanated from agriculture and industry sectors. Significant decline in output was observed in major crops, large scale manufacturing, construction, electricity, gas and financial sectors. Fiscal position remained under stress and inflation surged to 15% on account of spiraling food and energy prices. On external account, the position improved where current account balance turned positive on account of significant increase in exports by 25% and worker remittances by 35%.

The upcoming 2011-12 will be a challenging year where tradeoff between growth and restoring macroeconomic stability has not only to be faced but also because the implementation of the 18th Amendment and 7th NFC Award will require that the federal and provincial governments work in unison to ensure that the work on "Pakistan Economic Growth Framework", the reform agenda has started to achieve the goals of inclusive and sustainable high growth. Introduction of tax reform agenda in relation to enforcement of RGST and documentation of economy is yet another challenge to be tackled to meet development and security needs. Growth is to be accelerated to see its positive impact on fiscal and external accounts. Rising inflationary trend especially of food has to be checked to provide relief to the fixed income and vulnerable groups of the society.

Review of Annual Plan 2010-11

GDP Growth: Pakistan's GDP growth rate is expected to be 2.4% during 2010-11 against a target of 4.5%. Shortfalls were observed in attaining targets for agriculture and industry. The flood caused damage to kharif crops, especially rice and cotton. Rice was worst hit by flood, the production of which declined by 30% and that of cotton by 11.3% over last year's level. However, the rabi crops registered a reasonable growth, as wheat crop recorded a growth of 3.9%. The agriculture sector is expected to grow by 1.2% during 2010-11 against a target of 3.8%.

Industry sector also faced problems during 2010-11. Electricity shortage, rising energy and fuel prices, high inflation and low inflow of Foreign Direct Investment were responsible for shortfall in the growth of industry. Services sector performed somewhat better because of higher growth observed in public administration and general services where growth was recorded at 4.1% compared to a target of 4.7% and 2.9% achieved in 2009-10.

Fiscal Development: The fiscal policy of 2010-11 aimed to increase revenue by improving tax collection through broadening the tax-base, particularly by introducing RGST and bringing into tax-net, the untaxed individuals and sectors. Against the projection of Rs 2574 billion revenue collections, Rs 2485 billion is expected to be collected where a shortfall of Rs 89 billion is estimated for the current fiscal year. FBR is expected to exceed the revised target by Rs 22 billion while a shortfall of Rs 111 billion has been estimated in non-tax revenue.

The government had to borrow from State Bank to meet critical expenses ensuing inflation rate to rise to 15%. To ease bank borrowing and inflationary pressure, the government announced new tax measures to raise Rs 53 billion and save Rs 37 billion by plugging leakages in revenue collection. A cut of Rs 20 billion in current expenditure was also planned by the Federal Government. The national development outlay at Rs 714 billion (federal PSDP Rs 290 billion – inclusive of ERRA Rs 10 billion and provincial ADPs Rs 424 billion) was slashed down to 462 billion by cut in federal PSDP by Rs 100 billion and cut in provincial programs by Rs 158 billion. Against this, expected utilization will be Rs 415 billion. Despite these measures, the fiscal deficit is expected to be around 6% against the target of 4% of GDP.

Monetary Development: Monetary policy has been pursued to stabilize and at the same provide adequate liquidity to meet needs of the economy. On account of week fiscal condition, government has to borrow for budgetary support, Rs 472 billion from banking sector as on 30th April, 2011, an increase of 30.4% against corresponding period last year. The monetary expansion during July-April 2010-11 stood at Rs 556 billion, an increase of 9.6% over end June, 2010. Accordingly the growth of money supply (M2) is expected to be below the target of 13% envisages for 2010-11. The excess borrowing exerted pressure on prices and the CPI **inflation** is estimated to be 15% against the target of 9.5% for 2010-11. Other factors contributed to the rising inflation were increase in commodity and petroleum prices in international market and increase in electricity charges.

Balance of Payments: External sector has witnessed positive developments during the fiscal year. Exports are estimated to exceed the target. Due to rising commodity prices in international markets, exports are estimated to reach $24.6 billion against the target of $19.9 billion. Another positive factor is increase in remittances by expatriate workers which are estimated to touch the highest historical level at $12 billion. As a result, the current account balance, which was targeted to be in deficit by $6.5 billion, is estimated to be positive by $886 million. Notwithstanding, rising inflation and sluggish growth, these factors resulted in a fairly stable exchange rate during the year.

Social Protection: To cushion against low economic activity and high inflation impacting negatively on poor and vulnerable, government initiated a major social safety net, the Benazir Income Support Program in 2008-09. During first nine month of 2010-11, Rs 20.3 billion has been disbursed to 2.81 million beneficiaries. In addition to BISP, cash assistance was also ranged through Bait-ul-Mal and Zakat. People's Work Program also provided employment opportunities in small scale, rural and urban projects.

Annual Plan 2011-12

Growth Strategy of the Annual Plan 2011-12 has been derived from the **Pakistan: Economic Growth Framework** recently formulated by the Planning Commission. The Framework envisions effective participation of the private sector in the development process. Government would gradually withdraw its role as a direct participant in the economy and be the facilitator and regulator. Free forces of market are to be allowed to determine effective allocation and utilization of resources. Externally, free trade, particularly with neighboring countries is to be encouraged not only to boost exports but also to foster a climate of competition within the country. Infrastructure deficiencies, energy and water scarcity and connectivity issues are to be addressed. As Pakistan is passing through the demographic transition where young demographic bulge has appeared, heavy investment in human capital especially in youth is ensured. And community is to be empowered. The Framework focuses on enhancing productivity through promoting innovation, entrepreneurship, creativity and software development for fostering growth. Cities are to be better managed to play their pivotal role in boosting trade activities. For better implementation of policies and strategies, economic governance emphasizing on better legal and regulatory framework is to be improved at all tiers of the government.

Major elements of the growth strategy of Annual Plan 2011-12 are:

- Ensure economic recovery consistent with stabilization by pursuing economic reforms
- Invest in software and youth to enhance productivity, develop entrepreneurship and innovation to spur growth and reduce poverty.
- Revive industrial sector by curtailing energy shortages and agriculture by improved supply of quality inputs and market & institutional reforms
- Improve connectivity by better connecting people and places for enhancing competitiveness
- Better manage city to boost domestic and regional trade
- Reconstruct flood affected areas and continue support to less developed areas
- Improve legal and regulatory framework to foster competition
- Improve macroeconomic management by ensuring better coordination between federal and provincial governments and involving private sector & civil society for planning & management of economy

Economic Growth: In view of the strategic thrust of Annual Plan 2011-12 presented above, GDP growth for 2011-12 is projected at 4.2% with agriculture growth at 3.4%, industry at 3.1% and services at 5%.

Sectoral Growth: Agriculture is envisaged to grow by 3.4% in 2011-12 against 1.2% achieved last year. Major crops which recorded negative growth of 4% last year is projected to grow at 3%; minor crops from 4.8% to 2%, livestock from 3.7% to 4% and fisheries from 1.9% to 2%.

Industry: The manufacturing sector as a whole is expected to grow by 3.7% against 3% recorded last year. Growth of large scale manufacturing (LSM) at 2% largely depends on better supply of electricity and gas. Construction

activities will be accelerated on account of reconstruction of infrastructure damaged by the floods, last year. Electricity, gas and water supply which recorded a negative growth of 21% in 2010-11 is projected to grow at 1% on account of large investment in power sector during 2011-12.
Services: The services sector is projected to grow at 5% compared to 4.1% recorded in 2010-11. Within this sector, major growth has been projected in transport and communications 4.5% and whole sale and retail trade 5%.

Savings and Investment: The total investment in 2011-12 is expected to increase by 20.6% (13.8% of GDP) against 6.2% (13.4% of GDP) increase experienced last year. National Saving is projected to decline from 13.8% of GDP in 2010-11 to 13.2% in 2011-12, as somewhat declining trend is expected in the flow of workers' remittances.

Balance of Payments: For the external sector, the Annual Plan 2011-12 projects the current account balance at \$(-)1.4 billion (-0.6% of GDP). Exports are projected to grow to \$25.8 billion from \$24.6 billion in 2010-11 and imports to \$38 billion from \$35.9 billion. Workers' remittances are projected at \$12 billion, the level achieved last year.

Fiscal Development: Focus of the fiscal policy during 2011-12 would be to revive economy with stabilization where large amount of resources will be committed to development activities. Efforts will be made to manage fiscal deficit within acceptable level. Tax reforms would broaden the tax base by taxing the untaxed and documentation of economy. Current expenditures will be curtailed by adopting austerity measures, restructuring and reducing subsidy on PSEs & inter-corporal debt and debt services. Efficient use of resources especially foreign loans is to be ensured. Large flow of resources to the provinces under 7th NFC Award and taxes on untapped sources would enhance capacity of the provinces to allocate higher resources for education, health, employment generation and poverty reduction activities to meet the specific socio -economic needs at the sub national level.

Public Sector Development Program: PSDP 2011-12 will be Rs 730 billion (3.4% of GDP), 58% higher than the revised budget of Rs 462 billion of last year. Of this national development outlay, federal program is Rs 300 billion – inclusive of ERRA Rs 10 billion (with foreign assistance component of Rs 36.8 billion). The provincial development program is Rs 430 billion. Federal PSDP has been developed in line with the New Growth Strategy which focuses on the 'software' (innovation, institutional reforms and entrepreneurship) as opposed to the 'hardware' (physical infrastructure) of growth. In Federal PSDP, highest allocation has been provided to infrastructure, which is 57% of the total allocation, followed by 42% allocation to the social sectors. In view of resource crunch, priority has been accorded to projects near completion, protection of contractual bindings with foreign funded projects and balanced development.

Monetary Policy The monetary expansion in 2011-12 will be in line with projected GDP growth of 4.2% and inflation at 12%. SBP will continue to follow tight monetary policy to curb inflation pressures. Adequate credit to private sector will be ensured to revive private sector activities. Government borrowing will be limited to a safe level to curb the inflation expectations. This will bring down **inflation** to single digit at 8% by the end of June 2012 though on average 12% rate of inflation is expected for the entire year 2011-12.

Sectoral Programs

Enhancing Productivity

Higher Education: Rs 14 billion have been earmarked for higher education in 2011-12, mainly for such projects as setting up of new universities at Larkana, Mardan and Loralai and expansion of existing ones - COMSATS campuses at Quetta and Karachi and formation of a college network by the extension of Pakistan Education and Research Network (PERN).

Science and Technology: Rs 2 billion has been allocated in PSDP 2011-12 for major projects: up-gradation of National Institute of Oceanography (NIO), Pakistan National Accreditation Council and improvements in Pakistan Council of Renewable Energy Technologies.

Skill Development: Because of devolution, major functions relating to skill development have been transferred to the provinces. In the Federal PSDP, an allocation of Rs 37 million for two ongoing projects: construction of a hostel building for 100 persons in NTB Complex and President's program for care of highly qualified overseas Pakistanis has been made.

Commodity Producing Sectors

Agriculture: Ministries of Agriculture and Livestock have been devolved. All future development programs will now rest with provinces. Federal Government will focus mostly on devising national policies and promoting research and development.

Manufacturing, Minerals and Commerce: Under draft industrial policy 2011, manufacturing activities will be diversified, SMEs to be promoted and issues of restructuring of PSEs, cost of doing business and better regulations to be addressed. An allocation for Rs 2 billion has been earmarked for the Ministry of Industries and Production while Rs 130 million has been earmarked for Textile and Rs 364 million has been set aside for the Commerce Sector.

Physical Infrastructure

Energy: Overcoming energy shortage is the highest priority. An amount of Rs 137 billion including Rs 19.4 billion in foreign aid has been reserved for the power sector; whereas, Rs 0.9 billion is allocated for the fuel sector. Major projects to be financed are Basha Diamer Dam, Chasma 2, 3 and 4, Neelum Jehlum hydropower, Guddu Power Plant and combined cycle power plant at Chicho Ki Malian. During 2011-12 the plans submitted by GENCOs, PPIB and WAPDA will provide 2,110 MW.

Water Resource Development: The strategy is to focus on irrigation, drainage, flood control/reconstruction and enhancing capacity of storage. For 2011-12, Rs 34 billion has been allocated. Major projects of this sector are: raising of Mangla Dam, Gomal and Satpara Dams, Kachi, Rainee and Pat Feeder Canals, Right Bank Outfall Drain from Sehwan to Sea (RBOD-II) and Balochistan Effluent Disposal into RBOD (RBOD-III).

Urban Development: Major programs include economic development of cities and Prime Minister's One Million Housing Program for Low Income Groups.

Priority is accorded to the reconstruction and rehabilitation of infrastructure damaged by the floods 2010.

Environment: Focus of the Environment Policy is on establishing an environment friendly, just and sustainable economic system and achievement of MDGs 2015.The subject is devolved to the provinces. Major programs are executed by them.

Poverty Reduction and Human Resource Development

Poverty Reduction: It is envisaged that with the implementation of New Economic Growth Framework, economic activity will pick up and pressure on unemployment and poverty will ease. Investment in human capital development and skill development will enhance capability of the people to generate income and to be gainfully employed. Focus will be on better delivery of public service and better regulations to boost economic activity. Besides, provincial programs of social safety net, Federal Government will continue support flood affectees and Benazir Income Support Program (BISP). Pro-poor budgetary expenditures in 2011-12 are expected to increase to Rs 1,533 billion, an increase of 15% over last year.

Basic and College Education: An allocation of Rs 1,091 million has been made in Federal PSDP for expansion and development of basic and college education in 2011-12. Major programs include: Provision of Missing Facilities in Schools, Capacity Building of Teachers Training Institutes and Reconstruction of Damaged Schools in Flood Affected Areas, Scholarships for FATA's Students.

Health and Population: The aim of the health policy is to improve health status of the population and reduce burden of diseases. An amount of Rs 23 billion has been allocated in Federal PSDP 2011-12 for different preventative and curative vertical programs in health sector. In pursuance of CCI's decision, Federal Government will continue to fund these programs under special directives. During 2011-12, Rs 4.1 billion has been reserved for the Federal Population Program. Major programs of health and population sector are being executed by the provinces.

Women Empowerment: An amount of Rs 21 million has been allocated for PSDP 2011-12 for the continuation of federal women development programs. Major programs are family protection and rehabilitation center Islamabad, establishment of Shaheed Benazir Centers and Women Empowerment Centers in AJK and Resource Center in Gilgit-Baltistan.

Area Development: For accelerated development for less developed regions an amount of Rs 31 billion is provided. Out of this, an amount of Rs 5 billion has been provided to People's Works Program-I.

Employment: Employment expansion and activation policies are to absorb the growing labor force especially youth to reap the benefit of demographic transition. Some of specific policies and programs in support of these objectives are microcredit facilities through SME and Khushhali Banks, President's Rozgar Scheme, National Internship Program (NIP) and NAVTEC skills development program.

Connectivity

Transport and Communication: Improved connectivity, both of cities as well as people, is a pre-requisite for acceleration in growth. An allocation of Rs 62.7 billion has been earmarked for Transport and Communication. This includes Rs 23 billion for the budgetary program and Rs 39.5 billion for NHA under the budgetary corporations program. Most sub-sectoral allocations are for ongoing works. An allocation of Rs 14.5 billion has been allocated for Railways and Rs 600 million for Ports and Shipping. NHA will continue work on projects such as Karachi-Hyderabad Motorway (M-9) [136 km] Kalat-Quetta-Chaman (N-25) [247 km] and Lowari Tunnel (N-45). New projects include Basima-Khuzdar (N-30) [110 km], Kolpur Bypass N-65 and Multan Bypass N-70. Railways will continue to focus on track rehabilitation, construction of 114 DE locomotives, survey of Karachi-Lahore dual section for electrification vs. dieselization and up-gradation of track between Quetta-Taftan. Ports and shipping allocation is for acquisition of land and construction work for East Bay expressway at Gwadar and completion of Civic Center Gwadar.

Information and Communication Technology: In PSDP 2011-12 an amount of Rs 2.6 billion has been earmarked for IT and Rs 2.4 billion for telecom (SUPARCO, SCO and NTC). Ministry of Information and Broadcasting's allocation is Rs 662 million inclusive allocation of PNCA and Lok Virsa.

Better Governance

Governance: An amount of Rs 5.6 billion has been allocated for improvement of governance in 2011-12, a decrease of 43% over last year's allocation. Major projects include realization of President's Vision for utilizing satellite images to enhance effectiveness of planning and monitoring of infrastructure development projects. Activities of access to justice and improvement of public sector management efficiency programs will continue.

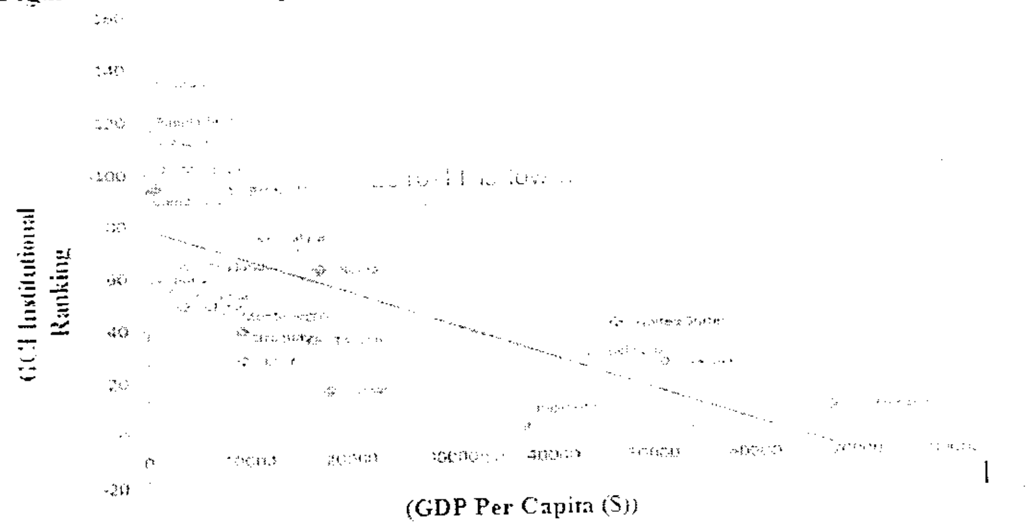
Chapter 1

Growth and Investment

Policy and Strategy

In ease of doing business Pakistan ranks at 83 out of 183 countries by World Bank's Report on Doing Business for 2011. This year's ranking has deteriorated from the previous year's 75. It also points towards increasing cost of business with respect to security, business cost of violence and institutional performance. Pakistan's position in Global Competitiveness Index 2010-11 is low at 123 out of 139 countries (China 27, India 51, Sri Lanka 62 and Bangladesh 107). It is continuously placed poorly in some sub-indicators involving public institutions, such as property rights (107), efficiency of the legal framework in dispute settlement (103) and transparency of government policy (115). The worsening security environment is reflected by significantly poor ranking related to the business costs of terrorism (138), business costs of crime and violence (126), organized crime (127), and reliability of police services (119). In international arena, strong relationship exists between institutional strength and economic growth, where improvement of institutional strength has led to increase in GDP per capita and vice versa. As shown in the following Figure 1.1, Pakistan has also ranked poorly on this account.

Figure 1.1: Relationship between Institutional Strength and Economic Growth



Source: Global Competitiveness Report 2010-11

Note: The higher number in ranking depicts poor performance and vice versa

The current pattern of lower imports, continuous decline in development spending, and exploding unproductive current expenditures dent domestic and external confidence in the economy's prospects and deter investment. In the current scenario Pakistan needs to boost productivity, phase out untargeted subsidies, reform and restructure PSEs, implement transparent revenue policy and broaden the resource base. Accordingly, the Pakistan Economic Growth Framework prepared by the Planning Commission puts more credence on the microeconomic foundations (management) of the macroeconomic problems - "software approach" for development and recommends market, governance and institutional reforms to make Pakistan's economy more productive and competitive. Pillars of the Growth Framework are discussed in the Box 1.1.

Box 1.1: Pakistan: Framework for Economic Growth

Planning Commission has formulated the "Pakistan Economic Growth Framework" to revive the economy to its short term potential GDP growth of 5-6% and accelerate to sustained level of 7-8% in medium to long timeframe. Focus of the Framework is on 'software' of economic growth (economic governance, institutions, incentives, human resources development) so as to provide an environment in which 'hardware' of growth (physical infrastructure) could be made more productive. Pillars of the Growth Framework are briefly described as under.

Productivity Enhancement: The contribution of productivity in the growth of Pakistan's GDP has been less than impressive. Productivity can be enhanced through improving market quality, governance systems, urban development, education system, competitive goods and factor markets, adequate foreign competition and research and development capacity.

Better Government: Better government will be established on two prongs: i) reorienting the role of government – which includes an exit from markets and deeper deregulation, ii) improving public sector management –including civil service reforms, improving resource mobilization, elimination of untargeted subsidies (particularly to loss making public sector enterprises), efficient public investment through results-based management.

Vibrant and Competitive Markets: Public enterprise reform and privatization where necessary, will clear *market space* for increased entrepreneurship.

Creative Cities: Almost half of the world's population lives in cities, producing more than 80% of global GDP. In order to make cities as hubs of commerce, growth strategy proposes: i) zoning and building regulations should be relaxed to allow space for mixed-use activities, energy efficiency, and facilitate vertical expansion of cities, ii) privatizing unproductive state owned land, iii) foreign developers should be encouraged to compete in the Pakistani market, and iv) focus should be towards research and development in low-cost energy efficient construction techniques.

Connecting to Compete: Commercial activity requires dense well-connected cities and communities. Connectivity focuses on both people and places. Rules pertaining to project approval, land acquisition and NHA Act must be revisited to promote PPP. Subsidies to loss making enterprises such as NLC, Railways and PIA should be removed. Trade should be facilitated through database and network management. And effective use of ICT services that reduces transport and logistics cost.

Youth and Community Engagement: Youth bulge is becoming eminent in coming years and it will change the age structure of the labor force over the next couple of decades. More than a third of youth currently lives in urban areas and their share is expected to reach 50 percent by 2030. There is a need to provide for their education, health and livelihood and engage them in activities which convert their latent energy into positive outcomes for family, community, state, and the global community.

Implementation: Results Based Management: Medium-term development and budgetary frameworks should be strengthened. Agency and time- bound reforms and implementation framework should be introduced. Quantitative indicators for result-based monitoring & evaluation should be developed and development results and cost should be made public. Further, capacity of implementation agencies should be enhanced and Planning Commission should be strengthened that develop and oversee reforms agenda and formulate Medium Framework and Annual Plans with greater involvement of provinces.

Source: Pakistan Economic Growth Framework, May, 2011, Planning Commission

To attract the private sector, conducive environment is to be provided to promote the culture of entrepreneurship and innovation. In this regard, recommendations of the Planning Commission's Taskforce on Private Sector Development (Box 1.2) will be useful.

Box 1.2: Recommendations by the Private Sector Development Task Force

Brief recommendations of the Task Force covering seven areas of focus are outlined as under

- Better manage macroeconomic policy for stability, financial sector deepening & resource generation
- Develop an export-oriented approach to economic revival and sustained development which removes the anti export bias and subsidy culture and supports exports
- Improve the business environment for developing the Pakistani firm through enhancing the efficiency of factor markets, better regulation and reduced cost of doing business
- Strengthen public goods for technological development by upgrading human skills
- Develop infrastructure particularly in power and transport through, public sector review, individual sector reform and the aggressive pursuit of public private partnerships
- Empower sub-national governments to pro-actively take leadership in economic policy, particularly when it comes to matters of the business environment
- A focus on implementation and Monitoring/Evaluation (M&E) through the establishment of a focal point in government to compile the recommendations and monitor their implementation

Source: Private Sector development Task Force Report, Planning Commission, 2010

Review of Annual Plan 2010-11

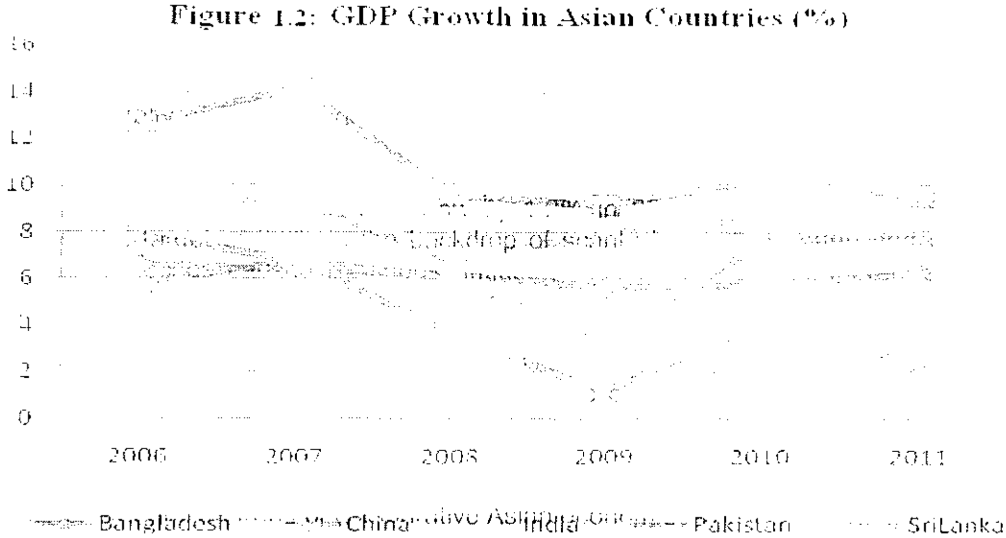
Overview

The economy during 2010-11 has shown modest growth. Government's resolve to sustain the recovery achieved during 2009-10 is marred by structural impediments to the implementation of key economic reforms resulting in low revenue base and subdued development spending. The economy, however, is showing resilience in the face of massive floods and restrained foreign inflows to beat the preliminary growth forecast after floods. Rising international prices of agriculture products are helping to sustain domestic purchasing power besides substantiating export receipts. Government has reprioritized its spending pattern and scaled down development expenditures to create space for flood relief activities. Fiscal deficit still remains high due to higher security related expenditures, floods, and subsidies for energy sector and commodity operations. However, unprecedented export growth and inflow of workers' remittances have improved the current account balance significantly.

Economic Growth: The economy is under stress as the floods, delays in implementation of economic reforms; dilapidated security situation and low foreign inflows are hampering growth in all major sectors. Massive floods took a heavy toll on agriculture and infrastructure while energy crisis coupled with steep decline in foreign direct investment is soaking up business activity during 2010-11. Pakistan's economy is provisionally expected to grow by 2.4% during 2010-11 over previous year against the target of 4.5%.

Agriculture sector is expected to grow by 1.2% in 2010-11 over the previous year against the target of 3.8% in the backdrop of scanty harvest of cotton and rice and substantial losses caused by floods. Industrial sector is badly hampered by acute electricity and gas shortages resulting into a significant decline in production. Industry is estimated to post a negative growth of 0.1% in 2010-11, missing the targeted growth rate of 3.5%. Large Scale Manufacturing is likely to grow by 1% against the target of 4.9%. The services sector is expected to achieve a growth rate of 4.1% against the target of 4.7% contributed mainly by wholesale and retail trade, transport and communication sub-sectors (Annex 1.1). Unlike the recovery seen in other Asian countries, Pakistan's economy is lagging behind the target in all the three major sectors. The growth trend of comparative Asian economies is shown in the figure 1.2.

Figure 1.2: GDP Growth in Asian Countries (%)



Source: Planning Commission; (Provisional figures for 2011 from ADB Outlook)

Sectoral Growth Performance

Agriculture: Agriculture sector has received major blow from the floods and modest growth of 1.2% is expected in the current fiscal year against the target of 3.8%. Major crops sub-sector estimates for 2010-11 show a negative growth of 4% against the target of 3.7% while minor crops are expected to surpass the target of 3% by posting a considerable growth of 4.8% (Annex 1.1). The two major Rabi crops, cotton and rice missed the production target by 11.6% and 23.7%, respectively. However, higher output of wheat crop (3.8% above the target) slightly made up for the losses. The availability of water due to timely rains, use of improved quality seeds, free distribution of certified seeds in flood hit areas and high wheat prices in domestic and international markets provided impetus for wheat production.

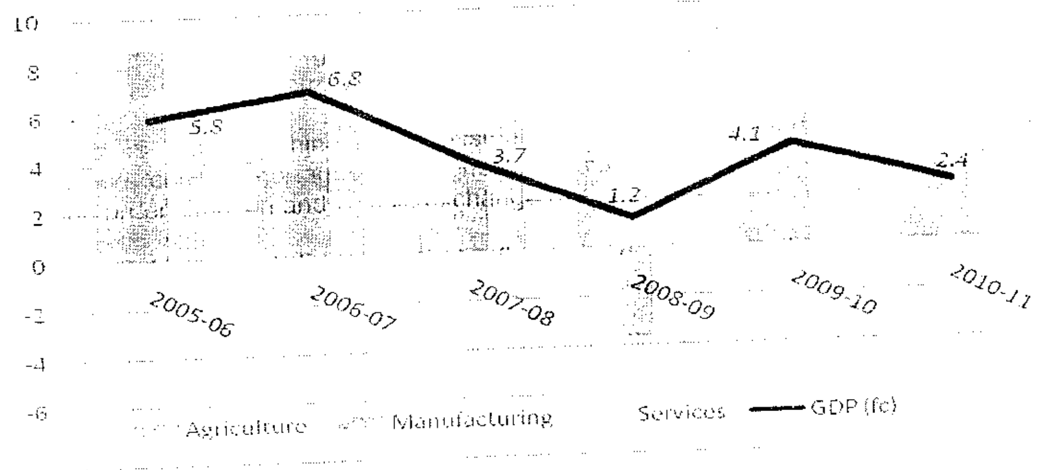
The impediments faced by agriculture sector during 2010-11 include; decline in agriculture credit by 4.4% in the first half of 2010-11 and decrease in fertilizer off-take by 13.6% over the same period last year, water scarcity problem, high electricity cost and low credit disbursement.

Industry: The large scale manufacturing (LSM) sector is on the path of recovery in the second half of 2010-11 from flood related losses and chronic energy shortages. LSM sector recovered after showing negative growth (-1.77%) during first half of the current fiscal year and is anticipated to grow by 1%. The recovery in LSM can be attributed to the strong demand for consumer durables especially increase in sales of locally produced cars which can be further attributed to rising remittances and growth in farm incomes. Robust growth in loans for automobiles resulted in a healthy contribution of automobile production in LSM sector. According to Quantum Index of Manufacturing (QIM), the positive growth during the period was contributed by Automobiles (18.2%), Electronics (2.2%), Engineering items (2.5%) and Pharmaceuticals (3.9) while the growth of Food (-2.3%), Petroleum products (-4.8), and Fertilizers (-6.8%) was negative during the period. However, the picture of overall industrial sector is unsatisfactory and negative growth of 0.1% is predicted against the target of 4.9%. Below par performance of industrial sector can be attributed to persistently high interest rates, severe energy shortages and little room for private sector credit resulting from high government borrowings.

The factors that are hindering industrial sector growth include: higher cost of production, energy shortages, misaligned provision of subsidies, high cost of credit, law and order situation and volatile exchange rate.

Services: Agricultural losses due to floods and resultant slowdown of related industries are also affecting the services sector which is expected to contribute a growth rate of 4.1% in GDP against the target of 4.7%. Wholesale and retail trade activities benefited from recovery seen in commodity producing sectors during the second half of 2010-11 and are likely to grow by 3.9%. Transport, storage and communication sub-sector growth of 1.3 % is hoped-for owing to slow growth in both agriculture and manufacturing sectors. The trend of composition of GDP growth rate of Pakistan is shown in figure 1.3.

Figure 1.3: Composition of GDP Growth (%)



Source: Planning Commission

Savings and Investment: National savings have thus far decreased and are estimated to stand at 13.8% of GDP from the targeted figure of 14.5% by the end of this year. Total investment has fallen significantly during 2010-11 and is expected to be around 13.4% of GDP as compared to the target of 17.9 % (Annex 1.2). This position is largely a reflection of deterioration of law and order situation, reduced external inflows and soaring cost of investment. Total public sector and general government investment is likely to be 3.3% of the GDP approximately.

Foreign Direct Investment: The position of foreign direct investment (FDI) during July-March 2010-11 shows a decline of 29.2%, with portfolio investment falling by 33.1%. The major contributors to foreign direct investment are: European Union ($150.9 million), USA ($162 million), UAE ($194 million) and Asia region ($403 million). The major sectors attracting FDI include oil and gas exploration ($396.3 million), telecommunication ($67.3 million), financial business ($125.6 million), trade ($39 million), construction ($47 million) and chemicals ($30 million). Overall situation regarding FDI remained depressed mainly due to the security situation.

Annual Plan 2011-12

The economy of Pakistan is still in a fragile mode and next year's growth will depend on economic reforms in the form of macroeconomic stability and introduction of "Pakistan Economic Growth Framework". Growth will rest primarily on revitalizing the industrial sector by curtailing the energy shortages and high interest rate that discourages private sector investment, normalization of agriculture activity after the devastating floods which has not only affected growth targets but also the social and economic positions of many households and lastly on maintaining good performance in services sector.

Increase in Public Sector Development Expenditure (PSDP) will rest on resource mobilization and taxation reforms in the form of reformed general sales tax in the coming fiscal year. Growth of GDP for 2011-12 is targeted at 4.2% with contribution of agriculture, manufacturing and services sectors of 3.4%, 3.1% and 5.0% respectively. Nominal GDP will increase by 17.2% and GNP per capita would be around Rs 121,591.

Agriculture Sector

The floods have impacted the performance of agriculture sector in current fiscal year but also provided the sector an opportunity for high growth prospects in next fiscal year. The target set for agriculture growth for fiscal year 2011-12 is 3.4 % with contribution of major crops (3%), minor crops (2%), livestock (4%), fishery (2%) and forestry (-1%). The growth is set at higher level considering the recent trend of post-flood revival seen in agriculture production and surge in international commodity prices which is an incentive for farmers to boost up production in the short run. Moreover, increase in fertility of land after floods has increased the expectation of healthy major crops and horticulture.

Low productivity and yields in agriculture limit the growth of crop sector. Given the substantial yield gaps (Table 1.1), there are immediate opportunities to increase production through improved soil and water management, use of quality certified seeds, balanced use of fertilizers and proper plant protection measures. The existing certified seed coverage is unsatisfactory[1]. Resistance against genetically modified seeds like BT cotton is also a reason for low productivity. Pakistan can increase cotton

[1] Certified seed coverage for cotton is 45%, rice 24%, maize 33%, wheat 18%, oilseed 13%, pulses 12%, and fodder 16%

production by 62.5% with the use of certified BT seed and modern pest control techniques.

Table 1.1: Yield Gaps of Major Crops 2009

Crop	World Best Yield (2008) (Tonnes/ha)	World Average 2008 (Tonnes/ha)	Progressive Farmers' Yield (Tonnes / ha.)	National Average Yield (Avg. of last 3 years) (Tonnes / ha.)	Yield Gap w.r.t Progressive Farmer (%)
Wheat	8.3(U.K)	3.09	4.6	2.6	43.5
Cotton	1.9(Australia)	0.73	2.6	1.8	30.8
Sugarcane Sindh Punjab	121.1(Egypt)	71.51	200 130	54.5 49.9	72.8 61.6
Maize	9.7 (U.S.A)	5.11	6.9	2.9	58.5
Rice	9.7(Egypt)	4.31	3.8	2.1	45.6

Source: Task Force on Food Security, Planning Commission, 2009 and Agricultural Statistics of Pakistan, 2008-09

Livestock is expected to perform better due to better availability of fodder and green pastures. Increased demand for processed food and dairy products are stimulating private sector for investment in 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. Pakistan is 4th largest milk producer in the world, yet its share in the global milk market is negligible and only 3% of the total milk production is being processed. Overall, the contribution of dairying to national economy is Rs.540 billion (with 97% as informal non-documented economic activity), and is expected to grow at 4% per year under current scenario. An estimated 20% of current milk production is lost from income generation due to insufficient infrastructure facilities required for a highly perishable commodity like milk. As a result, Pakistan is a net importer of milk and milk products (32% of the milk powder requirement is met through imports). Almost 70% of the dairy farmers are small-holders (with small herd size) and need well defined milk collection system and cool chain on the model of Indian Dairy Cooperatives to get fair price of their produce and better market access.

Industry

The industrial sector has not performed well this year and is expected to grow at 3.1% in 2011-12 with projected contributions of mining and quarrying (1%), manufacturing (3.7%), construction (2.5%) and electricity, gas and water supply (1%) respectively. The anticipated growth is envisaged at the back drop of revival seen in the industrial sector (in second half of the year) with many industrial units operating by producing energy through their own resources amid energy shortages. The increased demand for construction activities after floods and steps taken by the government to introduce "uninterrupted electricity supply tariff" for industrial zones are expected to improve performance. Large scale manufacturing is expected to assume impetus on account of improvement in sugar manufacturing, expected increase in wheat milling activity, robust growth in automobiles, and expected increase in private sector credit.

Services

Services sector is projected to grow by 5% in 2011-12 with contribution of transport storage and communication (4.5%), whole sale and retail trade (5%) and finance and insurance (0.2%). The revival in the commodity producing sector will support growth in the services sector via rejuvenation of transport and finance sub sectors especially after the floods. The recovery in agriculture and industry will have a positive impact on the performance of whole sale and retail trade. The rehabilitation activities of government and other philanthropic contributions' have added value in the form of growth after dampening of activities in flood driven crisis. Although our services sector is performing well over the last few years, yet there is a great potential for growth in this sector.

Savings and Investment

The projected investment to GDP ratio is 13.8% with total fixed investment at 12.2%, whereas the national savings is projected to be 13.2% of GDP with the national investment and savings gap at 0.6%.

The role of investment in the form of foreign direct investment will be highly dependent on the law and order situation, infrastructure investment, reforms for creating a conducive environment and lastly on increased competition in the domestic market. Moreover, this will be supported by domestic entrepreneurship and innovation in line with the new growth strategy. It is anticipated that FDI will come in the area of oil and gas exploration, trade, financial business, telecommunication and chemicals. This follows with the measures and vision to be incorporated by the government for opening up the markets for private investment and minimizing the role of the government for bringing change in the form of increased competition and better services at the micro level of the economy.

Annex 1.1

Gross Domestic Product
(1999-2000 Prices)

Items	Rs Million				% Change		
	2009-10	2010-11		2011-12	2010-11		2011-12
	Revised	Targets	Provi-sional	Targets	Targets	Provi-sional	Targets
1. COMMODITY SECTORS	2,702,290	2,763,458	2,715,883	2,803,061	4.4	0.5	3.2
A) AGRICULTURE	**1,201,945**	**1,265,726**	**1,216,523**	**1,257,606**	**3.8**	**1.2**	**3.4**
Major Crops	392,651	414,519	376,822	388,127	3.7	-4.0	3.0
Minor Crops	126,481	139,058	132,571	135,222	3.0	4.8	2.0
Livestock	646,783	675,326	670,743	697,573	4.2	3.7	4.0
Fishery	21,626	22,059	22,041	22,482	2.0	1.9	2.0
Forestry	14,404	14,764	14,346	14,203	2.5	-0.4	-1.0
B) INDUSTRY	**1,500,345**	**1,497,731**	**1,499,360**	**1,545,455**	**4.9**	**-0.1**	**3.1**
Mining & Quarrying	140,378	138,255	140,971	142,381	2.1	0.4	1.0
Manufacturing (I+II+III)	**1,054,276**	**1,107,928**	**1,085,440**	**1,125,203**	5.6	**3.0**	3.7
I) Large-Scale	698,062	727,329	704,936	719,035	4.9	1.0	2.0
II) Small Scale	277,562	298,407	298,407	320,788	7.5	7.5	7.5
III) Others	78,652	82,191	2,097	85,381	4.5	4.4	4.0
Construction	144,985	135,151	146,169	149,823	3.8	0.8	2.5
Electricity, Gas & Water Supply	160,706	116,398	126,780	128,048	3.2	-21.1	1.0
II) SERVICES	**2,979,241**	**3,165,068**	**3,101,523**	**3,256,984**	4.7	**4.1**	**5.0**
Transport, Storage & Communications	574,101	605,309	581,388	607,550	4.6	1.3	4.5
Wholesale & Retail Trade	963,368	1,017,365	1,000,477	1,050,501	5.1	3.9	5.0
Finance and Insurance	277,555	312,627	260,172	260,692	3.0	-6.3	0.2
Ownership of Dwellings	155,916	161,529	158,707	164,262	3.6	1.8	3.5
Public Administration & Defence	340,508	374,991	385,506	408,636	5.0	13.2	6.0
Social, Community & Personal Services	667,793	693,248	715,273	765,342	5.0	7.1	7.0
GDP(fc)	**5,681,531**	**5,928,525**	**5,817,406**	**6,060,045**	**4.5**	**2.4**	**4.2**

Source: FBS & Planning Commission

Annex 1.2

Macroeconomic Framework
(Current Market Prices)

Items	Rs Billion				% Growth	
	2009-10	2010-11		2011-12	2010-11P	2011-12T
	Revised	Targets	Provi-sional	Targets	2009-10R	2010-11P
GDP (fc)	14,066	15,857	17,107	20,050	21.6	17.2
Indirect Taxes (Net)	770	888	956	1,123	24.1	17.5
GDP (mp)	14,836	16,745	18,063	21,173	21.7	17.2
Net Factor Income from Abroad	566	572	784	800	38.4	2.1
GNP (mp)	15,402	17,317	18,847	21,973	22.4	16.6
External Resources Inflow (net)	330	566	-76	119	-123	257
Total Resources/ Uses	15,732	17882	18,771	22,092	19.3	17.7
Total Consumption	13,453	14,885	16,350	19,173	21.5	17.3
Total Investment	2,279	2,997	2,421	2,919	6.2	20.6
Fixed Investment	2,042	2,729	2,132	2,580	4.4	21.0
Public incl. General Govt.	531	720	605	790	13.9	30.6
Private	1,511	2,009	1,527	1,790	1.1	17.2
Changes in Stocks	237	268	289	339	21.9	17.2
National Savings	1,950	2,431	2,497	2,800	28.1	12.1
As % of GDP (mp)						
Total Investment	15.4	17.9	13.4	13.8		
Fixed Investment	13.8	16.3	11.8	12.2		
Public incl. General Govt.	3.6	4.3	3.3	3.7		
Private	10.2	12.0	8.5	8.5		
National Savings	13.2	14.5	13.8	13.2		
External Resources Inflow (net)	2.2	3.4	-0.4	0.6		
Memo Items						
Inflation (GDP Deflator % Growth)	11.9	9.5	18.8	12.0		
GNP (mp) Per Capita (Rs)	89,692	102,155	107,505	121,591		
(US $)	1,073	1,193	1,256	1,430		

Source: Planning Commission

Chapter 2

Balance of Payments

The trade strategy of the Annual Plan is guided by the Pakistan Economic Growth Framework, Pakistan Trade Policy (2009-11), recommendations of the Planning Commission's study on Pakistan Trade Policies: Future directions, WTO's Trade Rules, Pakistan-India Trade Dialogues and outcome of Doha Trade Negotiations. The Trade Policy envisages a comprehensive strategy to increase Pakistan's market share in world trade and to revamp the business processes in line with international best practices in order to enhance productivity and improve competitiveness. Furthermore, the Policy aimed at upgrading local industry's capacity to integrate into the global supply chain and increasing the capacity of Pakistani firms for technology absorption, technology development and innovation.

Recently Planning Commission has conducted a study "Pakistan's Trade Policies: Future Directions" with aim to highlight the present state of Pakistan's trade policies and to make recommendations for changes that will improve the efficiency and flexibility of the economy and promote faster economic growth (See Box. 2.1).

During the fifth round of talks on Commercial and Economic Cooperation between Pakistan and India held in last week of April 2011, both sides agreed to increase trade and economic engagement and build trust between the two countries. It was agreed to build confidence, dispel misunderstanding and allay any misapprehensions; to promote trade by reducing tariff and tariff barriers; developing physical infrastructure for trade through the Wagah- Attari land route and to remove present restriction on trade by land route as soon as infrastructure to facilitate mutual trade is completed. These talks if continue will help in enhancing trade opportunities for both countries.

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

Under the WTO regime the use of traditional instruments of protection such as subsidies, tariff escalation, tariff peaks, quotas and high protection for selected industries through local content requirements, would no longer exist. The elimination of the quotas under the Multi-fiber Agreement (MFA) from January 2005 brought the textile & clothing trade under GATT rules and with that Pakistan's exports have increased. Similarly, conclusion of Doha Round would expand size of trade and Pakistan can get market access in developed countries markets due to elimination of tariff peaks. However, it is possible only by increasing export competitiveness. Developed countries also provide huge subsidies to their agriculture sector and such subsidies would be prohibited after conclusion of Doha, therefore, it would enable

Box: 2.1 Pakistan's Trade Policies: Future Directions

This study is the most recent initiative undertaken by the Planning Commission to overcome weaknesses in the tariff structure as well as to provide a way forward for the future. The major recommendations of the study are as under:

General Policy statement

- Non-tariff measures including import licensing will not be used to control import and exports; specific duties will not be used and import tariffs should be low and uniform
- Government will aim to bring all tariffs down to a maximum ad valorem rate of 10%

Changes to Specific Policies

- Abolish the present Regulatory duties
- "Tops down" tariff cuts back to the 2002-03 general maximum level of 25%.
- Pre-announce further "tops down" tariff cuts to a general maximum of 10%.
- Require that all concessionary tariffs should be available to all importers including especially trader-importers.
- Immediate cuts (to a maximum and uniform rate of say 25 %) in all motor car tariffs, and pre-announcement of further tariff cuts and other basic changes to auto sector policies.
- Immediate cuts in motor cycle tariffs to 15% or 20%, to be followed by further cuts to a maximum of 10%.
- Immediate cuts in all textile and clothing tariffs to a maximum of 10%.
- Explicit abandonment of the present "cost plus" principle of cascading approaches to tariff setting.
- Review of the economic justification for sectors/industries with above normal protection and/or subsidies.
- Review of the economic justification for the present export subsidies
- Review of the economic justification for the use of export taxes
- Review of the economic justification for the present bans and restrictions on the import of second hand products
- Inclusion of a consumer/buyer interest clause in the anti/dumping law.

Remove Information Gaps and Transparency

- Review of the current situation in which many tariff changes are being made without reference to National Tariff Commission (NTC).
- Establishment of some systematic process for the economic evaluation of tariff changes that at present are made outside the annual budget cycle and which are published in SROs Public availability of these evaluations
- Publications by NTC of its past tariff enquiry reports
- Publications by NTC of all future tariff enquiry reports before, they are passed on MOC
- MOC to provide publicly available reasons for adopting or not adopting the recommendations of NTC tariff enquiry reports
- Publications and easy access to information on appeals against anti-dumping decisions
- Publication on the FBR website of a computable version of the detailed Customs tariff schedule which includes for each tariff line Customs duties, sales and other domestic taxes, preferential tariffs, changes due to SROs and whether or not imports from India are banned.
- Substantial improvement to and greater user-friendliness of the computable version of the detailed trade data base on the FBR website.

Source: Pakistan Trade Policies: Future Directions, Planning Commission 2011

Pakistani farmers to get better price of their product in international market. However, sanitary and phyto-sanitary issues may hit Pakistan's export adversely. To enjoy real benefits of Doha Round, concentration on export quality is necessary.

In terms of trade and investment facilitation Pakistan is making concerted efforts to increase tax to GDP ratio to expand fiscal space and public sector savings to finance the needed infrastructure in support of export led growth. All sectors of the economy are open to foreign direct investment (FDI) and foreign investment is fully protected through foreign private investment (promotion and Protection) act 1976, protection of economic reforms act 1992 and foreign currency accounts (Protection) Ordinance 2001. Negotiate Free Trade Agreements (FTAs) and special access arrangements such as Generalized System of Preferences (GSP) with European Union (EU) or Bilateral Investment Treaties (BITs) with (USA), however bilateral trade with selected countries only – criteria being (i) large market; (ii) dynamic market; or (iii) neighbor; to maximize market access by reducing tariff and non-tariff barriers. Furthermore concrete efforts are required to facilitate and promote trade and investment to enhance the comparative value of Pakistan's exports.

Under the recently formulated, Pakistan Economic Growth Framework by the Planning Commission, productivity and competitiveness of the economic system would be enhanced by developing and strengthening markets and institutions. This will provide enabling environment to the private sector to promote exports and improve current accounts of the country.

Review of Annual Plan 2010-11

The Annual Plan 2010-11 was prepared in the light of acute energy and power shortages coupled with uncertain law & order situation and slow global economic recovery. Export target was, therefore, set at $19.9 billion for 2010-11 as compared to $19.7 billion recorded during 2009-10, reflecting an increase of 1.0 %. The current account deficit was targeted to be 3.4 % of GDP in 2010-11, higher than 2.3 % of GDP that was recorded in 2009-10.

External account during July-Mar, 2010-11 remained in surplus to the tune of $1.8 billion as compared to surplus of $0.5 billion recorded during the same period of previous year. Improvement in the country's external accounts was attributed to the significant fall in the current account deficit, which was a key challenge for the Government. At its current pace, current account balance in 2010-11 is likely to be less than 0.4 % of GDP, which is a remarkable achievement given that just two years back the deficit was around 6.0 % of GDP. The largest contribution to the reduction of current account owes to current transfers that increased by $2.2 billion followed by US$ 0.7 billion improvement in services account.

Foreign exchange reserves stood at $17.2 billion as on 23rd April 2011. The rupee has also recovered part of its losses due to encouraging inflows of remittances and export proceeds entering the inter-bank forex market. Consequently, during Jul-Mar 2011, it depreciated only by 2.4 % as compared to 6.9 % in the same period previous year. The average exchange rate for the month of March 2011 was Rs 85.3/$.

Exports: Exports during July-Mar, 2010-11 stood at $17.9 billion compared to $14.3 billion in the corresponding period of previous year showing an increase of 25.1 %. Component-wise analysis of export items during July-Mar 2010-11 indicates that positive growth has been witnessed in all exports groups. About 80 % of total export items, for which data on both volume and price are available, showed a positive growth of 25.5 %. The Performance of exports so far suggests that if this trend continues, a new record for exports in 2010-11 would be achieved. Strong performance of exports was broad based. Factors positively affecting our exports are:

- Unit price increase in the global market and a marginal increase in quantities exported;
- Government priority to supply energy to export-led industries;
- Depreciation of Pak rupee against major trading partners' currencies

To increase exports further requires enhancing competitiveness, product and market diversification, exploring untapped markets, promoting local R&D and to overcome energy and power shortages in the country. Exports (fob) for the full year of FY2010-11 are estimated to be around $24.6 billion, against the Annual Plan 2010-11 target of $19.9 billion (Annex- 2.1).

Imports: Imports during July-Mar 2010-11 increased by 15.1 % to $25.9 billion over the corresponding period of previous year ($22.5 billion). Group-wise analysis of imports during July-Mar 2010-11 showed that all import groups showed positive growth, except transport and machinery groups, which have witnessed negative growth rates of 2.5 and 2.0 %, respectively.

It is estimated that imports (fob) for 2010-11 will be about $36 billion compared to the Annual Plan target of $31.7 billion (Annex-2.2) Similarly, imports, which were relatively passive till the end of the previous fiscal year due to slowdown in domestic economic activity and fall in global commodity prices, have been rising since July 2010 and could surge with further escalation in world prices, especially that of POL.

Balance of Trade

Trade deficit in the Annual Plan 2010-11 was targeted at $11.7 billion (6.1 % of GDP). Due to significant growth in exports, trade deficit reduced by 2.2 %age points during the first nine months of 2010-11 and touched the level of $8 billion (Annex-2.3). This improvement in trade account is mainly due to an increase of $3.6 billion in the exports earning which more than offset the rise of about $3.4 billion in imports bill. Trade deficit remained 8.1% of GDP during July-Mar 2010-11, higher than 6.3% of GDP in the corresponding period previous year.

Workers' Remittances: Workers' remittances have continuously witnessed an increasing trend during the period July-Mar 2010-11, touching a level of about $8 billion as against $6.5 billion (Annex-2.3) in the corresponding period of previous year, registering an increase of 23.1 %. Monthly average remittances during this period stood at $890.7 million as compared to $727.9 million during the same period previous year. Keeping this trend in view, remittances for the full year are estimated at about $12 billion. Remittances have shown an upward trend due to various factors, particularly the measures that are taken under the Pakistan Remittance Initiative (PRI) leading to increased inflow through official channels. Return of Pakistanis working abroad with their total savings due to global economic slowdown, especially in parts of the Middle East, could also explain the rise in remittances. However, current transfers may suffer in future due to political turmoil in Middle East.

Balance of Payments: The current account deficit was targeted at $6.5 billion (3.4% of GDP) in the Annual Plan 2010-11 as against $3.9 billion (2.3 % of GDP) recorded in

2009-10 (Annex-2.3). This was largely based on the assumption of higher level of workers' remittance. With estimated trade deficit at $11.3 billion and workers' remittances of about $12 billion, the current account for 2010-11 is estimated to be in surplus at $ 0.9 billion from previous year's deficit of $3.9 billion. Gross aid disbursements during 2010-11 are expected to reduce to the level of $3.6 billion as compared to $4.1 billion (Annex-2.3), recorded previous year. The overall balance is likely to be in surplus by $6.9 billion in 2010-11 compared to a surplus of $1.3 billion recorded in 2009-10 (Annex-2.3).

Outlook for 2011-12

The Annual Plan 2011-12 aims to maintain a sustainable balance of payments position to ensure macroeconomic stability. Pakistan has a high degree of dependence on oil imports, essential industrial raw materials, and machinery and equipment. To meet the requirements without excessive reliance on external borrowing, a competitive and dynamic export sector is required that generates growth in export earnings to maintain balance of trade. The current account balance can be improved by attracting private transfers, especially workers' remittances. The capital account would be strengthened by attracting various sources of financing with greater recourse to non-debt creating sources of financing. In short, the Balance of Payments will be improved by increasing those sources of external financing that are stable, sustainable and have positive impact on economic growth. These are Foreign Direct Investment and Remittances.

Trade Account: On account of the global uncertainty, continuous energy shortages and security situation, exports (fob) for 2011-12 are projected to grow by 5% to $25.8 billion from $24.6 billion estimated for 2010-11. Imports during 2011-12 are projected to increase by 6% to $38.1 billion from about $36 billion estimated for 2010-11. Hence, the trade account is projected to be in deficit by 12.2 billion in 2011-12.

Balance of Payments: The current account is targeted to be in deficit by $1.4 billion in 2011-12 (0.6 % of GDP) as against surplus of $0.9 billion (0.4 % of GDP) estimated for 2010-11. Gross aid disbursements during 2011-12 are expected to remain at the same level of $3.6 billion estimated for 2010-11. Allowing for other capital inflows, the overall balance is likely to be in surplus by $7.4 billion in 2011-12 compared to an estimated surplus of $6.9 billion in 2010-11. Gross reserves of SBP are likely to be around $15.0 billion in 2011-12, compared to a level of $ 14.6 billion estimated for 2010-11. Details are given in Annex 2.3.

Annex 2.1

EXPORTS
(2009-10, 2010-11, 2011-12)

($ Million)

Items	2009-10 Actual	July-March 2010	July-March 2011	2010-11 Target	2010-11 Estimate	2011-12 Target
A. Food Group	3277.611	2455.7	3083.1	3359.8	4008.9	4209.4
Rice	2183.9	1623.1	1578.6	2220.4	2122.9	2229.1
a)Basmati	855.8	642.76	672.79	852.1	895.8	940.6
b)Others	1328.0	980.29	905.81	1368.4	1227.1	1288.5
Fish & Fish Preparations	226.9	157.84	197.30	228.6	283.7	297.9
Fruits	239.4	202.84	221.61	253.5	261.5	274.6
Vegetables	120.6	81.85	167.76	129.8	247.3	259.6
Leguainous Vegetables	0.0	0.03	1.36	0.0	1.4	1.4
Tobacco	14.8	8.2	14.36	12.8	25.9	27.2
Wheat	0.7	0.73	348.2	0.5	350.6	368.1
Spices	40.9	29.08	36.96	41.4	52.0	54.6
Oil Seeds, Nuts & Kernels	19.2	17.03	10.88	23.8	12.2	12.9
Sugar	0.0	0.00	0.00	0.0	0.0	0.0
Meat & Meat Preparations	99.9	70.84	108.70	104.8	153.4	161.0
All other food items	331.1	264.20	397.34	344.1	498.0	522.9
B. Textile Group	10248.1	7575.6	10880.8	10665.6	14752.7	15490.4
Raw Cotton	195.6	192.93	236.17	218.1	239.4	251.4
Cotton Yarn	1433.1	1100.48	1509.99	1532.0	1966.4	2064.7
Cotton cloth	1800.1	1329.70	1709.96	1816.2	2314.8	2430.6
Cotton Carded or Combed	16.0	15.91	20.35	8.2	20.5	21.5
Yarn other than cotton yarn	35.7	32.82	34.61	48.6	37.6	39.5
Knitwear	1765.0	1300.65	1726.14	1797.7	2342.3	2459.5
Bedwear	1744.3	1273.25	2556.98	1793.4	3502.9	3678.0
Towels	686.2	495.05	580.45	700.9	804.6	844.9
Tent, canvas & Tarpulin	61.5	47.90	29.26	62.0	37.6	39.5
Ready-made Garments	1269.3	926.82	1276.72	1345.9	1748.5	1836.0
Art, Silk & Synthetic Textile	445.8	291.23	443.53	482.7	678.9	712.9
Madeup Articles (exclud. Other Tex)	537.2	391.09	508.77	553.2	698.9	733.8
Other textile materials	258.3	177.75	247.83	306.6	360.2	378.2
C Petroleum Group & Coal	975.6	727.0	877.2	906.3	1180.6	1239.6
Petroleum Products(Excl. Top Naphta)	560.6	454.21	536.42	530.4	662.1	695.2
Petroleum Top Naphta	414.8	272.59	340.72	375.7	518.4	544.4
Solid Fuel (Coal)	0.2	0.20	0.04	0.2	0.0	0.0
D. Other Manufactures Group	4121.7	2623.5	2838.6	3842.3	4482.5	4706.6
Carpets,Rugs & mats	136.9	104.10	96.08	139.9	126.4	132.7
Sports Goods	298.2	212.8	231.3	295.5	322.6	338.7
a)Footballs	151.5	103.79	103.46	156.7	151.1	158.6
b)Gloves	98.2	74.65	90.97	98.3	119.6	125.6
c)Others	48.5	34.40	36.85	40.6	51.9	54.5
Leather Tanned	341.8	221.80	312.92	315.0	482.2	506.3

EXPORTS
(2009-10, 2010-11, 2011-12)

($ Million)

Items	2009-10	July-March		2010-11		2011-12
	Actual	2010	2011	Target	Estimate	Target
Leather Manufactures	458.6	344.5	409.7	455.2	545.4	572.7
a) Leather Garments	342.7	261.68	314.09	354.9	411.3	431.9
b) Leather gloves	101.9	71.87	84.74	87.8	120.1	126.1
c) Others Leather manufactures	14.1	10.98	10.91	12.4	14.0	14.7
Footwears	92.8	73.9	82.9	97.9	103.7	108.8
a) Leather footwear	67.1	54.94	64.99	78.6	79.3	83.3
b) Canvas footwear	0.6	0.42	0.28	0.4	0.4	0.4
c) Other footwear	25.1	18.52	17.67	18.8	23.9	25.1
Surgical Goods & Medical Instruments	229.2	177.28	181.99	236.7	235.3	247.1
Cutlery	65.4	46.49	64.12	63.1	90.2	94.7
Onyx Manufactured	7.0	4.97	9.87	7.3	13.9	14.6
Chemicals And Pharm.Products	741.8	512.75	619.7	767.4	889.0	933.5
a) Plastic materials	270.1	196.00	281.74	290.2	388.2	407.6
b) Pharmaceutical Products	168.3	104.80	97.57	168.4	156.7	164.5
c) Other Chemicals	303.4	211.95	240.40	308.7	344.1	361.3
Engineering Goods	539.0	168.7	184.7	274.2	644.3	676.6
a) Electric Fans	343.1	22.05	27.86	41.3	433.5	455.2
b) Transport equipments	29.1	21.52	25.70	59.6	34.8	36.5
c) Other Electrical Machinery	42.0	29.34	35.40	51.5	50.7	53.2
d) Machinery Speciali. for paticular Indus.	43.0	33.66	31.56	42.3	40.3	42.4
e) Auto Parts	13.3	9.21	13.27	11.4	19.2	20.2
f) Other Machinery	68.4	52.94	50.95	68.1	65.8	69.1
Gems	3.7	2.61	2.49	3.4	3.6	3.7
Jewellary	638.0	330.48	279.11	602.0	538.9	565.8
Furniture	7.7	5.99	8.83	9.0	11.4	12.0
Molases	49.9	32.40	11.18	49.9	17.2	18.1
Handi Crafts	4.4	4.38	1.14	2.6	1.1	1.2
Cement	480.7	360.72	314.87	497.3	419.6	440.6
Guar & guar products	26.5	19.52	27.63	25.9	37.5	39.4
E. All Others	**666.9**	**690.7**	**119.3**	**1099.0**	**-26.5**	**-27.8**
Total Exports (A-E)	**19290.0**	**14072.4**	**17798.9**	**19872.9**	**24398.3**	**25618.2**
Exports (fob)	**19673.0**	**14348.0**	**17945.0**	**19952.0**	**24605.0**	**25835.2**

Source: FBS, SBP and Planning Commission

Annex 2.2

IMPORTS
(2009-10, 2010-11, 2011-12)

($ Million)

Item	2009-10 Actual	July-March 2010	July-March 2011	2010-11 Target	2010-11 Estimate	2011-12 Target
A. Food Group	**2437.6**	**1658.6**	**2948.1**	**2416.0**	**7943.0**	**8419.6**
Milk & Cream Including milk for infants	89.0	59.66	114.48	85.5	168.2	178.3
Wheat Unmilled	40.8	35.42	5.16	44.7	7.7	8.2
Dry Fruits	87.2	58.42	62.95	85.4	72.5	76.8
Tea	270.8	202.07	260.93	287.3	389.3	412.6
Spices	80.7	52.81	83.26	76.9	111.6	118.3
Soyabean Oil	27.7	6.94	56.82	17.4	86.8	92.0
Palm Oil	1310.1	926.37	1378.35	1313.7	5494.3	5824.0
Sugar	295.0	138.90	678.95	241.2	960.2	1017.8
Pulses	236.4	178.03	307.18	264.0	652.4	691.6
B. Machinery Group	**3748.5**	**2803.6**	**2770.7**	**3949.9**	**3781.1**	**4008.0**
Power Generating Machinery	1436.3	1144.27	749.84	1580.5	1002.6	1062.7
Office Mach. Incl. Data Proc. Equip.	224.3	168.53	171.42	234.5	215.2	228.1
Textile Machinery	297.4	197.37	356.52	278.8	474.5	502.9
Construction & Mining Machinery	163.5	128.12	87.05	175.8	131.2	139.1
Electrical Machinery & Apparatus	671.0	498.25	595.78	698.0	760.5	806.2
Telecom	759.3	510.1	741.3	755.2	1093.3	1158.9
A. Mobile Phone	314.8	215.66	392.03	313.6	583.5	618.5
B.Other Apratus	444.4	294.44	349.24	441.6	509.8	540.4
Agricultural Machinery & Implements	196.7	156.92	68.79	227.1	103.8	110.1
C. Transport Group	**1907.0**	**1504.2**	**1467.0**	**1984.6**	**1862.7**	**1974.5**
Road Motor Vehicles Build Units CKD/SKD	1209.1	844.07	956.97	1197.0	1213.2	1286.0
A. Buses, Trucks & Oth. Heavy Vehicles	94.0	70.21	55.50	86.2	79.5	84.3
B. Motor cars	106.8	69.65	81.19	109.0	108.7	115.2
C. Motor cycles	0.6	0.46	0.64	0.6	1.0	1.0
A. Buses, Trucks & Oth. Heavy Vehicles	85.2	49.87	85.55	86.9	107.9	114.3
B. Motor cars	460.8	308.79	358.91	448.7	612.9	649.7
C. Motor cycles	62.3	42.73	58.92	60.4	87.9	93.2
Parts	270.0	200.86	222.84	272.9	325.0	344.4
Others	129.5	101.51	93.42	132.1	125.6	133.1
Aircrafts, Ships and Boats	654.4	619.51	505.85	730.7	645.1	683.8
Other Transport Equipments	43.5	40.61	4.20	56.9	4.4	4.7
D. Petroleum Group	**10028.9**	**7343.7**	**8088.5**	**10241.0**	**11386.1**	**12069.2**
Petroleum Products	6856.59	4678.28	4688.07	6692.3	6402.3	6786.5
Petroleum Crude	3172.35	2665.37	3400.44	3548.7	4983.8	5282.8
E. Textile Group	**1449.2**	**975.1**	**1675.0**	**1444.3**	**2488.9**	**2638.3**
Raw Cotton	604.08	399.36	782.02	621.1	1162.3	1232.0
Synthetic Fibre	376.54	258.22	399.06	366.4	603.6	639.8

IMPORTS
(2009-10, 2010-11, 2011-12)

($ Million)

Item	2009-10	July-March		2010-11		2011-12
	Actual	2010	2011	Target	Estimate	Target
Suynthetic & Artificial SilkYarn	373.00	250.50	401.26	361.2	585.1	620.2
Worn clothing	95.55	66.97	92.61	95.6	137.9	146.2
F. Agri. & other Chemi. Gr.	**3048.4**	**2229.8**	**4338.6**	**3029.0**	**6059.8**	**6423.4**
Fertilizer Manufactured	951.1	708.63	411.88	871.8	563.1	596.9
Insecticides	160.9	104.90	1115.29	151.9	1496.8	1586.7
Plastic Materials	1219.3	871.17	484.79	1233.9	743.4	788.0
Medicinal Products	717.1	545.08	2326.67	771.3	3256.4	3451.8
G. Metal Group	**2086.6**	**1435.0**	**1448.1**	**2058.8**	**2036.8**	**2159.0**
Gold	138.8	118.81	87.67	163.2	127.5	135.1
Iron and Steel Scrap	509.5	341.31	372.41	465.4	435.0	461.1
Iron and Steel	1295.8	871.97	884.72	1284.3	1320.8	1400.0
Aluminium Wrought & Worked	142.5	102.90	103.32	145.9	153.5	162.7
H. Miscellaneous Group	**660.1**	**459.4**	**675.2**	**671.5**	**1042.1**	**1104.6**
Rubber Crude Incl. Synth/Reclaimed	147.3	101.10	142.01	147.1	204.0	216.3
Rubber Tyres & Tubes	135.2	95.24	148.66	134.7	216.6	229.6
Wood & Cork	39.5	33.99	40.54	49.1	57.6	61.0
Jute	63.8	37.11	49.44	68.9	57.4	60.8
Paper & Paper Board & Manuf. Thereof	274.3	192.00	294.52	271.7	506.6	537.0
I. All Others	**9343.8**	**6697.5**	**5605.1**	**9679.6**	**3880.7**	**4113.5**
Total Imports(A-I)	**34710.0**	**25106.7**	**29016.3**	**35474.7**	**40481.2**	**42910.1**
Imports (fob)	**31209.0**	**22543.0**	**25956.0**	**31694.0**	**35884.1**	**38037.1**

Source: FBS, SBP and Planning Commission

Annex 2.3

Balance of Payments
(2009-10, 2010-11, 2011-12)

($ Million)

ITEM	2009-10 Actual	July-March 2010	July-March 2011	2010-11 Target	2010-11 Estimate	2011-12 Target
Current Account Balance	**-3946**	**-3106**	**99**	-6505	**886**	**-1401**
Balance on Goods	-11536	**-8195**	**-8011**	-11742	-11279	**-12202**
Exports f.o.b	19673	14348	17945	19952	24605	25835
Imports f.o.b	31209	22543	25956	31694	35884	38037
Services Balance	-1690	-1942	-1232	-2809	-1848	-1391
Income (net)	-3282	-2286	-2169	-4590	-3254	-2808
Balance on Goods, Services & Income	**-16508**	**-12423**	**-11412**	**-19141**	-16381	**-16401**
Current Transfers (net)	12562	9317	11511	12636	17267	15000
Current Transfers: credit, of which:	12672	9385	11561	12742	17342	15120
Workers Remittances	8906	6551	8016	8990	12024	12000
Capital Account	**178**	**152**	**101**	**160**	160	**160**
Financial Account: of which	**5096**	**2945**	**1513**	5528	5528	**6946**
Direct Investment in Pakistan	2151	1504	1081	2500	2500	3500
Portfolio Investment (net)	-65	173	-239	400	400	950
General Government	1970	1076	247	2628	1974	1974
Disbursements	4143	2818	1517	3900	3631	3631
Amortization	2250	1919	1248	1272	1272	164
Financing gap	**-62**	**501**	**108**	0	300	1705
Overall Balance	1266	**492**	**1821**	**-817**	**6874**	**7410**
Reserves and Related Items	**-1266**	**-492**	**1821**	**817**	**-6874**	**-7410**
Reserve Assets	-4063	-1934	-1635	-175	-1400	-420
Foreign Exchange (SBP)	-4063	-1934	-1635	-175	-1400	-420
Use of Fund Credit and Loans	2174	1119	-186	2037	-200	-1125
Memorandum Items						
SBP Reserves (net of CRR & SCRR)	13112	11188	15035	14566	14566	14986
In months of next year imports of goods	5.0	4.5	5.2	5.5	4.9	4.7
Current Account Balance (% of GDP)	-2.2	-2.4	0.1	-3.4	0.4	-0.6
Exports f.o.b (growth rate %)	2.9	0.2	25.1	4.0	25.1	5.0
Imports f.o.b (growth rate %)	-1.7	-8.3	15.1	6.0	15.0	6.0

Source: SBP and Planning Commission

Chapter 3

Fiscal and Monetary Developments

Government needs to attain fiscal balance by raising revenue through broadening tax net and strengthening the tax collection system, rationalizing current expenditures and development expenditures. Fiscal balance will reduce pressure on SBP and instead enable necessary support for higher economic growth and reduce inflationary pressure.

The 2010-11 floods resulted in slow economic growth and lower revenue collection, higher current expenditure causing cuts in development expenditure. SBP took measures to contain aggregate demand in first half of 2010-11. Notwithstanding hike in policy rate, lending for budgetary support to some extent has diluted the impact of monetary policy. Likewise, supply shocks due to floods, hike in international commodities and oil prices have contributed into inflationary pressure in terms of "cost push inflation".

Fiscal Developments

Over the last few years the government of Pakistan has been facing difficult fiscal space because of factors explained above. Government, in budget 2010-11, announced to broaden the tax base by launching RGST in October 2010, after consultation with the provinces and other stakeholders. However, the government could not muster political consensus on RGST. In the budget 2010-11, it also envisaged to freeze the non-salary current expenditure at the level of 2009-10 and to enhance development expenditure. However, devastating floods at the outset of 2010-11 had an adverse impact on the country. As a result, the government had to incur large expenses on relief and rehabilitation of the affectees and reconstruction work. The tight fiscal position compelled the government to slash the PSDP budget and revise downward non-tax revenue target and GDP target for 2010-11.

Consolidated expenditure for 2010-11 was budgeted at Rs 3,259 billion (19.2% of GDP) and revised to Rs 3,297 billion (19.2% of GDP). Current expenditure was revised from Rs 2,519 billion (14.8% of GDP) to Rs 2,910 billion (16.9% of GDP). Development expenditure for 2010-11 was revised from Rs 740 billion (4.4% of GDP) to Rs 387 billion (2.3% of GDP). Consolidated revenue for 2010-11 was budgeted at Rs 2,574 billion (15.2% of GDP) and revised to Rs 2,485 billion (14.5% of GDP). Tax revenue was revised from Rs 1,859 billion (10.9% of GDP) to Rs 1,881 billion (10.9% of GDP). Non-tax revenue was revised from Rs 716 billion (4.2% of GDP) to Rs 605 billion (3.5% of GDP). Overall fiscal deficit target for 2010-11 was budgeted at Rs 685 billion (4% of GDP) and revised to Rs 811 billion (4.7% of GDP). (Refer Table 3.1)

Table 3.1: Consolidated Government Budget

(Rs Billion)

	2010-11		July-March		
	Budget Projections*	Revised Projections*	2010-11	2009-10	% change
Revenues	2574	2485	1495	1402	6.7
Tax Revenue	1859	1881	1118	1015	10.1
Non-Tax Revenue	716	605	378	387	-2.5
Expenditures	3259	3297	2279	2028	12.4
Current Expenditure	2519	2910	1910	1660	15.1
Development Expenditure	740	387	282	347	-18.8
Overall Deficit	685	811	783	626	11.8
As % of GDP					
Revenues *	15.2	14.5	8.6	9.3	
Tax Revenue	10.9	10.9	6.5	6.7	
Non-Tax Revenue	4.2	3.5	2.2	2.6	
Expenditures	19.2	19.2	13.2	13.5	
Current Expenditure	14.8	16.9	11.0	11.0	
Development Expenditure	4.4	2.3	1.6	2.3	
Overall Deficit	4.0	4.7	4.5	4.2	

Source: *Fiscal Policy Statement 2010-11 and Fiscal Operations Finance Division

Review of Fiscal Performance during July-March 2010-11

Consolidated revenue during July-Mar 2010-11 was Rs 1,495 billion (8.6% of GDP) versus Rs 1,402 billion (9.3% of GDP) in the same period of previous year. Tax revenue during July-Mar 2010-11 stood at Rs 1,118 billion (6.5% of GDP) against Rs 1015 billion (6.7% of GDP) over the same period of previous year. Non-tax revenue during July- Mar 2010-11 stood at Rs 378 billion (2.2% of GDP) versus Rs 387 billion (2.6 % of GDP) in the same period previous year.

Consolidated expenditure during July- Mar 2010-11 was Rs 2,279 billion (13.2% of GDP) versus Rs 2,028 billion (13.5% of GDP) during the same period of previous year. Current expenditure during July- Mar 2010-11 was Rs 1,910 billion (11% of GDP) versus Rs 1,660 billion (11% of GDP) during the same period of previous year. Development expenditure during Jul- Mar 2010-11 was Rs 282 billion (1.6% of GDP) versus Rs 347 billion (2.3% of GDP). Overall fiscal deficit during July- Mar 2010-11 was Rs 783 billion (4.5% of GDP) compared to Rs 626 billion (4.2% of GDP) during the same period of previous year. (See Table 3.1)

FBR Tax Collection Performance: During July-April 2010-11, FBR tax collection showing an increase of 12.6%, stood at Rs 1,156 billion compared to a collection of Rs 1,026 billion in the same period of previous year. It constitutes 72.1% of the full year revised target of Rs 1,604 billion. Direct tax collection showing an increase of 10.6%, stood at Rs 430 billion during July-April 2010-11 compared to Rs 388 billion collections in the same period of previous year. Indirect taxes showing an increase of 13.8% and stood at Rs 726 billion compared to a collection of Rs 638 billion in the same period of previous year. Details of revenue collection by FBR during July-April 2010-11 are given in Table 3.2. The share of various revenue heads during the period under review remained more or less the same as shown in Figure 3.1.

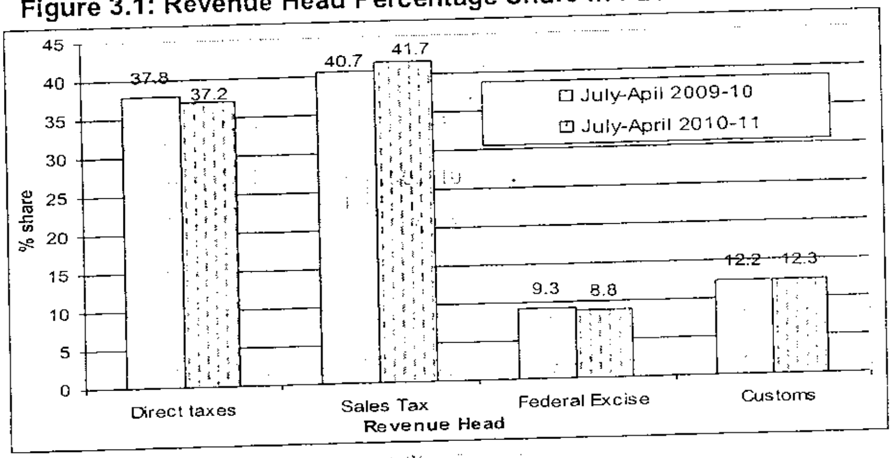
Table 3.2 FBR Tax Collection

(Rs Billion)

Revenue Heads	Revised Target 2010-11	July-April		% change	Collection as % of full Year Revised Target
		2009-10	2010-11		
Direct taxes	**656.3**	**388.3**	**429.6**	**10.6**	**65.5**
Indirect taxes	**948.1**	**638.2**	**726.4**	**13.8**	**76.6**
Sales Tax	633.8	417.3	482.5	15.6	**76.1**
Federal Excise	141.0	95.2	101.9	7.0	**72.3**
Customs	173.3	125.7	142.0	13.0	**81.9**
Total Taxes	**1,604.4**	**1,026.5**	**1,156.0**	**12.6**	**72.1**

Source: Federal Board of Revenue (FBR)

Figure 3.1: Revenue Head Percentage Share in FBR Tax Collection



Recent Measures for Fiscal Consolidation

Keeping in view the fiscal developments, Federal Government in March, 2011 took additional tax measures to achieve the revenue collection target for 2010-11. In this context, three Ordinances have been promulgated through these Ordinances. Following amendments have been made in the Sales Tax Act 1990, Income Tax Ordinance 2001 and Federal Excise Act 2005.

- Sales tax at the rate of 17% has been imposed on fertilizers, tractors, pesticides;
- Zero-rating facility on plant, machinery and equipment including parts has been withdrawn;
- Zero-rating on five major export oriented sectors (textiles, carpets, leather, sporting goods and surgical goods) has been restricted to registered manufacturers-cum-exporters and exporters for export purpose only, by amendment. Domestic supplies of these sectors will now be liable for sales tax at the rate of 17%;
- A one-time surcharge of 15% has been imposed on income tax payable during the tax year 2011; and

- Special excise duty rate has been increased from 1% to 2.5% for the remaining period of tax year 2010-11.

Furthermore, government has taken measures to reduce expenditure. These include a ban on the purchase of durable goods till July 1, 2011. Government has also imposed a temporary ban on fresh recruitment. In addition, it has affected a 50% cut in POL ceiling of entitled officers' travel and stationery budgets.

Through these measures[1], the government intends to curtail expenditures by Rs 120 billion (Rs 100 billion cut in PSDP and Rs 20 billion by controlling current expenditure) and generate an additional revenue of Rs 90 billion (Rs 53 billion by introducing new tax measures and Rs 37 billion by plugging leakages).

Despite, the government's new taxation efforts total FBR collection is likely to be around Rs 1588 billion. In view of low collection of total revenue and high current expenditure, the overall fiscal deficit is expected to remain at 6% in 2010-11 against 6.3% recorded last year. This increased fiscal deficit would exert additional pressure on bank borrowings for financing.

Monetary Policy

Growth of broad Money (M2) is targeted[2] at 13% for 2010-11. State Bank of Pakistan (SBP) being the custodian of monetary policy took measures to tighten the monetary policy due to rising trend in inflation and fragile fiscal position. SBP at the outset of 2010-11 increased the policy rate from 12.5 to 14% in three consecutive increases with effect from 2^{nd} August, 30^{th} September and 30^{th} November 2010, by 50 bps each time. SBP simultaneously kept a vigil on liquidity situation and through open market operations provided liquidity which is evident from rise in credit to the private sector.

During 1^{st} July 2010 to 30^{th} April 2011, M2 expanded by Rs 556 billion showing a growth of 9.6% in the stock at the end of June 2010 against an expansion of Rs 415 billion indicating an increase of 8.1% during the corresponding period of previous year. Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Banking Sector have contributed to the expansion in M2. Profile of Monetary Assets for the period under review is given in Table 3.3 and Figure 3.2.

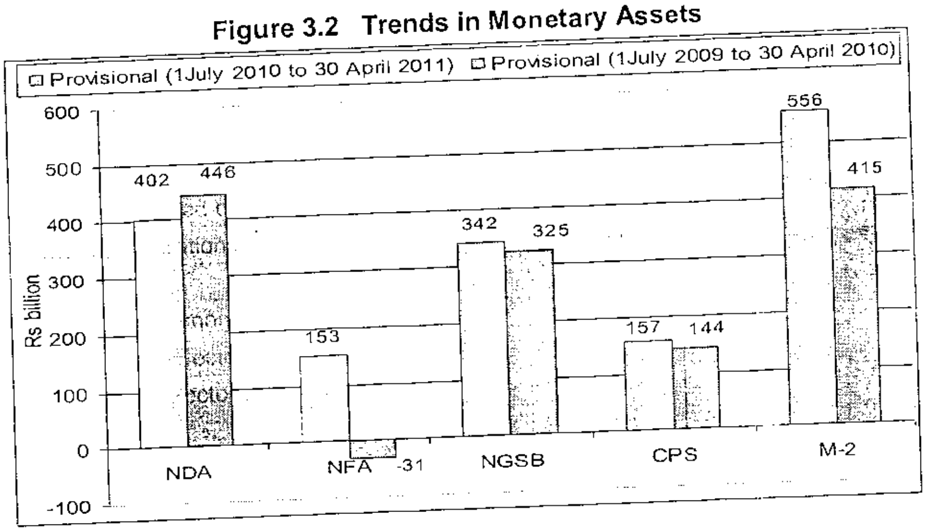
[1] The State of Pakistan's Economy, Second Quarterly Report , Year 2010-11, State Bank of Pakistan.
[2] Monetary Policy Statement, July 2010, State Bank of Pakistan.

Table 3.3: Profile of Monetary Assets

Factors Affecting Broad Money Growth	Stocks at End-June 2010	Monetary Impact Since 1st July to	
		30-Apr-11	30-Apr-10
Net Foreign Assets of the Banking System (NFA)	**545**	**153**	**-31**
Growth		*28.1%*	*-6.3%*
Net Domestic Assets of the Banking System (NDA)	**5,232**	**402**	**446**
Growth		*7.7%*	*9.6%*
Net Government Sector Borrowings (NGSB)	2,441	342	325
Borrowings for Budgetary Support	2,011	472	362
From SBP	1,209	196	169
From Scheduled banks	803	276	193
Commodity Operations	413	-134	-36
Others	16	4	-1
Credit to Non-Government Sector	3,389	184	218
Credit to Private Sector (CPS)	3,020	157	144
Credit to Public Sector Enterprises	375	27	73
Other Items (net)	-598	-123	-97
Broad Money (M2)	**5,777**	**556**	**415**
Growth		*9.6%*	*8.1%*

Source: State Bank of Pakistan

Figure 3.2 Trends in Monetary Assets



Net Foreign Assets (NFA) of the banking system expanded by Rs 153 billion reflecting an increase of 28.09% during 1st July 2010 to 30th April 2011 against a contraction of Rs 31 billion showing a reduction of 6.3% during the corresponding period of previous year. Net Domestic Assets (NDA) of the Banking System expanded by Rs 402 billion showing an increase of 7.7% during 1st July, 2010 to 30th April 2011 against an expansion of Rs 446 billion, reflecting an increase of 9.6% during the corresponding period of previous year. The trend in major components of M2 during the said period has been as follows:

- Government borrowing for budgetary support was Rs 472 billion indicating an increase of 23.5% against Rs 361.8 billion reflecting an increase of 21.5% during the corresponding period of previous year.
- NFA showed considerable expansion and positive growth due to higher remittances, rise in exports and narrowing of current account deficit that became surplus in recent months.
- Growth in NDA has increased only slightly. The increase in NDA has been due to rise in private sector credit and increased government borrowing from the banking system and SBP.
- Credit to Public Sector Enterprises during 1st July, 2010 to 30th April 2011 was Rs 27 billion showing a growth rate of 7.1% against an expansion of Rs 73 billion, with a growth of 25%. Thus it is lower than the corresponding period of previous year.
- Credit to Private Sector was Rs 157 billion showing an increase of 5.2% as compared to Rs 144 billion, which showed an increase of 5% over the corresponding period of pervious year.

Borrowing for budgetary support from SBP has increased to Rs 196 billion during 1st July 2010 till 30th April 2011 from Rs 169 billion as compared to the corresponding period of previous year. Similarly, borrowing from Scheduled banks during this period increased to Rs 276 billion as compared to Rs 193 billion during the corresponding period of previous year.

Rise in prices of food items and oil in international market mainly account for inflation, besides the expansion in M2. Hence SBP is pursuing a monetary policy in order to counter inflationary pressure. Notwithstanding SBP stance, revenue slippages in tax collection are diluting the impact of monetary policy.

Inflation

CPI inflation has been targeted at 9.5% for 2010-11, it has registered an increase of 14.1% in July-April 2010-11 against an increase of 11.5% during July-April 2009-10, with food inflation at 18.4% against 12.0% and non-food inflation at 10.5% against 11% over the same period of the previous year. Core inflation during July-April 2010-11 has stood at 9.5% against 11.2% during July-April 2009-10. WPI has registered an increase of 23.3% during July-April 2010-11 against an increase of 11.3% in the same period of the previous year. Similarly, SPI has registered an increase of 18.5% against an increase of 13% during the respective period of the previous year. Price changes measured by various indices are summarized in Table 3.4 as well as depicted in Figure 3.3 below.

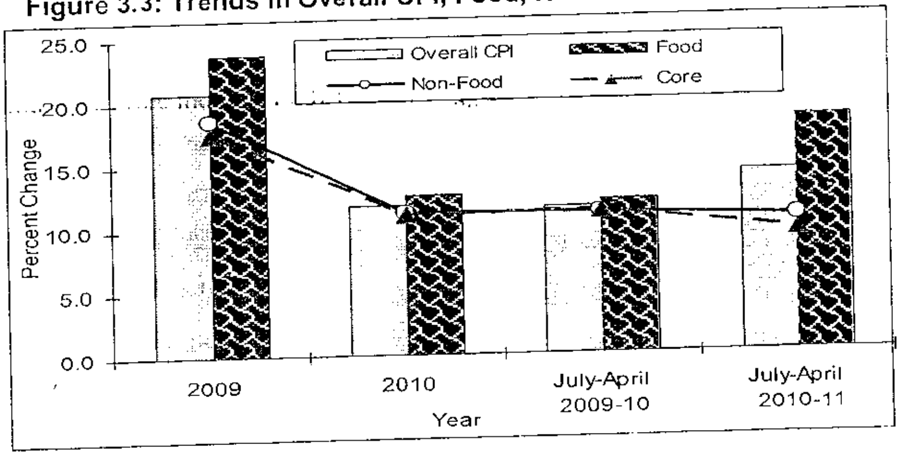
Table 3.4: Changes in Price Indices (2008- 09 to July-April 2010-11)

(%)

Indices	2008-09	2009-10	July-April	
			2009-10	2010-11
Consumer Price Index (CPI-374 items)	**20.77**	**11.73**	**11.49**	**14.08**
Food Inflation	23.70	12.47	12.03	18.42
Non-food Inflation	18.45	11.11	11.04	10.45
Core Inflation	17.56	11.03	11.16	9.54
Wholesale Price Index (WPI-425 items)	**18.19**	**12.63**	**11.26**	**23.29**
Sensitive Price Indicator (SPI-53 items)	**23.41**	**13.32**	**12.96**	**18.47**

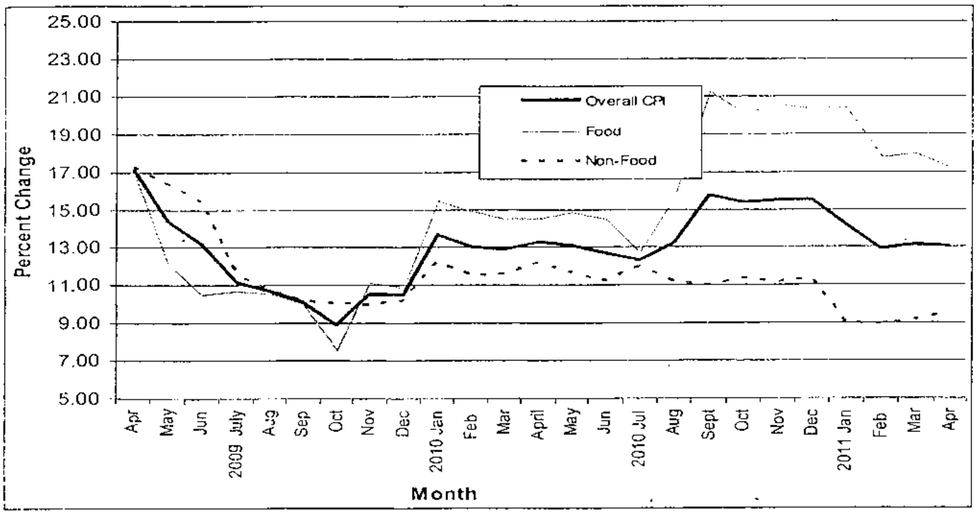
Source: Federal Bureau of Statistics

Figure 3.3: Trends in Overall CPI, Food, Non-Food & Core Inflation



Factors contributing towards rising inflationary trend are: spurt in prices of commodities in international market, higher government borrowings from banking sector for budgetary support, increase in prices of petroleum products and electricity charges. New tax measures, such as imposition of GST and withdrawal of exemptions, would increase the cost of production in agriculture sector because of imposition of 17% GST on inputs like fertilizer, tractors, pesticides and implements. These measures would increase the prices of items resulting in higher average CPI inflation for the current financial year, which is likely to be around 15.0% instead of at the Annual Plan target of 9.5%. Trends for CPI, food and non-food inflation from April 2009 to April 2011 are shown in Figure 3.4

Figure 3.4 Trends in Overall CPI Inflation, Food, and Non-Food Inflation April 2009 to April 2011 (YoY Basis)



Capital Market

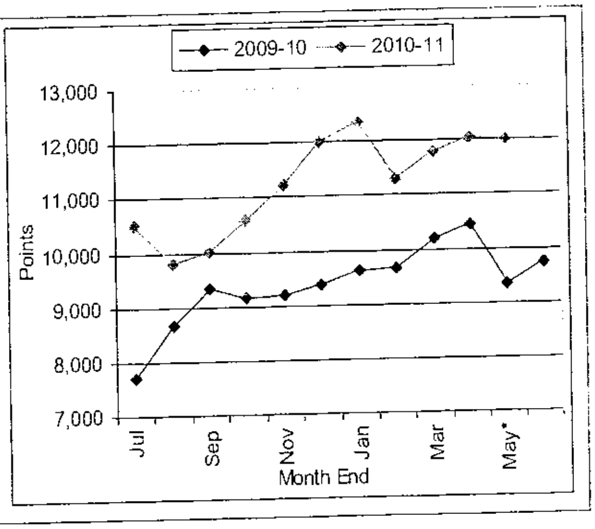
Performance of Pakistan's capital market demonstrated fluctuations during the current financial year. Overall situation remained positive, which owes to recent pick up in large scale manufacturing sector and activities generated for rehabilitation of flood affectees. Issuances of Pakistan Investment Bonds and GOP Ijara Sukuk in the 2nd Quarter of the current fiscal year are expected to improve investor confidence in Pakistan's capital market in the near future.

A total of 638 companies were listed at the Karachi Stock Exchange (KSE) as of March 31, 2011 with total Listed Capital of Rs 920 billion. The KSE-100 share index as well as market capitalization remained higher during the current fiscal year as compared to the previous year (2009-10). On 10th May, 2011, the KSE-100 index increased to 12,012 points from 9,722 points at the end of June 2010 showing a growth of 24%. Month-end trends in KSE-100 Index are given in Table 3.5 & Figure 3.5.

Table 3.5: KSE 100 Index (Points)

Month End	2009-10	2010-11
Jul	7,721	10,519
Aug	8,676	9,813
Sep	9,350	10,013
Oct	9,159	10,598
Nov	9,206	11,235
Dec	9,387	12,022
Jan	9,614	12,359
Feb	9,658	11,289
Mar	10,178	11,810
April	10,428	12,058
May*	9,326	12,012
Jun	9,722	

Figure: 3.5 Trends in KSE-100 Index



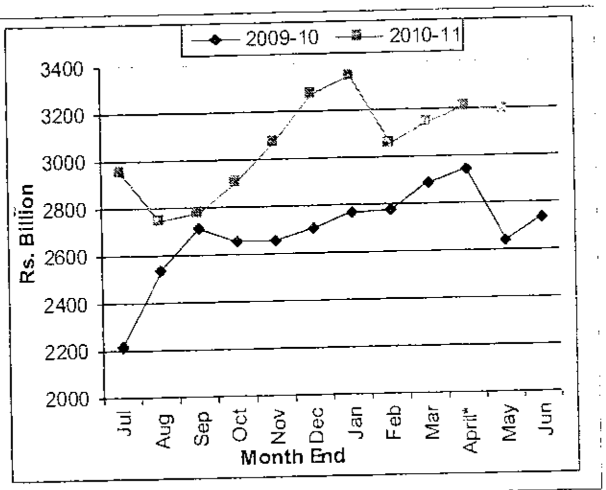
*Figures of April, 2011 is of 10th May, 2011.
Source: Securities and Exchange Commission of Pakistan (SECP)

Market capitalization during the year under review stood at Rs 3,189.2 billion as compared to Rs 2732.4 billion at the end of the year 2009-10, recording a growth of 16.7%. Month-end trends in KSE Market Capitalization are given in Table 3.6 & Figure 3.6.

Table 3.6 Market Capitalization (Rs Billion)

Month End	2009-10	2010-11
Jul	2,214	2,949
Aug	2,537	2,742
Sep	2,716	2,772
Oct	2,657	2,904
Nov	2,658	3,069
Dec	2,703	3,269
Jan	2,767	3,342
Feb	2,773	3,058
Mar	2,890	3,148
April	2,948	3,208
May*	2,639	3,189
Jun	2,732	

Figure: 3.6 Trends in Market Capitalization



* Figures of April, 2011 is of 10th May, 2011.
Source: Securities and Exchange Commission of Pakistan (SECP)

On 30th August, 2010, the KSE-100 share index dropped to its lowest level for the current fiscal year and closed at 9,516 points with market capitalization of Rs 2,663 billion because of flood crisis, damage in exports and broader inflationary concerns. In

September, 2010, some positive factors, like approval of MTS (Margin Trading System) by SECP, Relaxation by the EU (European Union) on Pakistan's exports, confirmation by IMF to provide $451 million funding under the Emergency Natural Disaster Assistance for Pakistan, have driven the index upwards. This rising trend continues until January, 2011. On 17th January, 2011, KSE-100 share index touched its highest position of current fiscal year and closed at 12,681.94 points with market capitalization of Rs 3,430 billion. Factors behind the rising trend are rise in exports and remittances, enhanced domestic liquidity expected from the launch of new leveraged financial products in 2011, better management of the energy crisis, progress on balancing the budget with better tax collection and higher tax receipts in 2011, implementation of the IMF program, rising foreign exchange reserves and improvement in the security situation.

Highlights of the reform measures[3] introduced by SECP during the 2010-11 are as follows:

- Cater to the financing needs of the market and to increase liquidity, the Securities (Leveraged Markets and Pledging) Rules were finalized by the SECP in coordination with relevant stakeholders. The Rules were promulgated by the Federal Government on February 18, 2011 and provided the broader regulatory cover to the products of Margin Financing, Margin Trading and Securities Lending and Borrowing.
- One of the key achievements was the successful introduction of the "Automation of Securities Settlement Project" at the Central Depository Company Limited. The new system employs straight-through processing solution while eliminating the need for any manual intervention, and is expected to bring in more efficiency.
- A comprehensive policy was formulated for dealing with companies in default of securities market laws.
- Efforts are being made to enhance the product portfolio of the Pakistan Mercantile Exchange Limited (PMEX), with a view to cater to the hedging and speculative needs of various groups.
- With reference to new product development and in line with international practices to enhance liquidity in the market, Tradable Sector Indices in the Stock Index Futures Contracts Market and the concept of Market Making to reduce the risks associated with excess volatility in various scripts were introduced.

Annual Plan 2011-12

Fiscal Policy

Government must reduce the high fiscal deficit and mounting public debt to achieve fiscal consolidation. High fiscal deficit is causing a debt trap because the government has to borrow heavily from the banking sector at increased interest rate due to SBP's tight monetary stance. In order to promote a rule based fiscal policy, Fiscal Responsibility and Debt Limitation Act 2005 needs to be observed. Furthermore, provinces may be asked to generate cash surpluses - in view of enhanced provinces' share from 56% to 57.5% in divisible pool from 2011-12 and onward – in order to provide much needed cushion to federation to contain the fiscal deficit at sustainable level until and unless a significant increase in tax-to-GDP ratio is attained. FRDL Act

[3] Securities and Exchange Commission of Pakistan (SECP)

2005 will, hopefully, ensure fiscal sustainability and economic stability. In order to realize the coveted fiscal sustainability, the following tax, expenditure and fiscal discipline measures need to be implemented.

Further, under the Pakistan Economic Growth Framework formulated by the Planning Commission, the unproductive development expenditures are recommended to be slashed down and only productive expenditure boosting software side of growth are to be taken up. The focus of the Framework is to move from project-based to reform-based economic growth where markets and institutions are to be strengthened to enhance productivity and competitiveness in the economy. Further, the fiscal and monetary developments will also follow the overall framework provided under the MTBF 2011-14.

Resource Mobilization

Fiscal sustainability can be ensured by enhancing the tax-to-GDP ratio, which may be done by implementing the following tax measures.

- Efforts to build consensus among all stakeholders for imposition of the RGST, wealth tax, capital gain tax, un-taxed services sector and tax on agriculture income in order to broaden the tax base.
- Addressing governance issues in resource mobilization, like reducing tax slippages and enforcing tax compliance
- Provincial government must be motivated to increase their own tax collection.
- The Report of the Task Force on Private Sector Development suggestions for fiscal sustainability are given in Box 3.1.

Box 3.1: Macroeconomic Stability, Financial Sector Deepening and Resource Generation

Planning Commission set up the Task Force on Private Sector Development in December 2008. It gave its final report in October, 2010. The Taskforce presented a set of recommendations, amongst these one pertains to the Macroeconomic Stability, Financial Sector Deepening and Resource Generation. Broad suggestions are reproduced as under:

- Government should fix a five year target for increasing tax to GDP ratio from the current 9.5 per cent to 17 per cent, increasing by 1.5 percentage points a year.
- Income tax should be source/sector neutral. Agriculture may be brought under tax net.
- There should be immediate conversion of the General Sales Tax (GST) into a value added tax, the VAT. The coverage should be broad including application to those sectors that were not included in GST.
- Corporate rates for all firms should be lowered. The amount of relief should be less than the increase in government revenues as a result of the broadening of the tax base and conversion of the GST to VAT.
- On the expenditure side, Government should take stock of fiscal and financial subsidies with a view to rationalize expenditure and only provide such incentives based on clear economic rationale.
- Rationalization should be done on the basis of five principles: producing a level playing field among different operators, compensating for market failure, provision of public goods, identification of some winners to increase the country's share in international markets, and provision of temporary safety nets.

Source: Private Sector development Task Force Report, Planning Commission, 2010

Expenditure

Government may reduce its current expenditure by undertaking rationalization measures like implementation of austerity measures, minimization of untargeted subsidies and restructuring of Public Sector Enterprises, like Power sector, PIA, Railways & Pakistan Steel Mill.

Development expenditure has to be geared toward priority sectors like energy, human capital, innovation and technology transfer in order to ensure long term economic growth. Furthermore in the wake of 18th Amendment and 7th NFC Award, provincial PSDP has to take the lead by diverting resources to priority sectors.

Monetary Policy

Monetary expansion for the year 2011-12 will be in line with the projected GDP growth of 4.2% and CPI inflation at 12%. To keep M2 growth rate in the vicinity of the targeted level and to encourage private sector credit, it is imperative that government borrowings be limited to the safe level i.e. equivalent to 10% of revenue of the previous year. This will also help in bringing down the CPI inflation and strengthening the growth prospects of the economy. To limit government borrowing it is necessary that the Parliament may pass the pending "SBP Amendment Bill 2010". The proposed amendments inter-alia include:

- The Amendment restricts the government to borrow from the SBP to only 10% of its revenues during the previous year.
- The Amendment also gives a 5-year period to bring the outstanding stock of Market Related Treasury Bills (MRTBs) borrowing from the SBP, which stood at Rs 1,405 billion on 30th April 2011, from the date of approval of Bill by the Parliament.

Moreover, efforts must be made to ensure increased participation of private sector in growth of the financial sector, especially growth of capital markets besides banking. Institutional participation such as cooperatives and multifarious non-bank institutions will be encouraged to provide financial services to SMEs, micro enterprises and to rural areas in order to ensure financial inclusion.

Inflation

Taking into account ramifications of spiraling inflation during last five years, price stability would remain a top priority goal. It helps in mitigating uncertainty in making long term economic decisions. Efforts must be made to bring the inflation rate down during 2011-12. The target rate of inflation (CPI) for 2011-12 is set at 12% as against expected CPI inflation of around 15% in 2010-11; however, by the end June 2012 the inflation is expected to slide to 8%. During next fiscal year following measures will be emphasized upon for containing inflation:

- Rationalization of current expenditure will be undertaken in earnest.
- Borrowing for budgetary support may not exceed 10% revenue of previous year in order to stabilize aggregate demand.
- Supply side will be strengthened by improving the productivity of agriculture and industrial sectors.
- Cost of doing business will be addressed through governance and power sector reforms.

- Every possible effort will be made to achieve 4.2% envisaged growth in GDP during 2011-12.

Capital Market

Government will aim at deepening and diversifying the capital market. It has proactively pursued a policy of supporting capital market development through a sequenced divestment of shares in state-owned companies through stock exchanges in both domestic and international markets, taking into account stock market conditions and investor demand. In this regard, the Cabinet Committee on Privatization (CCoP) has approved nine capital market transactions for the next fiscal year 2011-12, including initial public offerings (IPOs) of six public sector entities and sales of three entities' shares in international equity markets as Global Depository Receipts (GDRs). Seven capital market transactions, excluding PARCO and GHPL, will fetch $254 million.

In the insurance sector, the government would offer 10% shares out of 100% shareholding in National Insurance Company Limited (NICL) through an Initial Public Offering (IPO) to investors through local stock exchanges. This IPO transaction is likely to fetch $20 million. Listing of NICL will be executed in May 2012.

The Privatization Commission has a plan to conduct a Non-Deal Road Shows (NDRs) at major international financial centers. This interactive process will provide the Government of Pakistan with an opportunity to re-engage with the international investment community.

The Initiatives[4] to be undertaken during the next Fiscal Year 2011-2012 are as follows:

- Demutualization of the Stock Exchanges.
- Revamping existing broker registration regime to bring it in line with international best practices and standards.
- Developing the commodity futures market and introduction of new derivative products like Exchange Traded Funds and Index Options and Stock Options.
- Revising the Code of Corporate Governance for the listed companies for fostering good governance in the corporate sector.
- Reducing the income tax rate for listed companies in a phased manner from the existing 35% to 25% which would encourage new equity listings. Moreover, bringing unlisted State-Owned Enterprises (SOEs) to the capital market.
- Rationalizing the cost of issue of corporate bonds, the rate of stamp duty applicable on issue and transfer of Term Finance Certificates and Commercial Papers to reduce it further, for development of the debt market.
- Introducing rules and regulations for the development of the both debt and equity markets.

[4] Securities and Exchange Commission of Pakistan (SECP)

Chapter 4

Public Sector Development Program

The overall objective of Public Sector Development Program (PSDP) is to achieve sustainable economic growth so as to improve living standards of common people. It is formulated to implement Government's socio-economic agenda in line with objectives of Economic Growth Framework recently formulated by the Planning Commission to ensure inclusive growth, reducing poverty, achieving MDGs, minimizing wastages, ensuring balanced development, gender balance and achieving food, energy and water security. The PSDP responds to emerging needs of the economy with substantial investment in priority sectors of Infrastructure and Social Sectors. Towards this end, a close collaboration with provinces has been stressed to efficiently utilize limited public funds as per sectoral priorities.

In era of resources constraints, the size of PSDP is reducing. Accordingly the quality of public investment is being enhanced even for provision of public goods. Role of Private sector is recognized to supplement the efforts of the government. Resources and efforts of private sector are being leveraged for innovative financing like Public Private Partnership (PPP), Build to Operate and Transfer (BOT) and Build to Operate and Own (BOO) basis.

Provinces have since been constitutionally empowered with abolition of Legislative Concurrent list (47 subjects in the Concurrent Legislative List) under 18th Amendment to the Constitution 1973. To this effect, 18 federal Ministries/Divisions have been / are to be devolved to the provinces by June, 2011. Most of social sector subjects including development projects will now be the responsibility of the provincial governments for funding from their own resources under ADPs.

Review of PSDP 2010-11

The total national development outlay stood at Rs 714 billion (4% of GDP) with federal programme of Rs 296 billion (including Rs 16 billion for ERRA) – with foreign exchange component of Rs 38 billion and Rs 424 billion (initial budgeted size was Rs 373 billion) for provincial programmes to be undertaken through ADPs. Broad sectoral break –up of federal PSDP of Rs 296 billion for 2010-11 is indicated in Table 4.1 where infrastructure and social sector received major shares respectively at 44% and 53%.

The catastrophic floods of July - August, 2010 wrecked havoc on people of Pakistan almost in all parts of the country that has caused heavy damages to life and property. Physical and social infrastructure, agricultural land & products, livestock, houses in both the rural and urban areas, were badly damaged across the country. The rural economy particularly agriculture sector was affected. For reconstruction and rehabilitation works, the government took various measures for financing flood related works including support from international donors. Accordingly, the provinces slashed their development programmes from Rs 424 billion to Rs 266 billion. Federal PSDP 2010-11 was also reduced from Rs 280 billion to Rs 180 billion. However, budget for ERRA was increased from Rs 10 billion to Rs 16 billion during 2010-11. To manage this reduction, Planning Commission took the following steps to rationalize the development expenditure.

- All executing agencies were advised not to initiate new projects unless very important with prior approval of the Planning Commission.
- Ministries / Divisions / Executing agencies were advised to prioritize their projects for priority and protection as under:
- Projects which are fairly at advanced stage of completion
- Projects of less-developed areas (Balochistan, AJ & K, FATA,
- Gilgit – Baltistan) and HEC
- Maximum possible protection to social sector projects.
- Contractual obligations at international level be honored.
- Bricks and mortar projects be discouraged
- Slow moving projects with less than 30% expenditure be deferred

As a result of the above, revised sectoral allocations of federal PSDP 2010-11 are presented in Table 4.1.

Table 4.1: PSDP 2010-11, Original and Revised Allocations

(Rs Billion)

Sector	Original Allocation	%age share Original Allocation	Revised Allocation	%age share Revised Allocation
Infrastructure	135	48	79	44
Social sector	134	48	96	53
Production Supporting	11	4	5	3
Total	280	100	180	100
ERRA	10	-	16	-
Total (Federal)	**290**	-	**196**	-

From above, it transpires that after revision of PSDP, priority has been given to social sector projects despite reduced size as per Government's policy to alleviate poverty and upgrade standard of living of common people. Contrary, infrastructure projects of Power, Water and Communications sectors have been affected adversely. From 2011-12, social sector projects will be owned and implemented by the provincial Governments after 18th Amendment as the social service delivery is the responsibility of the provincial Governments. Fiscal space so available with Federal Government would be earmarked for completion of Mega Infrastructure projects benefiting whole of the country.

During 2010-11, the responsibility of releases of PSDP funds was also assigned to the Planning Commission. Accordingly, a new mechanism was developed in consultation with Finance Division, AGPR and line Ministries/ Divisions. Whereby, the Planning & Development Division authorizes release of development funds to Ministries / Divisions / Agencies concerned. To fast track releases, a simple performa was developed on which Ministries / Divisions were required to make request for funds duly signed by Principal Accounting Officer and ACS (Dev) of provinces in case of provincial projects.

As per approved mechanism, Planning Commission was required to release 20% each during 1st & 2nd quarter, 25% during 3rd quarter and 35% in the last quarter of the revised allocation. Ministries were given the flexibility to demand funds for their fast moving projects while remaining within the quarterly ceilings as given above. Against revised rupee allocation of Rs 150 billion for 2010-11, Planning Commission has released Rs 146 billion up-to May, 2011. It is expected that entire released amount will be utilized by Ministries / Divisions during Fiscal Year 2010-11. Disbursement of Foreign Aid is very optimistic. As per estimates, finalized by the Economic Affairs Division upto April 2011, an amount of Rs 34 billion has been disbursed against the revised size of foreign aid to the tune of Rs 30 billion.

Outlook of PSDP for 2011-12

Federal PSDP 2011-12 has been formulated in line with objectives of Economic Growth Framework. It articulates strategy where private sector investment could greatly be encouraged by reforming and strengthening economic governance through reforms in institutions like taxation system, civil services, judicial system, commercial, modernization of cities being locomotives of growth. The thrust of strategy is to focus on 'software' of economic growth (increase competitiveness to increase total factor productivity, generate maximum demographic dividends, addresses economic governance issues, reforms in institutions, innovations and technical know-how, incentives based entrepreneurships, skilled human resources) so as to provide an environment in which the 'hardware' of economic growth (physical infrastructure) could work productively.

Besides, the federal Government has also adopted three year Medium Term Budgetary Framework (MTBF 2011-14). MTBF has been adopted with a view to maximize utilization of constrained public funds for PSDP focusing on "out-put based budgeting system". Under this system, federal budget has been projected for medium term period of three years. Accordingly, current as well as development budgets are estimated as "Indicative Budget Ceilings (IBCs)" against the requirements of various Ministries/Divisions. Advance indication of resources help to plan economic activities during each Fiscal Year. Under restructured procedure, Ministries / Divisions have been empowered to enhance efficiency and effectiveness of Government's spending.

The role of Ministries/Divisions has since been enhanced to focus on service delivery. Their development programmes should reflect the highest sectoral policy priorities. The Finance Division indicated the total development budget size of Rs 280 billion for federal component for financial year 2011-12. Indicative Budget Ceilings (IBCs) of each Ministry/Division were discussed by the high powered Priorities Committee co-chaired by the Secretaries, Finance, Planning & Development and Economic Affairs Divisions from 22nd April, 2011 to 26th April, 2011. The Priorities Committee stressed on need to focus on rational spending of public funds preferably against on-going projects for delivery of speedy socio-economic benefits to the people. Keeping in view the increased throw-forward of approved projects and reduction in the size of PSDP 2010-11 by Rs 100.00 billion, the Planning Commission estimated the requirement of Rs 365 billion for the next year PSDP.

Federal PSDP 2011-12 also emphasizes division between provincial and federal subjects. For productive outcome under PSDP investment, development priorities have been shifted from financing local nature projects of provinces/districts to national level projects of Infrastructure in back-drop of 18th Amendment and 7th NFC Award. To control looming energy crisis, substantial resources are needed to be injected into this sector to realize targets of other sectors of the economy such as agriculture, manufacturing and services. Programmes and initiatives have been encouraged for bringing innovations, technological know-how, entrepreneurship, and regularization of business and modernization of cities as locomotives of economic growth.

To finalize the PSDP 2011-12 on more realistic grounds, Priorities Committee issued the following guidelines to Ministries / Divisions for setting priorities while allocating funds to their projects within the indicative budget ceilings:

- Projects nearing completion be fully protected
- Contractual bindings in projects with foreign donors be obliged
- Development Packages be protected
- Only new approved projects falling in government's priorities
- Projects with 30% expenditure may be deferred unless very critical

In view of squeezed financial envelope of federal PSDP with huge throw-forward liability, the first and second priority of the Government was to allocate funds to the projects of energy, water conservation and augmentation, roads, railway and ports sectors being the primary responsibility of the Federal Government which are likely to be completed by June, 2012 and June, 2013 respectively. Care has also been taken of core social sector projects of Health, Education, Physical Planning & Housing, Governance, Special Programmes (PWP-1 and PWP-II) which have direct impact on the socio-economic conditions of the people, Special Areas Program (AJ & K, Gilgit – Baltistan & FATA) with the aim to bring these areas at par with the developed areas of the country. Emphasis has also been laid on modernization of Science & Information Technology infrastructure in the country.

From current financial year, after abolishment of Concurrent Legislative List, provincial projects/programs have been shifted to the provincial governments. To this effect meetings were held with provincial governments on April 2 & 4, 2011. Three types of projects were placed before them:

- Vertical programs
- Projects by location
- Projects under directives

Provincial Governments requested that though subject of health and population has been devolved to the provinces but Federal Government may continue financing vertical programs and projects/programs being implemented under Directives. This matter was placed before Council of Common Interests in its meeting of April 28, 2011. It was decided that Federal Government would finance health sector vertical programs. It was also decided that Federal Government would finance Population Welfare programme and projects initiated under directives during the period of current NFC award. Therefore, appropriate allocations have been earmarked to cater for the requirement of these programs/projects. As far as other projects are concerned, these have been transferred to the concerned provinces with their consent. These projects would be financed by provincial Governments through their ADPs.

The PSDP 2011-12 was placed before the National Economic Council which approved it in its meeting held on 28th May, 2011 at total size of Rs 730 billion (3.4 % of GDP), 58% higher than the revised allocation of Rs 462 billion. Of this, federal programme is of Rs 290 billion (including foreign assistance component of Rs 36.8 billion), with Rs 10 billion allocation for ERRA. The federal allocation this year is higher by 59% compared to 2010-11. The provincial development programme is Rs 430 billion, 62%

higher than last year revised estimate of Rs 266 billion. A summary of National PSDP 2010-11 is given below in Table 4.2 and Ministry / Division-wise details are placed at Annex 4.1.

Table 4.2: Agency wise break-up of National PSDP 2011-12

(Rs Billion)

Agency	PSDP 2010-11		PSDP 2011-12	% Change over revised
	Original	Revised		
• Federal Ministries	167.5	99.5	158.0	59
• Special Programme	30.0	22.8	33.0	45
• Special Areas	25.8	23.2	28.0	21
• Corporations (WAPDA / NHA)	56.7	34.5	71.0	106
• ERRA	10.0	16.0	10.0	-38
Total (Federal)	**290.0**	**196.0**	**300.0**	**53**
Provincial	**424.0**	**266.0**	**430.0**	**62**
Total	**714.0**	**462.0**	**730.0**	**58**

Within the resources available, the efforts have been made to maximize economic impact of development programme. The federal PSDP 2011-12 places greater emphasis on infrastructure (with 57% in total) due to severe crisis on energy side and improvement in transport and communication. Despite transferring of a large number of social sector Ministries/Divisions to Provinces, the Social sector is still a priority of the Federal Government. An allocation of Rs 122 (42%) has been allocated to social sectors. This includes Rs 16.0 billion for Education and Higher Education, Rs16.9 billion for Health, Rs 4.2 billion for Population Welfare Programme and Rs 4.6 billion for ensuring good Governance. An allocation of Rs 9.2 billion has been provided to Urban Development (Physical Planning and Housing). To cater to the needs of Special Areas (AJ &K, G.B & FATA), an amount of Rs 28.0 billion provided. Special Programmes i.e. PWP-1 and PWP-II received Rs 33.0 billion. Within infrastructure Rs 38.5 billion, Rs 54.4 billion, Rs 62.6 billion have been allocated to Water, Power and Transport & Communications sectors respectively. Allocation for strategic support to the Production Sectors i.e. Agriculture, Industry and Mineral is Rs 3 billion (1%). The decrease in production sector allocation is due to transferring of agriculture sector portfolio to the Provinces (refer Table 4.3).

Table 4.3: Sectoral distribution of federal PSDP 2011-12

(Rs Billion)

Sector	Size	%age share
Infrastructure	165	57
Social	122	42
Production supporting	3	1
Total	290	100
ERRA	10	-
Total (Federal)	300	-

Sectoral Priorities and Salient Features

The Sectoral priorities/Salient features of the Public Sector Development Program 2011-12 are outlined as under:

- Water sector has been allocated Rs 36.5 billion which comes to 12% of the total federal programme. Raising of Mangla Dam including resettlement, Satpara Multipurpose Dam, Gomal Zam Dam, Kachhi Canal (Phase-1), Rainee Canal (Phase-1), Lower Indus Right Bank Irrigation & Drainage Sindh, Balochistan Effluent Disposal into RBOD (RBOD-III) Extension of Right Bank out fall Drain from Sehwan to Sea (RBOD-II), lining of Distributaries & Minors in Sindh have been provided sufficient resources.
- To over-come energy shortage, investment by the Government and WAPDA from its own resources during 2011-12 is Rs 115 billion (including Rs 32.5 billion through budgetary resources) for power generation and conservation. This will not only make available additional power but also help in reducing power shortage.
- In power sector Basha Diamer Dam is the mega project. Both Government & WAPDA are arranging finances to the tune of Rs 20.5 billion. In addition Neelum Jhehlum Hydropower Project (Rs 10.8 billion), 747 MW Gaddu Steam Power Project (Rs 14.6 billion) and 525 MW Combined Cycle Power Plant at Chicho Ki Malian (Rs 13.9 billion) are being financed by WAPDA through its resource to overcome the power shortage.
- In addition to hydel projects, nuclear sources would also be used for power generation; projects like C3, C4 costing Rs 190 billion are being implemented by PAEC. An amount of Rs 15.5 billion has been allocated to the project in PSDP 2011-12. The project would generate 600 MW electricity by year 2016. Rs.2.6 billion also have been allocated to C-2 for its completion.
- Transport and Communication sector has been allocated Rs 63 billion. Of this amount, Rs 39 billion has been allocated to NHA, and Rs 15.0 billion for Railways. This would ensure economic integration and balanced regional development.
- Allocation for the Health sector is Rs 16.9 billion. Major programmes include EPI (Rs 2.7 billion), National Programme for Family Planning and Primary Health Care (Rs 8.0 billion), National Maternal, Neonatal and Child Health Programme (Rs 2.3 billion).
- To ensure availability of qualified human resources to match the highly competitive world market, an allocation of Rs 16.5 billion for Education including Higher Education is earmarked.
- Productivity of Pakistani labour is very low as compared to other countries. To sharpen the skills of the labour force, a Hunarmand Pakistan Programme is being financed. This programme will help to improve skill of the labour which will create more demand for them both at home and abroad. An allocation of Rs 0.3 billion exists for this programme in PSDP 2011-12.
- Allocation for Special Areas (AJK, GB & FATA) is Rs 28.0 billion (10.0%) with a view to accelerate the development of less developed areas.
- Allocation for Special Programmes (PWP-1, PWP-II) is Rs 33.0 billion (12%) which act as an equity of the growth and contribute at large to the development of less developed areas.

Annex 4.1

National Development Programme 2010-11 & 2011-12
(Ministry/Division-wise Summary)

(Rs Million)

S. No.	Ministry / Division	Revised PSDP 2010-11			PSDP 2011-12		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
A.	**Federal Ministries:**						
1	Water & Power (Water Sector)	131.7	17,041.5	17,173.2	1,980.0	34,121.0	36,101.0
2	Pakistan Atomic Energy Commission	7,721.3	3,016.9	10,738.2	5,801.5	16,198.5	22,000.0
3	Finance	500.0	7,373.5	7,873.5	1,203.9	9,067.1	10,270.9
4	Railways	3,455.3	3,617.0	7,072.3	2,500.0	12,500.0	15,000.0
5	Planning & Development	197.2	4,947.8	5,145.0	2,193.7	31,288.2	33,481.9
6	Higher Education Commission	60.4	14,980.0	15,040.4	111.2	13,388.8	14,000.0
7	Industries & Production	0.0	1,548.6	1,548.6	0.0	2,030.8	2,030.8
8	Interior	0.0	2,997.0	2,997.0	51.0	5,749.0	5,800.0
9	Defence	257.2	1,793.3	2,050.5	325.7	3,500.0	3,825.7
10	Housing & Works	0.0	1,527.9	1,527.9	0.0	1,215.0	1,215.0
11	Cabinet	0.0	1,778.4	1,778.4	0.0	2,692.1	2,692.1
12	Science & Technological Research	10.6	619.3	629.9	0.0	936.6	936.6
13	Law & Justice	0.0	366.3	366.3	0.0	1,200.0	1,200.0
14	Revenue	533.3	268.7	802.0	1,402.7	567.3	1,970.0
15	Petroleum & Natural Resources	0.0	420.5	420.5	0.0	149.7	149.7
16	Information Tech & Telecom	0.0	310.2	310.2	0.0	769.8	769.8
17	Defence Production	0.0	450.5	450.5	0.0	1,454.7	1,454.7
18	Commerce	41.2	158.6	199.8	50.0	364.6	414.6
19	Communications (other than NHA)	0.0	70.1	70.1	0.0	172.0	172.0
20	Ports & Shipping	0.0	518.6	518.6	0.0	784.3	784.3
21	Pakistan Nuclear Regulatory Authority	0.0	90.5	90.5	0.0	350.0	350.0

S. No.	Ministry / Division	Revised PSDP 2010-11			PSDP 2011-12		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
22	Foreign Affairs	0.0	51.6	51.6	0.0	285.0	285.0
23	Narcotics Control	213.2	165.4	378.6	190.0	344.2	534.2
24	Establishment	0.0	78.4	78.4	0.0	33.8	33.8
25	Kashmir Affairs & Gilgit Baltistan	1,722.4	13,585.6	15,308.0	759.0	17,288.5	18,047.5
26	States & Frontier Regions	746.2	7,147.1	7,893.3	476.0	9,524.0	10,000.0
27	Information & Broadcasting	0.0	259.5	259.5	0.0	629.0	629.0
28	Textile Industry	0.0	60.3	60.3	20.0	130.0	150.0
29	Statistics	0.0	97.9	97.9	50.0	202.4	252.4
30	Economic Affairs	0.0	8.5	8.5	0.0	161.1	161.1
31	Capital Administration and Development	0.0	0.0	0.0	0.0	667.4	667.4
32	Inter Provincial Coordination	0.0	0.0	0.0	0.0	70.0	70.0
33	Postal Services	0.0	29.7	29.7	0.0	0.0	0.0
	Total (Federal Ministries)	**15,589.9**	**85,379.2**	**100,969.1**	**17,114.6**	**168,335.1**	**185,449.7**
B.		**Ministries to be Devolved**					
34	Health	2,114.6	8,010.9	10,125.5	0.0	0.0	0.0
35	Food & Agriculture	1,788.2	3,786.3	5,574.5	0.0	0.0	0.0
36	Education	1.6	2,687.8	2,689.4	0.0	0.0	0.0
37	Population Welfare	0.0	1,855.4	1,855.4	0.0	0.0	0.0
38	Livestock & Dairy Development	0.0	362.1	362.1	0.0	0.0	0.0
39	Environment	183.6	330.3	513.9	0.0	0.0	0.0
40	Special Initiatives	0.0	127.5	127.5	0.0	0.0	0.0
41	Women Development	0.0	72.7	72.7	0.0	0.0	0.0
42	Social Welfare & SE	0.0	54.2	54.2	0.0	0.0	0.0
43	Labor & Manpower	0.0	39.1	39.1	0.0	0.0	0.0
44	Local Government & Rural Development	0.0	30.2	30.2	0.0	0.0	0.0
45	Tourism	0.0	55.3	55.3	0.0	0.0	0.0
46	Culture	0.0	134.9	134.9	0.0	0.0	0.0

S. No.	Ministry / Division	Revised PSDP 2010-11			PSDP 2011-12		
		Foreign Loan	Rupee	Total	Foreign Loan	Rupee	Total
1	2	3	4	5	6	7	8
47	Sports	0.0	105.2	105.2	0.0	0.0	0.0
48	Youth Affairs	0.0	37.7	37.7	0.0	0.0	0.0
	Total (Devolved Ministries)	**4,088.0**	**17,689.6**	**21,777.6**	**0.0**	**0.0**	**0.0**
B.	**Corporations:**						
1	WAPDA (Power)	5,103.3	5,656.2	10,759.5	13,373.0	19,127.0	32,500.0
2	National Highway Authority	5,218.7	18,500.0	23,718.7	6,269.4	32,780.9	39,050.3
	Total (Corporations)	**10,322.0**	**24,156.2**	**34,478.2**	**19,642.4**	**51,907.9**	**71,550.3**
C.	**Special Programmes**						
1	PWP - I	0.0	5,000.0	5,000.0	0.0	5,000.0	5,000.0
2	PWP - II	0.0	17,775.0	17,775.0	0.0	28,000.0	28,000.0
Total (Special Programmes)		**0.0**	**22,775.0**	**22,775.0**	**0.0**	**33,000.0**	**33,000.0**
	Total (Federal)	**30,000.0**	**150,000.0**	**180,000.0**	**36,757.0**	**253,243.0**	**290,000.0**
D.	**ERRA**	**9,000.0**	**7,000.0**	**16,000.0**	**2,094.0**	**7,906.0**	**10,000.0**
E.	**Provinces**	**31,385.0**	**234,615.0**	**266,000.0**	**38,239.0**	**391,761.0**	**430,000.0**
	Total (National):	**70,385.0**	**391,615.0**	**462,000.0**	**77,090.0**	**652,910.0**	**730,000.0**

Chapter 5

Higher Education

Economic growth is a complex phenomenon that is increasingly dependent on innovation - the ability to create economic value through the creative application of knowledge. Knowledge is arguably the most important commodity of the modern economy and universities are the primary creators of this currency. While universities have long served as a source of knowledge creation and dissemination for industrial activity, relationships with firms and engagement with for-profit activities are becoming more direct and focused. Indeed, one of the responsibilities of institutions of higher education is now to create effective mechanisms to transfer knowledge, whether the purpose is social or economic development on enhanced economic competitiveness.

The Economic Growth Framework recently formulated by the Planning Commission lays emphasis on the development of Higher Education and Science and Technology sectors and strengthening their institutional infrastructure including human resource development, R&D, technology development and innovation management and on developing some key and cutting edge technologies to achieve rapid economic growth. Keeping in view this policy, major focus would be on the human resource development in key productivity areas like Biotechnology and Genetic Engineering, Material Science and Nanotechnology, Minerals and Mining, Engineering, Alternate energy sources, IT and Telecom. Efforts would be made on linkage of Higher Education Institutes and R&D organizations with industry by setting up Technology Parks, Incubation Centers and encouraging foreign entrepreneurship & industries to collaborate with local industry. Universities of national repute would be encouraged to develop and strengthen the Centers of Excellence in key areas and collaborate with international universities of repute so that these centers can act as their foreign campuses.

Review of 2010-11

Financial

In the year 2010-11, an amount of Rs 15.7 billion was allocated for Higher Education, which was reduced to Rs 14.6 billion due to financial crunch. It is expected that 100% would be utilized by the end of current financial year.

Physical Achievements

Infrastructure Development

During 2010-11, initiatives were taken to improve and establish new institutions and campuses of already established universities. New universities and the sub-campuses of the existing universities were established in the remote areas of the country. These include Shaheed Benazir Bhutto University Benazirabad, Universities at Loralai, Turbat, Mirpur and Air University, Multan campus.

A scheme for the establishment of NUST Teaching cum Research Hospital and School of Health Sciences was initiated to facilitate research in the fields of medicine, paramedics and pharmacy. Another institute is being established at Dow University of Health Sciences for undertaking research in Liver and Gastro Intestinal diseases.

Ph.D. Program

HRD is an area in which vital and significant progress has been made with the dual objective of increasing institutional capacity and enhancing local research activities. Nearly 40% of the scholarships managed by the HEC have been awarded to the scientists of R&D organizations and university teachers. During the year 2010-11, numerous scholars have been provided funding for PhD abroad. A total of about 900 to 1000 scholars have already returned successfully while nearly 2800 scholars are pursuing their higher education.

To ensure the proper absorption of returning graduates, a program for their placement on Tenure Track scheme at various public sector universities has been initiated. It is expected that most of these young scientists, engineers, social scientists and medical professionals will make a career in the academia once they are comfortably placed domestically.

Faculty Development

Faculty is the nucleus of an education system, therefore it is highly imperative to improve and enhance the quality of professional teachers in this regard. During the year 2010-11, various faculty members were given professional development trainings related to teaching skills enhancement at the doorsteps of universities.

Need Based Scholarships

Financial aid to needy students is required to be institutionalized and strengthened in public and private sector universities. 2000 scholarships have been awarded by USAID for 2010-11.

Supporting University Research

The lack of research literature and equipment is a major impediment to the productivity of many creative and talented faculty members/researchers in all disciplines in universities/ degree awarding institutions. In the absence of these facilities, the researchers are discouraged and are looking for better opportunities in developed countries. To avoid this brain-drain, HEC has initiated different research supporting programs for universities/DAI's in all areas of Engineering, Natural & Basic Sciences, Medical Sciences, Humanities, Social Sciences, Economics, and Finance.120 research grants were provided for scientific research projects to be carried out in Pakistan by the university teachers.

Measures for Quality Education

Quality Assurance Agency (QAA) is involved in Internal Quality Assurance (through Quality Enhancement Cells) and External Quality Assurance (through Accreditation Councils). QEC's are now operational in 62 universities of the country. At program level, QAA is establishing linkages with nine professional councils.

Promoting Participation of Private Sector Institutions

HEC has initiated a program to support private universities that meet the basic criteria for funding on cost sharing basis in the areas of Research Support Programs, Faculty Development & Training Facilities, Foreign Faculty Hiring Program, PERN, and Digital Library. Moreover, support has also been provided for major development projects of infrastructure, academic and research facilities. 15 private sector universities were evaluated to declare them eligible for public funding during the year 2010-11.

PERN2: The National Research and Education Network of Pakistan

PERN provides high speed internet and intranet facilities to the research and educational institutes. Currently, 93 universities/ institutes/ campuses are connected to PERN. During 2010-11, PERN connectivity has been extended to various affiliated colleges of the universities/ DAIs across the country to form a College Network of Pakistan. HEC has recently signed an agreement of 10Gbps internet bandwidth.

Expanding the Footprints of Video Conferencing Network in the Country

Video-conferencing is a cost-effective way to improve communication and increase an organization's productivity without being required to travel and attend. Till date, this facility has been established in 79 public sector universities/degree awarding institutes. National Video Conferencing Program launched by the Higher Education Commission is playing a pivotal role in uplifting the overall standard of higher education and the educational institutions. The program is being executed by Virtual University of Pakistan in collaboration with HEJ Research Institute of Chemistry. The program focuses on lectures by eminent scientists and researchers to share their knowledge and experiences in chosen disciplines. The lectures delivered are aimed at fundamental concepts, to enhance the critical thinking of undergraduate and graduate students and to discuss cutting edge technologies/research work in the field of modern science.

Pakistan Research Repository: Digital Archive of Scholarly Work

Pakistan Research Repository (PRR) has grown significantly over the last year and the repository has now been populated with more than 2,700 PhD theses. These PhD theses are available in high-quality digitized format, whilst a further 100 have been digitized and are being uploaded in repository.

Higher Education Management Information System

HEC has taken the initiative to facilitate universities with the standard off-the shelf Campus Management Solution (CMS) to be customized and implemented about two and half years back. As a pilot project eight (8) public sector universities were selected, i.e. BUITMS Quetta, DUHS Karachi, IU Bahawalpur, KPK UET Peshawar, QAU Islamabad, Sukkur Institute of Business Administration and Institute of Business Administration, Karachi.

CMS provides campus-wide integrated information systems covering all functional areas and automate core managerial activities including admissions, academics, examination, fees, placements, alumni and finance thus augmenting the institute's brand image at the same time improving bottom and top line profitability.

Outlook for 2011-12

Financial

An amount of Rs 14 billion has been allocated in PSDP 2011-12 for the projects of higher education sector.

Physical Infrastructure

During 2011-12, new universities and sub-campuses of the existing universities will be established to expand the access to education, especially in the remote and less developed areas. The new universities would be established at Larkana, Mardan Loralai, Turbat and Mirpur. Similarly, new campuses of public sector universities are planned including COMSATS Institute campus at Quetta and Karachi, Skardu campus of Karakoram International University, Dadu campus of University of Sindh and constituent college of Quaid-e-Awam University of Engineering & Technology at Larkana.

Human Resource and Faculty Development

Selection of scholars of Batch-VI under Indigenous PhD program, 10% Overseas Scholarships in selected fields and 90% Overseas Scholarship scheme will be completed. Disbursement of scholarships under the indigenous scheme would be made on provincial quota basis. Total 465 training programs will be arranged including 50 long-term training fellowships (duration up to 2 years), 80 one-month duration fellowships and 335 short term courses (duration up to one week). Phase-II of the USAID funded need based scholarships is proposed to be launched in the FY 2011-12.

Supporting University Research

Research grants will be awarded on competitive merit to 120-130 high-quality and promising scientific research projects to be carried out by university teachers. A research assessment exercise will be carried out which leads to a comprehensible quality ratings for research in all disciplines carried out in universities and their research centers. Research offices will be established in all HEIs. 4 workshops will be conducted for the presentation of journals and 4 quarterly meetings will be organized to recognize the research journals. Travel Grants for seminars will be provided for the national and international seminars and conferences to the faculty members of the public and private sector universities.

PERN and Video Conferencing Network

HEC plans to extend the services of Pakistan Education and Research Network (PERN) to affiliated colleges of the universities/ DAIs across the country to form a College Network, while capitalizing on PERN2 core infrastructure and resources. All the colleges in the country are being targeted. It is planned to expand Video Conferencing network footprints to the far flung areas where new institutions have been given the charter to operate as universities. Moreover, the remaining universities are also being provided with this facility.

Higher Education Management Information System

HEC aims to expand this system across all universities. The system comprises management and higher education information and administrative system. The HEMIS constitutes three major components, viz. HEMIS software license, solution implementation including consultation services, and hardware infrastructure. In the planning process, it is anticipated to facilitate 24 selected universities/ institutes with HEMIS in next 2 years which is considered as the Phase-I of HEMIS deployment mega project. Phase – II includes HEC's requirement of a data warehouse with enhanced analytical capability and reporting features. Major targets of higher education sector are presented in the Box 5.1.

Box 5.1: Major Targets Higher Education 2011-12

- Establishment of Universities at Mardan, Larkana, Loralai, Turbat and Mirpur.
- Establishment of sub campuses of universities at Quetta, Karachi, Larkana, Skardu and Dadu.
- Need based scholarships (cost Rs 2.1 billion) Phase-II with the financial assistance of USAID.
- Indigenous fellowship of 5,000 scholars.
- Establishment of Technology and Business Incubation Centers.
- Establishment of Excellence Centers in the field of Agriculture, Water and Energy.
- Training programs including long-term training fellowships, one-month duration fellowships and short term courses.
- 110-120 Research grants for scientific research projects to be carried out in Pakistan by university teachers. Travel Grant for seminars will be provided for the national & international seminars and conferences.
- Workshops will be conducted for the presentation of research.
- 15 private universities be evaluated to declare them eligible for public funding.
- Extend the services of PERN to affiliated colleges of the universities/ DAIs across the country.
- Expansion of Video Conferencing network footprints to universities in remote areas.
- 1,000 more thesis will be digitalized under digital archive of scholarly work.

Chapter 6

Science and Technology

The 21[st] century is dominated by the knowledge base economy in which all players sell and buy science and technology based products and services. Globalization and rapid technological advancements are shaping the twenty-first century's landscape. Intellectual capital has become a prominent concept that now overshadows the physical capital, bringing the realization that knowledge is its main ingredient and human capital is the source of it all, including intellectual property. This year Annual Plan prepared in the light of Economic Growth Framework, focuses on the development of Science and Technology sectors and strengthening its institutional infrastructure including human resource development, R&D, technology development and innovation management and lays emphasis on developing some key and cutting edge technologies to achieve rapid economic growth.

Review of 2010-11

Financial

During the financial year 2010-11, an amount of Rs 1,646.2 million was allocated for 108 development projects of Ministry of Science and Technology. Later due to overall financial crunch this allocation was reduced to Rs 619.3 million to cater 89 development projects, which would be fully utilized. Program/Project wise allocations and utilizations for 2010-11 are given in Annex 6.1. Performance of the Science and Technology organizations during the year is discussed below:

Pakistan Council for Scientific & Industrial Research: PCSIR provided the analytical services to 7,522 clients for 18,408 samples in food, chemical, pharmaceutical and microbiological fields. In addition, 8 patents have been obtained. 168 papers published in journals of national and international repute, 76 processes were developed of which 26 leased out to various entrepreneurs. About 91 feasibility reports were submitted. Fuel Research Centre is striving to utilize underground coal resources for indigenous fuel production and to save forestry by supplying coal briquettes to rural areas. Research on Lignite Humic Acid, Briquetting Technology and production of Syn gas from underground Coal gasification of Pakistani Lignite is under process.

National Institute of Oceanography: NIO in collaboration with Pakistan Environmental Protection Agency (PAK-EPA) performed the investigation and collected the data on the status of Marine pollution. Preliminary survey of the Indus Deltaic area for investigating the impact of flash floods on the southern part of the delta was conducted. Later on, a proposal for Technical Assistance to the Government of Sindh for draining out flood water from inundated towns and agricultural lands of the Province of Sindh has been submitted.

Council for Works and Housing Research: CWHR conducted a field survey for the Exploration and Exploitation of Lightweight Aggregate along the coastal areas of Balochistan. Several specimens of concrete pavers from different manufacturers were tested for their abrasion resistance to confirm their suitability for use at Bin Qasim International Container Terminal. A proposal on "Rehabilitation works in Flood Affected Areas of Pakistan" for utilizing CWHR's R&D products including ferrocement technology has been prepared and sent to consultants, architects, builders, NGOs and Federal/Provincial Government organizations etc. 03 MoU's have been signed with private organizations for commercialization of R&D results developed by CWHR.

Pakistan Science Foundation: PSF organized International Traveling Expo "Biodiversity is Life: Biodiversity is Our Life" in all Provinces of Pakistan. More than 90,000 students from 280 schools visited the Science Caravan Exhibitions. Two international training workshops were organized for Pakistani teachers. Convention and science caravan activities for the students were organized on "World Science Day for Peace and Development". Project for Strengthening of PSF Science Centre has been approved by Pakistan National Commission for UNESCO under Participation Programme 2011-12. Seventeen (17) research projects have been approved in various science disciplines at different universities / R&D organizations throughout the country for socio-economic development.

Pakistan Council for Research in Water Resources: PCRWR completed the construction of 5 water quality testing laboratories at Abbotabad, Karachi, Hyderabad, Nawabshah, and Sukkur while construction of 10 more laboratories at Multan, DI Khan, DG Khan, Sahiwal, Faisalabad, Gujranwala, Sialkot, Sargodha, Mianwali and Gilgit is in progress. Technical Assessment Survey of about 1500 water supply schemes has been completed while survey reports of Water Supply Schemes (22 districts of Sindh province) have been finalized. Three water filtration plants in Rahim Yar Khan, Multan and Mansehra were installed. The council constructed 2 rainwater harvesting reservoirs having water storage capacity of 15,000 cubic meters in Washuk and Kharan districts and 5 check dam structures at Warsumba dam to improve groundwater recharge in Balochistan.

Pakistan Council of Renewable Energy Technologies: PCRET has installed 400 Biogas plants in all provinces of the country, however work on the installation of 200 KW turbine on canal fall is in progress. 19 MHP plants have been purchased and installed in earthquake effected areas. Construction of 04 new labs and engineering workshop alongwith allied facilities, 98% civil works and 70% procurement of lab equipment has been completed.

National Institute of Electronics: NIE has established testing lab in Center for Quality Testing and Certification of Electronic Products in which testing facility for electrical safety, environment & EMC have been installed and is operational. Accreditation of the testing lab is in process with Pakistan National Accreditation Council (PNAC). Lab quality manual and other documents have also been prepared and mandatory training has been provided to project personnel. Under the Balancing, Modernization and Rehabilitation program of NIE, structure of ground floor of the 5-storey building is near completion.

COMSATS Institute of Information Technology: 31 Scholars are currently pursuing their PhD studies at University of Illinois at Urbana Champaign (UIUC), while admission of 33 more candidates shall be completed. In Vehari campus prequalification of contractors for providing labor services have been completed and work awarded to contractor. Expansion of COMSATS internet has been made through establishment of COMSATS Internet Services (CIS) node at Multan and addition of 20 wireless Wi-Fi base stations to the CIS Network. Equipment for Tele Health units has been identified, training for use of software and site survey to setup clinics has been completed. Two storey building structure of the CIS building is underway.

National University of Sciences & Technology: NUST has carried out experiments on disinfection of water from bacteria through development of water purification technologies using Nanotechnology. An arsenic removal filter is being developed, which will provide pure water free of contamination that will improve the health of general public. A symposium on the awareness of super computing to resolve complex problems was arranged.

The Centre for Applied Molecular Biology: CAMB has provided DNA test services to the law enforcement agencies and court in 516 cases. CAMB has done 10,545 tests for diagnosis of hepatitis (B, C & A) & tuberculosis at commercial level for general public. Twenty reported deafness loci and two new deafness causing genes have been identified, while six (6) major milk protein genes were studied.16 new allelic variants were identified in Nili Ravi Buffalo breed of Pakistan.

Major achievements of Science and Technology in the year 2010-11 are presented below in Box 6.1.

Box 6.1: Major Achievements of Science and Technology 2010-11

- PCSIR provided the analytical services to 7,522 clients for 18,408 samples in food, chemical, pharmaceutical and microbiological fields.
- 168 papers of PCSIR have been published in journals of national and international repute.
- CWHR has prepared a proposal on "Rehabilitation works in Flood Affected Areas of Pakistan" for utilizing CWHR's R&D products including ferrocement technology and sent to consultants, Architects builders, NGOs and Federal/Provincial Government organizations etc.
- PCST has completed database design, analysis and programming and testing/quality assurance on S&T organizations, manpower and performance evaluation of R&D organizations.
- PCRWR has constructed 5 water quality testing laboratories at Abbotabad, Karachi, Hyderabad, Nawabshah, and Sukkur while construction of 10 more laboratories at Multan, DI Khan, DG Khan, Sahiwal, Faisalabad, Gujranwala, Sialkot, Sargodha, Mianwali and Gilgit is in progress.
- PTB participated in Global Alliance for Information and Communication Technologies and Development (GAID) event held in Abu Dhabi representing Pakistan first time on this forum to explore collaboration opportunities both in terms of funding and technology, and for using ICT as a tool in reduction of poverty.
- Expansion of COMSATS internet has been made through establishment of CIS node at Multan and addition of 20 wireless Wi-Fi base stations to the CIS Network.
- CIIT has strengthened its faculty as 3 scholars have joined after completing their education from University of Illinois at Urbana Champaign (UIUC), USA.
- NIE has established testing lab in Center for Quality Testing and Certification of Electronic Products

Prospects of 2011-12

Financial

An amount of Rs 2 billion has been allocated in PSDP 2011-12 for the projects of Ministry of Science and Technology. This allocation is almost three times of the last years' revised allocation. Program and project wise detail of allocation for the year 2011-12 is given in the Annex 6.1.

Pakistan Council for Scientific & Industrial Research: PCSIR has the aim to develop technologies for high quality black glass, nano-partical, biodegradable polymer and Indole Acetic Acid to cater the needs of industrial sectors and leasing out the technologies developed during 2010-11. PCSIR will establish Technology Business Incubation Centers (TBICs) at Karachi, Lahore and Peshawar for commercialization of production activities and will pursue establishment of technical training centers at Gawadar, Baluchistan to produce skilled manpower for public and private sectors, organizations and industries. PCSIR has the objective to increase the number of patents, papers, analytical, testing, calibration and consultancy services. The major target of the PCSIR involves the utilization of the huge reserves of Thar coal to overcome the energy crises in Pakistan by converting the coal into liquid fuel in an effective manner to support the economy of the country.

National Institute of Oceanography: NIO will up-grade its laboratory facilities as per International Standards and will serve as a focal laboratory for all the oceanographic R&D activities such as ocean productivity, marine pollution, marine biodiversity and marine ecosystem studies. The extended Continental Shelf would provide oil & gas and mineral industry to explore and exploit the non-living resources and to contribute to the betterment of the economy of Pakistan.

Council for Works and Housing Research: CWHR will prepare lightweight aggregates by rotary kiln process using raw materials collected from different places, in this regard training will be obtained from abroad (China). Efforts will be made for the transfer of ferrocement technology to public and private sectors on commercial basis. Consultancy works shall be undertaken for checking structural adequacy of concrete structures by Non-Destructive Testing methods. Moreover, construction of energy efficient, environment friendly and earthquake resistant demonstration model buildings (houses, schools, dispensary etc.) in different regions utilizing indigenous materials innovative techniques will be undertaken.

Pakistan National Accreditation Council: PNAC will accredit various labs, inspection bodies, medical labs and PCB / Halal Accreditation /certification bodies. In addition 13 trainings/ courses will be conducted regarding the awareness of accreditation for the professionals and industries.

Pakistan Council for Research in Water Resources: PCRWR will construct 11 laboratories building at Muzaffarabad, Mianwali, Sargodha, Sialkot, Sahiwal, Gujranwala, Faisalabad, Khuzdar, Lorali, Jamrud and Badin. Monitoring of remaining 2000 (approx) water supply schemes and installation of 18 water filtration plants for demonstration purposes will be completed. 4 water harvesting reservoirs will be constructed in Balochistan. Infrastructure of 3 water quality laboratories will be strengthened through the purchase of equipment.

Pakistan Technology Board: PTB will support Pakistani industry (producers, manufacturers and exporters) to capture a rather larger share in multi trillion Dollar "Halal Market". This project is aimed to not only coordinate all the genuine efforts being made, right from the preparation of standard to the proper use of Halal logo, and establish a sustainable Halal infra-structure in the country.

Pakistan Council of Renewable Energy Technologies: PCRET will procure and install 24 MHP plants, 200 KW MHP plants at canal falls and 284 biogas plants in different areas of the country. Technology transfer will be done through collaboration with Sindh and Punjab Governments for the promotion of the use of the renewable energy technologies (RETs). In this regard, 7 RET projects will be implemented with Provincial Governments.

Pakistan Council for Science and Technology (PCST): During the next financial year, PCST is intending to establish a Science & Technology Policy Research Institute (STPRI) at Islamabad. The STPRI will conduct research on all related policy issues linked with development, management and identification of S&T needs in line with rapid socio economic development of the country.

National Institute of Electronics: NIE will continue to provide testing services to industry, traders, etc, of electronic products through Center for Quality Testing and Certification of Electronic Products (CQTC-EP). Up-gradation of the Training Centre, power lab, Printed Circuit Board Facility with addition of Multi-layer PCB Fabrication Capability and Renovation of Building Block-1 will be completed. Under Balancing Modernization and Rehabilitation (BMR) project, five-storey building structure will be completed and labs will be functional with complete equipment.

COMSATS Institute of Information Technology: CIIT Vehari campus will be functional in the next financial year. 44 scholars will be selected for PhD under faculty development programe at University of Illinois, Urbana Champaign, USA. Research and Development activities in Chemical Engineering and Biomedical Material Sciences department will be strengthened through procurement of lab equipment. COMSATS Internet Services (CIS) will establish Tele-Health Clinics, 2 each in the rural areas of Peshawar, Quetta and Multan and a main centre at Islamabad. 200 wireless Wi-Fi base stations will be added to the CIS network. In addition 3-storey building structure of the CIS building will be completed.

The Centre for Applied Molecular Biology (CAMB): DNA typing services for Crime Investigation will continue to help crime investigating agencies and courts in criminal and paternity cases. In CAMB, research will be continued for new / reported loci responsible for hearing, vision and cognitive impairment in the population. Genetic information will be provided to the affected families on request to reduce the birth of affected individuals. Transgenic plants will be shifted to field conditions and bioassay will be performed.

Major physical targets of Science and Technology for the year 2011-12 are given in the Box 6.2

Box 6.2: Major Targets of Science and Technology 2011-12

- Major target of the PCSIR involves utilization of the huge reserves of Thar coal to overcome the energy crises in Pakistan by converting coal gas into liquid fuel in an effective manner to support the economy of the country.
- NIO will up-grade its laboratory facilities as per International Standards and will serve as a Focal laboratory for all the oceanographic R&D activities such as ocean productivity, marine pollution,marine biodiversity and marine ecosystem studies.
- CWHR will highlight and disseminate the significance of lightweight aggregate in concrete construction through workshops/seminars and publications. Efforts will be made for the transfer of ferrocement technology to public and private sectors on commercial bases.
- PCSIR has the aim to develop technologies for high quality black glass, nano-partical, biodegradable polymer, Indole Acetic Acid etc. to cater the needs of industrial sectors and leasing out the technologies developed during 2010-11.
- PSF will organize an International Traveling Expo on Chemistry in Pakistan.
- PCRET will implement 07 projects through collaboration with Sindh and Punjab Governments for the promotion of use of the Renewable Energy Technologies (RETs).
- PCRWR will construct 11 laboratories building at Muzaffarabad, Mianwali, Sargodha, Sialkot, Sahiwal, Gujranwala, Faisalabad, Khuzdar, Lorali, Jamrud and Badin.
- PCST through Science & Technology Policy Research Institute (STPRI) will conduct research on all related policy issues linked with development, management and identification of S&T needs in line with rapid socio economic development of the country.
- PCRET will procure and install 24 MHP plants, 200 KW MHP plants at Canal Falls and 284 biogas plants in different areas of the country.
- NIE will provide testing services to industry, traders, etc, of electronic products through Center for Quality Testing and Certification of Electronic Products (CQTC-EP).
- CIS will add 200 wireless Wi-Fi base stations in its network that will facilitate about 1500 broadband internet users mainly educational institutes, industry and the corporate sector.

Annex 6.1

Allocation and Utilization for Science and Technology 2010-11 and 2011-12

(Rs Million)

Organization	PSDP 2010-11		PSDP 2011-12 Allocation
	Allocation	Likely utilization	
Ministry of S&T	139.1	139.1	438.0
PCSIR	163.5	163.5	420.0
PCRWR	72.9	72.9	127.2
PCST	4.3	4.3	0.0
PTB	11.7	11.7	10.0
PSF	3.7	3.7	46.9
PCRET	93.1	93.1	107.5
PNAC	1.9	1.8	15.0
CAMB	8.9	8.9	48.3
PSQCA	18.4	18.4	296.1
NIE	32.8	32.8	125.0
CWHR	1.7	1.7	10.8
NUST	6.8	6.8	20.1
CIIT	60.3	60.3	325.0
NIO	0.0	0.0	10.0
Devolved Projects	-	-	2.4
Total	**619.3**	**619.3**	**2,002.4**

Chapter 7

Skill Development

Human Resource Development (HRD) has a vital role in enhancing productivity and plays a key role for sustainable economic growth in the country. Federal as well as provincial governments are actively engaged in HRD activities and providing skills development training to the labor force for enhancing their productivity and employability.

In order to develop skilled labor force on modern lines, Ministry of Labor and Manpower has established five Skill Development Councils (SDCs) one each at Islamabad, Karachi, Lahore, Peshawar and Quetta. The SDCs assess the training needs of their geographical areas, prioritize them on the basis of market demand and facilitate training of workers through training providers in the public and private sectors. These Councils have met the diversified training needs of the industrial and commercial sectors and have trained 200,252 workers since their inception.

National Vocational and Technical Education Commission (NAVTEC) at federal level and Provincial Technical Education and Vocational Training Authorities (PTEVTAs) at provincial level are apex bodies to address the challenges of Technical Education and Vocational Training (TEVT) in the country. These are involved in policy making, strategy formulation, and regulation,& revamping to TEVT system in the country.

National Skills Strategy 2009–2013

The National Skills Strategy formulated by the NAVTEC emphasizes a shift from curricula-based to competency-based training and to create a demand-driven training system responsive to requirement of industry. It seeks to institutionalize various segments of TVET sector and will adopt corrective measures during the process of implementation. The Strategy sets out a framework against which NAVTEC can deliver its mandate to reform the skills development system. The National Skills Strategy is meant to build a skills development system that can be benchmarked against international standards.

Review of Skill Development Programs 2010-11

Ministry of Labor & Manpower

Financial Review: An amount of Rs 65.8 million was allocated (revised) to the ministry for eight ongoing development projects out of which, Rs 38.6 million are expected to be utilized by June 2011. Physical achievements and project-wise details are at Annex 7.1 and 7.2. Out of Rs 574.9 million allocated to NAVTEC for PSDP 2010-11, an amount of Rs 230.0 million is expected to be utilized up to June 2011.

Physical: NAVTEC initiated two major training programs in the country under President and Prime Minister's directives. Through these programs quality vocational and technical training remained focus on young men and women throughout the country training program. A stipend of Rs 2,000 per month was paid to the participants.

President's Fanni Maharat Program: Under Presidential directive, NAVTEC is establishing 130 new vocational training centers/institutes in 79 uncovered tehsils of Sindh, Punjab, NWFP, Balochistan, AJ&K and Gilgit-Baltistan, where no TVET institute exists. Under the program 47,765 training target will be achieved in 2.5 years period against cost of Rs 1.17 billion.

Prime Minister's Hunarmand Pakistan Program: NAVTEC, in the light of Prime Minister directions, has taken the initiative of offering short-term skill development programs of mostly up to six months duration in collaboration with public and private sector training institutes. It covers four priority sectors including: Construction, Agriculture (Dairy & Livestock), IT & Telecommunication and Skills for Women. The other sectors being addressed are Hospitality, Light Engineering, Paramedics, Services, traditional trades (cottage crafts etc.) and Textile. These programmes are offered in all provinces and areas of the country. Major partners are provincial TEVTAs, Federal Ministries, Public-sector Universities, Defense establishments and reputed public & private sector institutes & organizations. Training Activities of these programs up to March 2011 are briefly presented in Table 7.1.

Table 7.1 Training Activities: Funni Maharat & Hunarmand Pakistan Program Upto March, 2011

Program	Trained	Under Training	Total
President's Fanni Maharat	17,076	7,298	24,374
Prime Minister's Hunarmand Pakistan	94,068	2,009	96,077
Total	**111,144**	**9,307**	**120,451**

Memorandum of Understandings with British Council: NAVTEC has signed MoUs with the British Council. Five Pakistani institutes have been twinned with UK institutes. Training has been imparted in these Institutes to the youth of Sindh, Punjab, AJK, Khyber Pakhtunkhwa, Federal Capital and Northern Areas. In the next phase Baltistan and backwards areas are being targeted.

Industry Advisory Groups (IAGs): To create the missing link between industry and training providers, NAVTEC has established sector-specific Industry Advisory Groups (IAGs) to provide industry intelligence to TVET policymakers and training providers in the design of skill standards and curricula. In this regard, IAGs for four sectors; Textiles, Construction, Tourism & Hospitality have been established and three sectors Agriculture, Dairy & Livestock are being established. The IAGs have developed 23 skills standards which have been validated and notification is in process. Moreover, IAGs set meetings on periodical basis and analyzes existing skills shortages, emerging skills demands, competencies required in the workplace and avenues of public-private partnership possibilities in training.

Accreditation and Certification of TVET Institutions: Accreditation and Certification are modes of quality assurance towards establishing a culture of quality. It determines the adequacy of human, physical and information resources, reinforces results-based approach to evaluation, and provides a firm foundation to institutions or programs. In this respect, NAVTEC has signed MoU with Asia-Pacific Accreditation and Certification Commission (APACC), Manila under which 01 institute has already been accredited i.e. Construction Technology Training Institute (CTTI), Islamabad, while 09 institutions are in the process of accreditation. Efforts are also being made for the revision of curricula.

Copy rights being obtained from Sri Lanka for use of their Skill Standards, Curricula and Training Resource material, (National Vocational Qualification Framework has been examined within which the competency standards, operations have been developed). 107 trades in different sectors are available with the Sri Lankan. Sri Lankan government has agreed to the arrangement. (Summary for the Cabinet to sign the MOU is being submitted).

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

Mobile Training Units and Employment of IDPs: NAVTEC has run short-term skill development project through Mobile Training Units to broaden accessibility of training focusing Internally Displaced Persons (IDPs) hailing from Swat, Matta, Buner, Bajaur, Khyber Agency, South & North Waziristan with the cooperation of Small Industries Development Board (SIDB), Department of Industries, Government of Khyber Pakhtunkhwa. So far, 1,381 IDPs were trained in different trades. Furthermore, three projects at a cost of Rs 115 million have been approved for the training of 7290 persons.

Outlook for 2011-12

Ministry of Labor and Manpower

Due to continuation of devolution process, Ministry has been allocated an amount of Rs 37.1 million for two ongoing development projects for PSDP 2011-12, whereas, targets under these projects are given as under:

- Construction of Hostel Building for 100 persons in NTB Complex: Civil work will be completed
- President's program for care of highly qualified overseas Pakistanis
  - 50 visits of expatriate professional in various institutions of Pakistan.
  - Online registration of 5000 overseas Pakistanis
  - Registration of 500 institutions under identified 500 deficient areas.

National Vocational and Technical Education Commission

Financial: Rs 300 million has been allocated to the National Vocational & Technical Education Commission (NAVTEC) for PSDP 2011-12 to fund 115 development projects including 76 ongoing programs (Rs 2753.9 million cost) at total cost of Rs 5291.5 million.

Physical: Under the program 25,000 unemployed youth will be trained in different trades in eight priority areas for skill development: hospitality, agriculture (dairy & animal nutrition management), construction, information technology & telecommunications, skills for women, light engineering, paramedics and services.

Annex 7.1

Physical Achievements 2010-11

Name of scheme	Target	Achievements
Labor Market Information System & Analysis	4 Research publications on Faisalabad Employment Trends (FET). Development of LMIA Database 2008-09.	4 Research Publications on Faisalabad Employment Trends (FET) Development of LMIA Database 2008-09
Training of Trainers.	3 courses of 1-6 months duration comprising 70 participants in each course for which training material, equipment, technical books and repairing workshops, equipment/ machines would be purchased and staff salary would be paid.	40 participants have attended 1 month course. Purchase of training material, equipment and repaired workshops, equipment/ machines done. Payment made for staff salary.
Establishment of Vocational Training Centre, Kashmore	Preparation of tender documents and invitation of tender processing, placing of contracts and completion of procurement equipment for installation.	Civil works of Vocational Training Centre completed.
Technical Training Institute for Construction Trade, Mandra	Purchase of consumable training material for 10 trades for 1600 trainees including staff salary and allowances.	Training target has been achieved as per PC-I.
Green Man Certificate Course on Gardening.	Training of 900 gardeners and advertisement for courses including salary of Coordinator.	1 course of 30 trainees is under progress.
Trade Testing & Certification of Trainees & Skilled Workers	Procurement of equipment, stationery and development of question banks for 8 trades and payment of salary.	Procurement of equipment, stationery and development of question banks for 8 trades. Salary paid to staff.
Construction of Hostel Building for 100 persons in NTB Complex	Roof slab 7 beams structure work 13,455 Sq.Ft. and Conduit of 13,455 Sq. Ft.	50% construction of civil works of building completed.
President's Program for Care of Highly Qualified Overseas Pakistanis (PPQP)	• Registration of 2000 Consultants • Registration of 100 Institutions • Deficient Areas 100 • Visits of 20 Consultants	• Registration of 1200 Consultants • Registration of 60 Institutions • Deficient Areas 40 • Visits of 8 Consultants

Annex 7.2

Financial Allocation and Utilization of Labor and Manpower Division (2010-11 and 2011-12)

(Rs Million)

Project	Cost	Revised Allocation 2010-11	Exp. up to June, 11	Allocation 2011-12
Labour Market Information System & Analysis (LMIS).	64.7 (36)*	5.0	55.6	0.0
Training of Trainers for skill development.	62.7	4.5	51.5	0.0
Establishment of Vocational Training Center School in Kashmore, Sindh.	36.0	4.9	25.3	0.0
Technical Training Institute for Construction Trades, Mandra (Punjab).	70.0	2.0	47.1	0.0
Trade Testing & Certification of Training Trainees & Skilled workers.	18.1	1.5	5.3	0.0
Green Man Certificate Courses on Gardening.	15.1	0.6	5.6	0.0
Construction of Hostel Building for 100 persons in NTB Complex.	161.3	5.5	58.8	12.4
President's program for care of highly qualified overseas Pakistanis.	346.1	14.5	29.8	24.7
Total	**774.0**	**38.6**	**279.1**	**37.1**

*Foreign Aid

Chapter 8

Agriculture

Crops

Pakistan has a rich and vast natural resource base, covering various ecological and climatic zones; hence the country has great potential for producing all types of agricultural commodities. Agriculture has an important direct and indirect role in generating economic growth. The importance of agriculture to the economy is seen in three ways: first, it provides food to consumers for food security and fiber for domestic industry; second, it is a source of scarce foreign exchange earnings; and third, it provides input and output market for industrial goods. Specific recommendations of the Task Force on Food Security are presented in Box 8.1.

Box 8.1: Recommendations of the Task Force on Food Security

The Prime Minister's Task Force on Food Security submitted its report in February, 2009. Its recommendations included:

- Timely announcement of realistic support price for wheat / essential agri. Commodities in view of inadequate staying power of small farmers.
- Implementation of Benazir Income Support Programme in a transparent manner and avoiding duplication
- Capacity Building of Food Wing of MINFA and Establishment of an autonomous Agricultural Policy Institute
- A quantum jump in R&D investment in Agriculture / revamping of provincial agri. Research system with proper incentives for agricultural scientists
- Improving certified seed coverage by developing modern seed industry - - quick approval of Plant Breeders Right Bill and Amended Seed Act
- Improving water use efficiency through precision land leveling, drip and sprinkler irrigation, raised bed planting and substitution of high delta crops
- Enhancing agricultural credit outreach / allocation and food (grain) storage capacity in the country
- Marketing reforms to ensure fair returns to producers, developing cool chain and improving market infrastructure
- Establishment of internationally accredited laboratories
- Encouraging corporate farming to achieve scale economies / vertical integration
- Strengthening of Social Science research capacity in Agriculture
- Food export to Afghanistan on state to state basis
- Promoting balanced use of fertilizer

Most of Pakistan is classified as arid to semi-arid because rainfall is not sufficient to grow agricultural crops, forest, fruit plants and pastures. About 68% of the geographical area has annual rainfall of 250 mm, whereas about 24% has annual rainfall of 251 to 500 mm. Only 8% has annual rainfall exceeding 500 mm. Thus supplemental water is required for profitable agricultural production, either from irrigation or through water harvesting.

Agriculture is largely dependent on artificial means of irrigation. Of the total cultivated area, about 82% or around 17.58 million hectares is irrigated, while crop production in the remaining 3.96 million hectares depends mainly upon rainfall. The Irrigation Canal Command Area (CCA) has been grouped into classes on the basis of the nature and severity of its limitations water logging, salinity, sodicity and texture. At present about one-fifth of the cultivated land in CCA is affected by water logging and salinity to varying degrees. An additional area of 2.8 million hectares suffers from sodicity. Notwithstanding huge investments, the water table was 0 to 1.5 m under 2.2 million hectares of irrigated land, 1.5 to 3 m under 6 million hectares and 0 to 3 m under 8 million hectares. Thus Pakistan needs to overhaul its entire drainage and reclamation strategy reducing its cost and making it efficient.

Agriculture contributes about 21.5% of the gross domestic product (GDP) and employs 45% of the national labor force. The contribution of the agricultural sector to the GDP has declined gradually since Pakistan came into existence, from over 50% in 1949-50 to about 21.5% in 2009-10.

Review of 2010-11

Agriculture Sector was projected to grow at 3.8% during 2010-11. Major and minor crops were expected to contribute 3.7 and 3% respectively. However, un-precedent devastating flood during 2010-11 crippled economy in general and agriculture in particular. The sector had to suffer a huge loss and a growth rate of 1.2% was achieved. Standing crops of rice and cotton were affected the most. Resultantly, growth projected for 2010-11 could not be achieved. Inspite of higher output of wheat crop and comparatively better harvest of sugarcane crop, the major crops witnessed a negative growth of 4.0%. Minor crops, however, depicted growth of 4.8%. Overall the crop sector witnessed a negative growth of 1.9%. Actual growth achieved during 2010-11, targets for 2010-11 and 2011-12 are given in Table 8.1.

Table 8.1: Growth Rate of Agriculture Sector

(%)

	2010-11		2011-12
	Target	Achievement	Target
Agriculture	3.8	1.2	3.4
Major Crops	3.7	(-) 4.0	3.0
Minor Crops	3.0	4.8	2.0
Livestock	4.2	3.7	4.0
Fisheries	2.0	1.9	2.0
Forestry	2.5	(-) 0.4	(-) 1.0

Crops Sector

There are two principal crop seasons in Pakistan, namely the "Kharif", the sowing season of which begins in April – June and harvesting during October – December, and the "Rabi", which begins in October – December and ends in April – May. Rice, sugarcane, cotton are major "Kharif" crops while wheat, gram, lentil (masoor), tobacco, rapeseed, barley and mustard are "Rabi" crops. Major crops, such as, wheat, rice, cotton and sugarcane account for 82% of the value added in the major crops. The value added in major crops accounts for 32.8% of the value added in overall agriculture. Thus, the four major crops (wheat, rice, cotton, and sugarcane), on average, contribute 33.1% to the value added in overall agriculture and 7.1% to GDP. The minor crops account for 11.1% of the value added in overall agriculture. Livestock contributes 53.2% to agricultural value added – much more than the combined contribution of major and minor crops.

Major Crops

Cotton

Cotton being a non-food cash crop contributes significantly in foreign exchange earning. Cotton accounts for 8.6% of the value added in agriculture and about 1.8% to GDP. The crop sown on an area of 2,627 thousand hectares and production was estimated at 11.6 million bales for 2010-11 indicating 11.2% lower than the last year's production of 12.9 million bales. Pest attack during July and above normal rainfall during 2010 had a negative impact on cotton crop. New Bt varieties were allowed in Punjab and Sindh. The sowing started in 3rd week of February and continued up to 30th June, 2010. At the end of sowing season 98.87% of the target for the year 2010-11 was achieved. Punjab exceeded the target and achieved 102% of the target but in Sindh 87% of the target was achieved. It was mainly due to shortage of water.

The Bt. cotton varieties including Bt hybrids currently grown in Pakistan are from exotic sources which were given to farmers for cultivation without validating its performance and without providing production technologies based on research conducted according to local environment. Private seed company M/s Aurega Lahore has sold Bt hybrid seed for an area of almost 10 thousand acres with the name "White Gold". Another private seed company M/s Alseeme Multan has sold non Bt cotton hybrid for almost an area of 10 thousand acres, also. All the Bt. cotton varieties grown were susceptible to Cotton Leaf Curl Virus (CLCV) and sucking pest i.e. mealy bug, Jassid and White fly a major threat to cotton crop in Pakistan. It is important to mention that Pakistan Agricultural Research Council (PARC) has imported almost 950 kg of five different Bt cotton seed from China under special permission for conducting trials directly on farmer fields without following the rules and regulations designed by NBC, PCCC, FSC & RD. However, it is worth mentioning that Sitara, ARS-802, ARS-703, CEMB-1, CEMB-2, Neelum-121, FH-113, MG-6 and Hybrid Bt GN-2085 and GN-31 are the only Bt cotton varieties/hybrid which are being introduced during next crop season following the rules and regulations designed by Federal and Provincial governments. Keeping in view the achievements of 2010-11 irrespective of adverse weather conditions / floods, the targets for 2011-12 have been fixed at 12.8 million bales which would be achieved by supply of improved seed, better crop management and credit availability.

Sugarcane

Sugarcane is one of the major crops of Pakistan, grown in Kharif season. It provides raw material to sugar and sugar – related products. It generates income and employment for the farming community of the country. It helps in value addition to essential item for industries like sugar, chipboard and paper. Its share in value added of agriculture and GDP are 3.6% and 0.8%, respectively. The area under sugarcane has been decreased by 6.7% against the target due to flood. However, the production target has been achieved which shows an increase of 1.3% over last year's achievement. The targets for 2011-12 have been set at 57.5 million tonnes to be achieved through better crop management and credit availability. The Sugar Mills have also been motivated to initiate sugarcane crushing timely and clear the outstanding due of the growers at the earliest.

Rice

Rice is an essential cash crop and one of the main export items of the country. It accounts for 6.4% of value added in agriculture and 1.4% in GDP. Pakistan grows high quality rice to meet both domestic demand and for exports. Area sown for rice was estimated at 2,335 thousand hectares which is 19% less than last year. The size of the crop was estimated at 4823 thousand tons, 29.9% less than last year. The 2010 flood adversely affected rice crop in the provinces of KPK, Sindh and Balochistan. The crop was damaged in Punjab; however, the losses were relatively lower as compared to other provinces. In view of the existing potential, the target of rice production has been fixed at 6.613 million tonnes which is 37% higher as compared to last year's production. It is an ambitious target but achievable through supply of improved seed of high yielding varieties of rice, better management and credit availability alongwith better marketing facilities.

Low rice production this year was mainly because of flash flood in 2010 that damaged standing paddy crop on an area of 0.876 million hectares. This year rice prices remained higher as farmers received Rs 1350 to 1400/40kg for fine types and Rs 950/40kg for IRRI type rice.

Wheat

Wheat is the leading food grain of Pakistan and being staple diet of the people, it occupies a central position in formulation of agricultural policies. It contributes 14.4% to the value added in agriculture and 3.1% to GDP. Area and production target of wheat for the year 2010-11 had been set at 9,045 thousand hectares and 25 million tons, respectively. Wheat was cultivated on an area of 8,804 thousand hectares, showing a decrease of 3.5% over last year's area of 9,131 thousand hectares. However, farmers took added interest in wheat sowing especially in the flood affected areas due to Rabi Assistance Plan. Wheat sowing was also appreciably improved in Barani areas and river beds due to better moisture. To facilitate affected farmers for sowing of Rabi crops especially wheat the Government on 15th October, 2010 announced the following support measures:

- "Land owners up-to 25 acres or equivalent holding were declared eligible for the Assistance package.
- The financial package was Rs 2,400/- per acre, to be paid on 50:50 ratios by the Federal / Provincial Governments.
- Rabi crops other than wheat were also eligible for inclusion in the package till 31st March, 2011.
- Owners of more than 25 acres amendment for all farmers would be entitled to obtain a concessionary loan, to be provided by State Bank of Pakistan through commercial banks at 8% interest and Federal Government will pick the remaining 5.5%.

Due to favorable climatic conditions during wheat growing season, a production of 24.2 million tonnes of wheat crop is expected for 2010-11. In view of the past performance as well as domestic and export requirements, a target of 25.00 million tonnes has been fixed for 2011-12 which would be achieved through provision of improved seed, better crop management and credit availability.

Other Major Crops

During 2010-11 Gram production was recorded 523 thousand tonnes showing a decrease of 6.8% over last year. The production target for 2011-12 has been fixed at 676 thousand tonnes.

Maize crop is grown in autumn as well as in spring. Autumn crop is grown in Punjab and KPK while spring crop is mostly confined to Punjab. The autumn crop contributes more than 75% of the total production with major share from Punjab. During spring season mostly hybrid seed is cultivated which contributes higher yield/recovery.

Efforts are being made to improve productivity of spring maize by increasing area under hybrid seed varieties. The Provincial Research and Extension Departments are also concentrating on inducing hybrid crop production technology through awareness programs. Some success has been made in domestic hybrid maize seed production. Maize production was recorded at 3.261 million tonnes during 2009-10 which increased to 3.34 million tonnes during 2010-11 showing an increase of 2.5%. In view of adoption of hybrid maize varieties, its production is expected to increase. Hence a target of 3.656 million tonnes has been fixed which will be achieved through improved seed of high yielding maize varieties and hybrid maize.

Minor Crops

Oilseeds

The major oilseed crops include cottonseed, rapeseed/mustard, sunflower and canola etc. Local production of edible oil stood at 560 thousand tons during 2009-10 which was 24% of the total availability in the country. The remaining 76% was made available through imports. Sunflower is emerging as a major oilseed crop. Its production was 325 thousand tonnes during 2009-10 which increased to 377 thousand tonnes during 2010-11 registering an increase of 16%. The better production was on account of favorable weather conditions, use of hybrid seed and better crop management. Keeping in view the better performance, the target for 2011-12 has been fixed at 659 thousand tonnes.

Other Minor Crops

The production of onion and potato increased by 11.2 and 18.6% respectively during 2010-11. The targets for onion and potato have been fixed at 1872 and 3028 thousand tonnes respectively for the year 2011-12.

Actual crop production during 2009-10 and 2010-11 alongwith Targets for 2010-11 and 2011-12 are given in Table 8.2.

Table 8.2: Crop Production Targets and Achievements

(000 Tonnes)

Crops	Actual 2009-10	Target 2010-11	Achievement 2010-11	% change 2009-10 Actual	% change 2010-11 Target	Target 2011-12
Wheat	23,310	25,000.0	24,214.0	3.9	(-)3.1	25,000
Rice	6,883	6,176.0	4,823.0	(-)29.9	(-)21.9	6,613
Maize	3,261.5	3,536.4	3,341.2	2.4	(-)5.5	3,656
Sugarcane	49,372.9	53,690.3	55,309.0	12.0	3.0	57,580
Cotton *	12.9	14.0	11.6	(-)10.4	(-)17.2	12.8
Gram	561.5	623.3	523.4	(-)6.8	(-)16.0	676
Potato	3,141.4	2,942.8	3,726.5	(-)18.6	26.6	3,328
Onion	1701.1	1,752.3	1,891.9	11.2	8.0	1,872
Sunflower	325.5	710.9	377.1	15.9	(-)47.0	559

* Million Bales

Fertilizer

Fertilizer is the most important and expensive input. Contribution of balanced fertilization towards increased yield is estimated from 30 to 60% in different crop production regions of the country. One kg of NPK produces about 8 kg of cereals (wheat, maize and rice), 2.5 kg of cotton and 114 kg of stripped sugarcane. During current fiscal year (2010-11) nitrogen (N) and phosphate (P) off take has decreased by 11.4 and 7.7% respectively while that of potash (K) increased by 55.5% over fiscal year 2009-10. The significant decrease in nitrogen and phosphate off take during 2010-11 over 2009-10 is mainly attributed to the sharp price hike in international as well as in domestic market. The main factors of price increase were twenty (20)% gas curtailment to fertilizer industry and levying of seventeen (17)% GST on fertilizer. However, in case of potassic fertilizers, the main reason for increase in off take was provision of subsidy on SOP / MOP fertilizers at the rate of Rs 500/- per bag of 50 kg during 2010 and price stabilization both in international and domestic market. On overall basis, the fertilizer off take target for 2010-11 was not achieved except in potassic fertilizer. A target of 4080 thousand nutrient tonnes off take is projected for year 2011-12 to attain higher crop productivity. Detail is given in Table 8.3.

Table 8.3: Fertilizer Off-Take 2009-10 to 2010-11

(000 Nutrient Tonnes)

Nutrient	2009-10 Actual	2010-11 Target	2010-11 Achievement (Estimates)	% change over 2009-10	2011-12 Target
N	3,470	3,245	3,076	(-)11.4	3,211
P	860	903	793	(-)7.7	830
K	24	26	37	55.5	39
Total	**4,354**	**4,174**	**3,906**	**(-)10.3**	**4,080**

Agricultural Credit

The Agricultural Credit Advisory Committee (ACAC) allocated Rs 270 billion for the year 2010-11 as compared to Rs 260 billion fixed for last year which was 4% above the disbursement of Rs 248 billion during the year 2009-10. Out of total credit target of Rs 270 billion, Rs 132.4 billion were allocated to five big commercial banks, Rs 81.8 billion to ZTBL, Rs 6.9 billion to Punjab Provincial Cooperative Bank Ltd. and Rs 48.9 billion to Domestic Private Banks. The ACAC has also allocated province-wise and sector-wise targets whereby 78%, 14%, 6%, 1.5% and 0.5% are to be disbursed in Punjab, Sindh, KPK, Balochistan and AJK/GB, respectively.

Banks disbursed Rs 124.9 billion (Rs117.1 billion production loans and Rs 7.8 billion development loans) during July-January, 2010-11 as compared to Rs 124.2 billion (Rs 111.3 billion production loans and Rs 12.9 billion development loans) during July-January 2009-10, showing an increase of 0.57%. It shows an increase of Rs 0.7 billion (in absolute terms) over the disbursement made by the banks during the same period of last year. Overall performance of five major commercial banks except UBL and the specialized bank, PPCBL remained satisfactory during July-January 2010-11. The credit requirement for 2011-12 has been worked out as Rs 525 billion.

Improved Seed

Cotton Seed

During the Kharif 2010, total seed availability was 12,460 MT against total requirement of 40 thousands MT. For Kharif 2011, total seed requirement is 40 thousand MT. Public and private sector seed agencies procured about 5,660 MT of cotton seed, which is 14.15% of total requirement. Cotton seed availability in Punjab and Sind is 5,051 MT and 609 MT respectively for 2011 crop. Public and private seed agencies have procured 18788 MT seed of newly approved Bt. Cotton varieties in Punjab province which will improve seed availability during 2011-12.

Paddy Seed

The availability of paddy seed during 2009-10 was 22,253 MT against requirement of 39,660MT. Total seed requirement for 2011 crop is 48,775 MT. Public and private sector seed agencies procured and have about 27,394 MT of paddy seed (both fine and coarse varieties). It included 1,370 MT imported hybrid paddy seed.

Maize Seed

The availability of maize seed during Summer / Autumn – 2010 was 10,273 MT (32.96%). For Summer / Autumn – 2011 public and private sector seed agencies will make available 3,985 MT of maize seed to the growers. Out of 3,985 MT, of maize seed 3,013 MT hybrid seed was imported during the year by national, multinational seed companies and importers.

Mungbean Seed

The availability of mungbean seed during Kharif 2010 was 1095 MT (22.74%). For Kharif 2011, public and private sector companies procured 796 MT mungbean seed which is 17.4% of total seed requirement.

Improved seed requirements of different crops and their distribution in 2009-10, 2010-11 and 2011-12 are given in Table 8.4.

Table 8.4: Improved Seed Requirements and Distribution

(M Tonnes)

	2009-10		2010-11		2011-12 Requirement
	Requirements	Distribution	Requirements	Distribution	
Cotton	40,000	8,722.44	40,000	5,659.9	40,000
Rice	39,660	17,433.72	48,775	27,393.81	48,775
Maize	31,178	10,272.87	31,932	3,984.64	31,932
Mungbean	4,816	985.68	4,577	796.30	4,577

Source: MINFA

Performance of Key Major Projects

For achieving the MTDF goals and predetermined targets, a number of mega development projects were launched. Performance of key major projects is discussed in the following paragraphs:

- **Special Program for Food Security and Productivity Enhancement of Small Farmers in 1012 Villages: CMP-II (Cost Rs 8,013 Million):** The project was developed on the basis of experiences gained during successful implementation of the Pilot Project and first phase of Special Program on Food Security from 2000-05 in selected districts of the country. Upon the recommendations of FAO, the then President of Pakistan directed to implement the concept on larger areas of the country. The subject project was developed to cover 1012 villages in 28 districts with main objectives to increase productivity of small farmers through their training and organization in VOs and Farmer Associations and facilitation by providing finances from Revolving Fund, establishing Sale & Marketing Centers, Implement Pools, provide sustainable livelihood programs by establishing small enterprises at On & Off Farm level.

  The project was implemented from 2007-08 and main achievements made are:

  - Benchmark survey of 1012 villages has been completed and 842 VOs have been established and 683 registered under Cooperative Societies Act. 301 registered VOs have been provided Revolving Fund of Rs195.181 million.
  - 3,840 Farmer's Associations were formed with a membership of 29,579 and 7,800 farmers were trained for improved wheat production and management.
  - 2,274 members of VOs were provided Community Management Skill Training and Revolving Fund Management.
  - 554 staff members have been trained as Master Trainers for Revolving Fund Management and running Farmer Field Schools.
  - Out of 250 Livestock Assistants, 47 are obtaining one year diploma training for establishing Animal First Aid Centers at village level.
  - 12 VOs have been provided matching grant for establishing Implement Pools at village level and cases of more than 20 are in process of approval.

- Out of proposed 60 Input Sale and Marketing Centers, two have been established.
- SOPs have been developed to maintain uniformity and transparency in implementation of project components.
- Wheat and Cotton crops were planted in project area by the member farmers with improved varieties and production technologies. Data has been recorded to work out the benefits.

- **Agri-Business Development and Diversification Project (Cost Rs 4,066 million):** The project was implemented with the goal to support economic growth and employment generation through agribusiness development. The project was implemented by MINFA through six different agencies with the objectives to provide enabling environment and appropriate support services; restructuring and strengthening of relevant institutions along with their capacity building and coordination. The project has made following major achievements:

  - Drafts of National Agri-business Policy and Provincial Horticultural Policies were prepared and submitted for approval.
  - Code of conduct for SPS compliance has been developed.
  - Fresh produce standards for 11 products updated for international compliance.
  - MIS Software for fresh produce of horticulture crops is under preparation.
  - Curricula for School Management Skills on Fresh fruit & vegetable handling and processing techniques, Cut flower & Decorative Item making skills; WTO and International Standards Compliance Manual, Agri-business Management Training Manual and Supply Chain Management & Export Procedures Training Manual developed and 40 trainers each for above activities were trained.
  - 90 Management courses for 1800 entrepreneurs, market agents and farmer group managers were arranged.
  - 3542 Matching grants provided by ASF to various FEGs, Entrepreneurs, BDS providers, etc as against the target of 3344.
  - Awareness workshop for Export Quality Certification was arranged.
  - Livestock & Dairy Development Board was established and made functional.

- **Restructuring & Strengthening of National Agricultural Research System in Balochistan (Cost Rs 724 million)** To upgrade the poor infrastructure for agriculture research in Balochistan, the project was implemented from 2005-06 to provide additional facilities in terms of Office, Laboratory and residential buildings, equipment & machinery, capacity building and operational funds. For this purpose, four existing institutions at ARI, Sariab, Quetta; AZRC, Quetta; LRI, Sibbi; and HRS, Turbat were strengthened and five new stations at HRS Qilla Saifullah; FRS, Hazargangi, HRS Khuzdar, ARS Nautal and SRRI Shoran were established.

  The construction of works at all the stations except Shoran and Nautal has been completed as per plans and machinery and equipment at these stations has also been provided. 68 scientists nominated by the provincial department were provided assistance for long term training leading to M.Sc. and Ph.D. at local Universities. Besides, 8 foreign and 20 local short term trainings were also provided.

Upgrading the NARS in provinces is appreciated as it shall result in undertaking problem oriented research in the field and help in improving the rural economy. It is appropriate for the implementing agency to approach the provincial government to undertake research activities as planned and arrange its transfer to the end users so as to get the real benefit of the added facilities.

- **Research for Agriculture Development Program (RADP): (Cost Rs 2,963 million):** To address current emerging needs of science based agriculture development, the RADP project was approved and implemented in 2007 to strengthen the research and technology development system of PARC and its institutions. 22 priority research themes and 119 research activities under field & horticulture crops, natural resources, animal and social sciences were identified for implementation to achieve food security, poverty reduction, economic efficiency and export competitiveness ; serve as mechanism for timely response to emerging issues; increase productivity and move from research outputs to innovations.

  During the implementation for past three years, main activities undertaken include increased germplasm base of different crops for breeding to improve productivity and quality; stress tolerance & hybrid development; post harvest management of fruits and vegetables; epidemiology and isolation of diseases and biological management of insect pests; pest risk analysis of major pests; export standard compliance; indigenization and manufacture of farm machinery like threshers, dryers, oil extractors, etc; resource management for crops; feeding management for early puberty; fattening and enhancing milk and meat production; vaccine development for Avian Influenza, FMD, ETC. Surveys for value chain analysis of fruits and poultry were also conducted along with capacity building of scientists, policy makers and farmers.

- **Agriculture Sector Development Loan Project (ASDL-I): (Cost Rs 10.3 billion):** The project was implemented with ADB assistance to support agriculture development in the country and restructuring and reorganization of relevant institutions. Through this project 111 sub-projects at federal level and 45 sub-projects at provincial level were implemented for the development of the sector. It is observed that some of the sub-projects were of national importance like technology for post harvest management, sunflower and canola promotion, quality improvement in cereal crops, etc. In general it is noted that many of the projects were duplication of earlier or existing activities at different institutions. There is a need to review the project and point out the deficiencies for future learning.

- **Establishment of Facilitation Units for Participatory Vegetable Seed and Nursery Production Program: (Cost Rs 497.5 million):** The project was implemented to provide technological base for vegetable seed and nursery production by providing enabling environment, training and technical support and supplying improved germplasm / basic seed, hybrid development, etc besides publishing data and descriptors for use by private sector and certification staff.

  Under the project, 20 participatory units for vegetable seed and nursery units were established and germplasm acquired from abroad and local sources. Training and study tours of participating units were also arranged and consultancy services were provided. It is observed that the progress was too slow in the beginning but picked up at later stage and as such the participatory units were established. It seems that pre-basic and basic seed of most of the vegetable varieties and pure scion varieties of fruits was hardly available hence the participating producers were using the available material

- **National Bio-saline Project: (Cost Rs 859 million):** The salt affected soils area has been increasing at an alarming scale and there is a need to use them for productive purposes. The project was implemented to use the saline soils for agriculture production through reclamation process and growing salt tolerant crop species particularly the Kallar Grass Barley and Rice in 11 districts of the country through Community participation.

  It is reported that 94 COs were established as against the target of 286 and plant nurseries were established 53 places. 38 Aquaculture pond were developed as against target of 121 and 472 demonstration plots were established as against the target of 2200. Animal health improvement through vaccination was also undertaken.

Annual Plan 2011-12

The programme for the year 2011-12 will follow the Economic Growth Framework recently prepared by the Planning Commission as well as implications of 18th Constitutional Amendment and subsequent Devolution Plan. Accordingly, a number of development activities and federal projects located in provinces will be shifted to provincial governments. Activities, assets and funds of umbrella development projects spread over more than one province are being bifurcated and transferred to the concerned provinces. Only activities which need to be handled at federal level are being retained. Their domains will be decided shortly.

Livestock, Poultry and Fisheries

Livestock plays an important part in our national economy and accounts for 52% of agriculture GDP. More than 8.5 million small and landless rural families owe it as source of their livelihood as well as important food commodities i.e. milk, meat, eggs and fish for masses. Considering the role of livestock sector in national prosperity, an active cooperation of public and private sector will be enhanced. Farmer community had been and will be, facilitated especially for improving the growth in poultry and fisheries sector both in federal and provincial territories.

Review of Performance 2010-11

A separate Ministry of Livestock and Dairy Development was created two years ago which handled a number of projects for boosting livestock, poultry and fisheries production. Main aspects attended were; strengthening of livestock services; livestock diseases control; eradication of rinderpest; milk collection / processing; meat production improving reproductive efficiency of cattle and buffaloes; control and prevention of Avian Influenza; fisheries training; deep sea fishing and aquaculture & shrimp farming. Main accomplishments include eradication of Rinderpest, effective surveillance / control of avian influenza, improvement in farm gate milk prices with creation of community organizations / provision of chillers, and establishment of Center of Excellence in Bovine Genetics. A number of strategies were adopted for livestock development which included (i) Increased public sector investment in education, research and development in the livestock sector, (ii) providing policy support for the livestock development including de-regulation of milk and meat prices, and attracting private sector investment particularly in livestock markets, slaughterhouses, livestock mechanization and superior genetic resource at livestock farms.

Financial Performance

During 2010-11, fifteen on-going as well as new projects were funded under PSDP. Initially an amount of Rs 885.6 million was allocated which later was trimmed to Rs 362.1 million due to current financial crunch. However, these projects had utilized Rs 4.3 billion upto June 2010 leaving a throw forward of Rs 12.6 billion against total outlay of Rs 16.9 billion. It is likely that due to current financial problems the progress of financial allocation and utilization will remain very slow and low, resulting in extension of implementation period of these projects. It is also worth mentioning that implementation of 18th Amendment will have its own repercussion on financial distribution and shifting of these projects, completely or partially, to the provinces.

Physical Performance

Physical performance of the livestock, dairy, poultry and fisheries sub-sectors during 2010-11 and targets for 2011-12 are given in Table 8.5. Performance is briefly discussed as under:

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

Items / Units	2010-11 Achievements	2011-12 Targets
Meat (000 tons)	**2,939**	**3,056**
Beef	1,625	1690
Mutton	585	608
Poultry	729	758
Milk (000 tons)	44,118	45,883
Eggs (Million Nos.)	11,834	12,308
Fish Production (000 Tons)	**937**	**956**
Inland	264	269
Marine	673	687

Source: MLDD & NAC

Livestock / Dairy Development

Pakistan is endowed with a large livestock population, well adapted to the local environmental conditions. During the period 2010-11, livestock and fisheries sub-sectors registered a growth rate of 3.7 and 1.9% respectively. During 2010-11, production of milk and meat (beef, mutton and poultry) was 44,118 and 2,939 thousand tons. This performance is attributable to increase in number of livestock, better veterinary health coverage and better livestock management. Pakistan is the fourth largest milk producing country in the world but faces spoilage losses of milk alone at approximately 15% causing annual loss of Rs 169 billion. The lack of infrastructure such as cooling facilities at farm or collection points as well as transportation of milk are the prime cause, which is being addressed through various development projects.

Poultry

A viable poultry is essential to national food security in meeting domestic demand for meat. It is an important means of improving nutrition and self-employment and poverty alleviation among rural poor. It is currently a competitive but largely a private business. Our private sector has made substantial investment in commercial poultry production. As a result, poultry meat production in 2010-11 was 729 thousand tons. The increased poultry production had released the pressure on the demand for beef and mutton.

Fisheries

Pakistan produced about 937 thousand tons of fish in 2010-11. About 50% of the total fish production is consumed locally, 22% is exported whereas 28% is converted into fish-meal for the poultry industry. Fish and fishery products from Pakistan are exported to 75 countries of the world along with seafood in frozen, dried, chilled, fresh and live form. There are 65 fish processing plants with the capacity to process 800 metric tons of fish and shrimp daily. The sector faces constraints in production such as: poor information of stocks in potential areas, old fishing vessels with insufficient on-board facilities, unavailability of quality fish seed, poor marketing infrastructure and weak capacity of fishermen. Many of these are planned to be addressed through various development projects.

Current/On-going Programs/Initiatives: Brief details of some major on-going projects are as under:

- **Livestock Production and Development of Meat Production**: The main objective of the project (Cost: Rs 1,520.8 million) starting in 2006, was to establish feedlot fattening farms to maximize bio-economic and sustainable meat production and its value addition through meat processing and quality control. During the period 2,145 feedlot fattening farms were established by the involvement of local communities. Through technical assistance, fattening of 93,846 large and 136,878 small ruminants was carried out. Local training of scientists, farmers, feed millers and butchers was arranged. Other major activities of the project were arrangement of seminars, workshops / conferences, publicity and advertisement. Technical support was also provided to the private farmers for establishment and operation of feed lot fattening farms, support for infrastructure development of farms and feed mills. However, the target of establishment / strengthening of slaughter houses and butcheries could not be achieved due to financial constraints.

- **Milk Collection/Processing and Dairy Production and Development Program:** The project was started in 2007 with total cost of Rs 1.6 billion. Installation of 300 cooling tanks in milk producing pockets through farmer organizations was one of the main thrusts of the project. Within 3 years, 194 milk producing groups were organized and 150 milk cooling tanks out of 300 were installed. The project also supported free vaccination and de-worming of animals belonging to member farmers as well as provided subsidized concentrate rations and good quality fodder seed. The project provided services in training of farmers, milk marketing, veterinary cover and artificial insemination services on sustainable basis.

- **Improving Reproductive Efficiency of Cattle and Buffaloes in Small Holders Production System**: The project with the total cost of Rs 495 million started in 2007. The focus of the project was on the improvement of reproductive efficiency of cattle and buffaloes by increasing semen production as well as through embryo transfer technology. The target was to produce forty thousand embryos and one million doses of semen for artificial insemination. However, only 500 embryos and 48 thousand semen doses were produced. Farmers training activities were carried out however, benefits of the project could not reach among communities. Overall progress of the project was unsatisfactory.

- **Upgradation and Establishment of Animal Quarantine Stations in Pakistan**: The project was launched in 2006 with total cost of Rs 336 million. The objectives of project apart from upgradation of quarantine stations included; implementation of the Investment Plan 2005-10 of the Federal Government with regard to quarantine of the animals, birds and animal products by establishing the quarantine facilities throughout Pakistan; protection of human and animal life from risk arising from additives, contaminants or pathogenic organisms in the food; prevention of spread of exotic diseases and to provide certification services to the exporters and importers of animals and animal products to meet the international trade requirements. Up-gradation of Lahore, Islamabad, Peshawar, Multan and Sialkot stations has been launched, whereas new stations of Khunjrab and Khokharapar had already been established.

- **Animal Quarantine Station Gawadar**: The project was started during 2006 with a cost of Rs 38.3 million. The basic objective of the project was to establish Animal Quarantine Station (office-cum-laboratory) at Gawadar to provide certification and technical facilities to the exporters of animals and animal products to meet the international trade requirements. Due to less release of funds, progress remained below targets.

- **National Program for Control and Prevention of Avian Influenza**: The project was launched in 2007 with cost of Rs 1,180.1 million. The project was designed to develop national capacity to combat any future outbreak of bird flu through effective surveillance and disease response mechanism. National/ provincial surveillance network and referral diagnostic labs for control of Avian Influenza in the country through provincial coordinating units and regional surveillance units establishment. Strengthening and up-gradation of the National Reference Laboratory for Poultry Diseases (NRLPD) and National Veterinary Laboratory (NVL) at Islamabad was carried out. Also establishment of 66 Rapid Response Units, 40 regional surveillance units, 10 each of provincial laboratories and coordination units were established. However, objective of development of effective vaccine against the influenza virus was not achieved. It is worth mentioning here that, through effective and timely intervention no outbreak of Avian Influenza was reported.

- **Aquaculture and Shrimp Farming**: The project was started in 2007 with total cost of Rs 1,997.3 million. The project aimed to strengthen aquaculture /shrimp farming. It was designed to enhance the domestic production of fish and shrimp by establishing hatcheries, setting up fish farms and cage culture. The major objective of the project was to carry out activities like establishment of model fish / shrimp farms and rehabilitation / augmentation of hatcheries, training to fish farmers, creation of a private sector led Fisheries Development Board, provision of technical back stopping, research and development as well as strengthening capacity of Fisheries Management Wing. Works on three fish hatcheries had been completed. Government of Balochistan had allocated 500 acres land each for shrimp hatcheries at nine sites. Land for fish markets at Peshawar and Sukkur procured. Fisheries Development Board had setup its office at Karachi and Fisheries Management Wing was established in MINFA/MLDD.

- **Strengthening of Livestock Services Project**: The project was started in 2005 at a cost of Rs 2 billion. Enhancing productivity through livestock disease control and disease diagnostic facilities, eradication of Rinderpest and control of Foot and Mouth Disease was the main theme of the project. The project achieved the target of procurement/ distribution of equipment, computers, ELISA kits, survey and surveillance, trainings of stakeholders, report preparation / publication and arrangement of seminars. The biggest achievement of the project was that Pakistan has been declared free from Rinderpest. This achievement would be very fruitful for export of live animals as well as processed meat and by products.

- **The White Revolution "Dhoodh Darya"** (Rs 2.6 billion). The project has ten components with main thrust on: community farms, development of milk pockets and establishment of milk pasteurization plants; infrastructure development of military farms, bulk vending of milk, training and extension of Pakistan Dairy Development Company's breeding program. So far, 1,204 Milk Cooling Tanks, 961 Biogas plants and 1,161 Model Farms had been established in different areas. Also, livestock farmers were provided trainings by the Master trainers. Through these interventions livestock farmers were able to run their livestock production activities on modern lines and increased their farm income substantially.

- **Prime Minister's Special Initiative for Livestock** (Rs 1,696.4 million). The project aimed at livestock productivity enhancement through provision of livestock production extension and veterinary services at farmers' doorsteps targeting 13 million rural poor in 1,963 Union Councils of 80 Districts of the country. Through this project the target of establishing 290 self sustainable veterinary clinics was achieved, where veterinary graduates are imparting services in their respective areas. Moreover, 2,320 Community Livestock Extension Workers (CLEWs) were recruited and trained for provision of services in the country. Similarly, female CLEWs were trained to provide technical assistance to female livestock farmers.

- **Poverty Reduction through Small Holders Livestock & Dairy Development** (Rs 2,692.3 million). The primary objective of the project was to bring out social and economic transformation of rural Pakistan through empowering millions of small livestock holders comprising poor landless farmers including women. There has been no progress on the project due to financial crunch.

Program for 2011-12

Future development programs would follow the new growth strategy. The Ministry of Livestock and Dairy Development has been devolved under 18th Amendment to provinces and most of the livestock sector activities will be undertaken by the provincial governments.

Chapter 9

Industry and Commerce

9.1 Manufacturing

Policy and Strategy

Industrial production lacks diversification and international matching quality standard. Manufacturing supply chain is skewed towards production and assembly of goods that use imported inputs intensively like Auto industry. Components of the supply chain, such as: research and development, design, distribution and marketing, have not been accorded prime importance. Small to medium-sized enterprises (SMEs) comprise 85% of entrepreneurial businesses in Pakistan and contribute only 30% to Pakistan's GDP. Pakistan, despite having a huge market size, has very weak market efficiency

The growth strategy of manufacturing and commerce is derived from the recently formulated Economic Growth Framework by the Planning Commission. The Framework is based on endogenous growth, where the quantity of investment should be complemented by efforts to improve the quality of investments that enhances productivity and efficiency where timely implementation of market reforms will promote competitiveness. Manufacturing growth will be productivity and efficiency based so as to reorient our sequence of events towards the software side of growth laying emphasis on innovation, entrepreneurship, institution and markets. The focus of the draft Industrial Policy 2011 rests on greater role of private sector and fostering those industries generating high value addition and jobs. Main features of the Industrial Policy are presented in Box 9.1.

In addition, improved overall law & order situation, energy to industry and a sound judicial system that ensures property rights and contract enforcement will also be ensured for sustaining high and inclusive growth. Private Sector will be the growth-driver in open market environment that rewards efficiency, innovation and entrepreneurship, while the government is facilitator that protects public interests and rights, provides public goods, enforces laws, punishes exploitative practices, and operates with transparency and accountability.

Physical Review 2010-11

The movement in the growth of large-scale manufacturing (LSM) could not be sustained in the initial months of FY 2010-11. The LSM growth turned negative in August 2010, due to heavy rains and floods, which particularly affected construction, petroleum refining, cotton textiles, and agro-based industries. However, LSM posted growth in December and onwards despite acute energy shortages and weak textile performance. Similarly, strong domestic demand, led to robust growth in automobiles, fertilizers, rubber, and engineering industries. Moreover, strong external demand supported the growth in chemicals and leather.

It is fairly anticipated that the export-led growth in the cement sector seen in the recent past would lose some steam as competition tightened due to expansion of cement producing capacity in the importing countries. Some other export-based industries, including pharmaceutical and electric fans, which benefitted from geographical diversification in the past two years, lost ground in non-traditional markets. For the pharmaceutical sector, this decline came about in response to increasingly stringent quality requirements for drug exports, and growing competition from India, on the other hand, fan exports are losing to both Chinese and Indian manufacturers in destination markets.

Box 9.1: Draft Industrial Policy of Pakistan 2011

Industrial Policy of Pakistan 2011 has been prepared in consultation with all stakeholders and is consistent with Pakistan Economic Growth Framework 2011 formulated by the Planning Commission. The policy is to develop manufacturing sector capitalizing on potential of the country to drive economy towards higher GDP growth rate, generate jobs and benefit the poor by using indigenous resources and labor to their best use. It will facilitate the private sector and encourage PPP business models. It will address key issues like structural rigidity of industry and factors impeding productivity, greater diversity and value addition in manufacturing & exports and improve investment climate in the country. Problems of cost of doing business, regulation, taxation and bureaucratic red-tape have also been addressed in the policy. Report provides cross sectoral and sectoral specific recommendations.

Broad cross sectoral recommendations are outlined as under:

- Achieving Macroeconomic Stability
- Bridging the Development Gap between Regions
- Meeting the Energy Challenge
- Upgrading Logistical Infrastructure
- Promotion of Knowledge based Industries through a Full Scale Science Park
- Development of Industrial Estates, Special Economic Zones, Export Promotion Zones
- Strengthen Governance
- Building World Class Human Capital
- Securing Land Markets
- Effectively Using Trade Policy
- Facilitating SMEs Growth
- Assisting Sick Industrial Units
- Implementing Cleaner Production Programs

Sectoral specific recommendations cover such industries as steel, chemical, fertilizer, auto sector & farm machinery, electronics, pharmaceutical, fan, cutlery, utensils and hunting equipment, horticulture processing, surgical instruments, sports goods, ceramics, furniture, leather & leather products, gems & jewellery, marble & granite, agriculture implements, home appliances, iron & steel pipes and tubes, pumps, electrical fittings, steel structures/towers, prefabricated buildings and fisheries.

Source: National Industrial Policy 2011 (Final Draft), Ministry of Industries and Production, Islamabad

The textile sector is predominantly gaining from higher prices, since cotton crop damaged in the floods, has constrained production. Flood related damage to road networks and power infrastructure and under investment in energy sector have impeded industrial growth. Growing private investment, particularly foreign investment, in thermal power generation, the factors that are eroding manufacturing sector include higher cost of production, power shortage, misaligned provision of subsidies and prevailing Security situation in the country.

During 2010-11, manufacturing sector as a whole is expected to grow at 2.6 % while large scale and small scale manufacturing will respectively grew at 1.0% and 7.5%. According to Quantum Index of Manufacturing (QIM), the positive growth during the period was contributed by Automobiles (18.2%), Electronics (2.2%), Engineering items (2.5%) and Pharmaceuticals (3.9) while the growth of Petroleum products (-4.8), and Fertilizers (-6.8%) was negative during the period. Ailing performance of industrial sector attributed to constant energy shortages. Development progress during 2010-11 is discussed as under:

Manufacturing Sector: An expenditure of Rs 946 million has been incurred during 2010-11 in the industry sector against an allocation of Rs 1,548.6 million. The major projects under taken during the year under review includes: Women Business Incubation Center Lahore, Development Projects of Pakistan Gems & Jewellery Development Co., Development of Marble and Granite Sector, Sialkot Business & Commerce Center (SBCC), Supply, Installation, Commission and Operation of 2MGD Water Desalination Plant at industrial Estate Gawadar, Sports Industries Development Center Sialkot, Glass Products Design and Manufacturing Center Hyderabad, Sindh, Construction of Boundary Wall at site office for Gwadar EPZA, Red Chilies Processing Center Kunnri, Sindh.

In **Textile** Rs 60.3 million has been invested during 2010-11 which have been utilized totally showing 100% utilization. The major projects include; Lahore Garment City Project, Punjab, Faisalabad Garment City Project, Punjab, 48 inch Diameter Water Pipeline for Pakistan Textile City, Extension in Export Development Plan Implementation Unit, Up-gradation of EDF Funded Textile Institutes.

Commerce Sector: An amount allocated during 2010-11 of Rs 158.6 million was fully utilized. Number of projects implemented during the 2010-11 included: Adoption of Social Accountability – 8000 (SA-8000), Islamabad, Creation of Domestic Commerce Wing in the Ministry of Commerce, Creation of Planning &Monitoring Wing in Ministry of Commerce, Purchase of Equipment, Furnishing, Curriculum Development and Training of PSFD, Lahore, Up-gradation & Additional Works of Expo Centre at Lahore, Restructuring of Pakistan Institute of Trade and Development (PITAD), Islamabad.

Outlook for 2011-12

During 2011-12, manufacturing sector would work on numerous fronts to rejuvenate its outlook through enabling policies and development projects. These projects provide demonstration effect along with opportunities for skills development, common training facilities, and technological transfer and up gradation, energy efficient environment and development of emerging sectors to achieve the goals of diversification. Specifically the core objectives of these projects are:

- Innovation and efficiency.
- Build high skilled human capacity through skills development.
- Provide technology through technological up-gradation; provision of sophisticated machines, equipment, tools & spares in Common Facility Centers and machine pools; CAD/CAM facilities.
- Research and development in key manufacturing sectors.

- Develop industrial infrastructure through Industrial Parks and Industrial Estates.
- Promote Public Private Partnerships.

The targeted growth rate for 2011-12 has been set at 3.7% for manufacturing Sector as a whole, while 2% and 7.5 % growth rates have been fixed for large scale and small scale manufacturing respectively. The main growing industries in the year 2011-12 would be chemicals, automobile, pharmaceutical, electronics, leather products, paper & boards, and non-metallic minerals. In order to see textile growing, support industries like textile machinery manufacturing, textile dyes & chemicals and accessory industries are to be developed as most of the demand is currently met through imports. Promotion of joint ventures with leading international brands is also needed.

An allocation of Rs 2,030 million has been earmarked industry sector in the year 2011-12 for the Ministry of industries & Production for about 43 development projects. Major projects to be carried out in Industry Sector during 2010-11 include: Establishment of (8) Advance CAD/CAM Training Centers (Rs 321.1 million), Ceramics Development & Training Complex (Rs 314.5 million), Development Pakistan Gem & Jewellery Development Company (Rs 1,400.0 million), Development of Marble and Granites Sector all over Pakistan (Rs 1,980.0 million), Sports Industries Development Center, Sialkot (Rs 435.64 million), Agro Food Processing Facilities Multan (Rs 288.920 million), Export Processing Zones and Area Development Baluchistan including ROZs (Rs 4,000 million) and BMRE of Heavy Mechanical Complex Taxila (Rs 23,428.2 million).

An allocation of Rs 414 million has been made for the Textile sub Sector for the year 2011-12, for the Ministry of Textile Industry. Prominent projects to be launched in the year 2011-12 include: Lahore Garment City Company (Rs 497.6 million), Faisalabad Garment City (Rs 498.8 million), providing & Laying Dedicated 48 inch Diameter Mild steel water main for Textile City (Rs 636.6 million), and Pak-Korea Garment Technology Training Institute, Karachi (Rs 300 million).

An amount of Rs 500 million has been allocated for Commerce Sector for the year 2011-12 for the Ministry of Commerce. Major projects to be initiated during 2011-12 include: Adoption of Social Accountability – 8,000 (Rs 124.89 million), Purchase of Equipment, Furnishing, Curriculum Development and Training of Pakistan School of Fashion Design, Lahore (Rs 755.7 million), Trade & Transport Facilities Project-2 Trade & Transport Facilitation Unit (TTFU) in MOC (Rs 360 million), Restructuring of Pakistan Institute of Trade & Development formerly Foreign Trade Institute of Pakistan (Rs 270.8 million), Program Management Unit (PMU) for setting up of Regional Reconstruction Opportunity Zones for Trade in FATA, NWFP Baluchistan & AJK (Rs 77.4 million). The allocation to the manufacturing and commerce sectors for the year 2010-11and 2011-12 for major sectors is given in Table 9.1:

Table 9.1: Sector wise Allocation for 2010-11 to 2011-12

(Rs million)

Sector	2010-11		2011-12
	Allocation	Utilization	Allocation
Manufacturing	1,548.6	946.1	2,030
Textile	60.3	60.3	150
Commerce	158.6	158.6	414

9.2 Minerals

Policy and Strategies

The Government of Pakistan is cognizant of the role of mineral industry in the overall economic and social development of the country and its importance in industrial and export promotion. It is also conscious of the unique characteristics of the mining industry like highly risk prone, capital intensive and subject to global competition with high volatility of prices. To harness the mineral potential with national and foreign investment, the Government of Pakistan has formulated National Mineral Policy offering appropriate institutional arrangements at federal and provincial levels; time bound investment friendly regulatory regime and internationally competitive fiscal incentives. Programs of mineral sector activities are expansion of employment opportunities; enhancement of skills; sustained development of mineral bearing area; expansion of business opportunities for local industries; increased revenue flow to the Provincial and Federal Governments; technology transfer; regional infrastructure development and an improved data base of mineral resources.

Mineral is provincial subject under the Constitution, except oil, gas and nuclear minerals and those occurring in special areas (FATA and NA). Provincial Governments are responsible for development and exploitation of minerals, which fall in their domain. In line with this Constitutional framework, the Federal and Provincial Governments have jointly formulated National Mineral Policy. The provisions of Minerals Policy distinctly convey the message that focus of all activities and decision-making is at the provincial level while the federation would provide requisite support and advice to the provinces to take up the challenge of achieving sustainable benefit from the development of mineral resources. Long gestation period of over a decade, which is generally spent in exploration of a mineral deposit and still longer period for its exploitation, require a fairly stable and equitable regulatory regime. With these characteristics in view, the Federal and Provincial Governments have agreed to put in place the requisite framework.

Financial and Physical Achievements 2010-11

Government of Pakistan extended special incentives for mineral development through public and private investment and facilitating private sector. As a result of such endeavors, following are some of the significant achievements in Mineral Sector during the fiscal year 2010-11.

In the financial year 2010-11, an allocation of Rs 21.3 million has been made for mineral sector (non-coal); while total expenditure stood at Rs 11.50 million, showing 54% utilization. Important projects initiated in 2010-11 include strengthening and capacity building of mineral sector (Rs 28 million), National Coal Policy of Pakistan (Rs 25 million) and review &updating of National Mineral Policy (Rs 4.5 million)

The provision of affordable and regular electricity is essential to revive industrial growth. It is envisioned to produce electricity from local coal, through coal gasification. In this regard a 100 MW power plant using Thar Coal deposits is being set up based on Underground Coal Gasification, which would afterwards lead to 1000 MW power plant. To act as one stop organization for development of Sindh coal resources the GOS established Sindh Coal Authority (SCA). Thar Coal and Energy Board (TCEB) has also been established by GOS to accelerate development of Thar Coal deposits. GOS has allotted 5 out of the 9 developed blocks in Thar to different local and multinational companies for mining, power generation and coal gasification. However, coal mining has not yet been started in any block. Details are as under:

- The Govt. of Sindh has signed a Joint Venture with M/s Engro Power Generation to develop a coal mine and power capacity of 1000 MW based on the coal potential of block-II of Thar coal field. The bankable feasibility is under progress.
- The GOS has granted a mining concession to M/s Cougar Energy, UK for underground coal gasification leading to commissioning 400 MW power project in Block-III. The preparation of feasibility is in progress.
- M/s Bin Daen Group, UAE has got exploration license of block-IV. They have a plan to setup a mine site power plant of 1000 MW. The group is currently exploring possible partnerships to carryout feasibility studies.

Reko-Diq Gold / Copper deposits are fifth largest in the world. In this regard to develop Reko Diq Copper deposit in Balochistan, a project for production of copper & gold from Reko-Diq Ore has recently been approved. The project has a very high profitability and will tremendously boost the economy of Balochistan as well as Pakistan.

Outlook for 2011-12

Mineral sector is expected to grow at the rate of 1% during 2011-12. An allocation of Rs 149 million has been made for Ministry of Petroleum & Natural Resources for 2011-12. Important projects to be initiated or will continue in 2011-12:

- Strengthening and Capacity Building of Mineral sector (Rs 28 million).
- National coal policy of Pakistan (Rs 25 million).
- Review & Updating of National Mineral Policy (Rs 4.5 million).
- Accelerated Geological Mapping and geological exploration of out crop area of Pakistan (198.6 million).
- Up gradation/Strengthening of Geosciences Advance Research lab GSP, Islamabad (Rs 249.87 million).
- An area of about 6,500 sq. km is planned to be mapped in different parts of the country.
- About 350 samples will be collected and analyzed under geochemical surveying.
- Efforts will be concentrated on exploration and evaluation of coalfields in Sindh, and Balochistan. These studies are aimed at enhancing the coal resource base and supplementing power generation and substituting furnace oil in different industrial units in the country.
- Porphyry copper, lead-zinc sulphide mineralization and iron ore occurrences in Chagai and Lasbela-Khuzdar districts in Balochistan will be further explored.

Chapter 10

Energy

Overview

Power load shedding in the recent past is estimated to be around 25% of the system demand, and has led to a substantial decline in potential economic growth. Electricity load shedding in the spring of 2011 reached more than 6,000 MW primarily due to fuel supply constraints. Around 30% of the population does not have access to electricity at all. This restricted access to energy combined with widespread load shedding aggravates the high poverty level in the country. It also restricts opportunities for economic growth and employment creation.

High fuel cost for thermal power generation, continued high losses in transmission and distribution, inefficiencies of generation, below cost tariffs and non-payment of electricity dues by the provinces have resulted in a huge circular debt. The energy sector debt is threatening the entire supply chain from oil refineries, oil marketing companies (OMCs) to power producers. This problem needs to be resolved to ensure the survival of the power sector, attract investments and to enable the power sector to contribute towards the development of the economy. Capacity additions alone will not resolve the problem of load shedding; the supply of primary fuel needs to be assured. Additions, however, have fallen far below schedule in recent years. Long lead times and capital intensity of major hydropower projects, coal development and renewable energy projects require careful planning and timely promotion of private investments. Investments in transmission and distribution must be undertaken in parallel to the development of major generation projects.

Domestic oil production has remained flat with only minor increases expected over the next 5 years. Decline in major gas fields is a threat to energy security since gas provided over 50% of primary energy supplies to the country. Therefore, it is critically important to tap additional gas reserves for sustainable gas supplies. Gas deficits will need to be covered by imports of Liquefied Natural gas (LNG) in addition to pipeline gas. Expansion and upgrading of existing refineries has been delayed and is now essential to improve profitability and meet Euro II/III specifications for products. During the longer term, major investments in new grass-root refineries will be required. Coal remains an untapped energy resource with a huge potential for power generation. It is imperative to increase the share of coal in the primary energy mix which is only 7% at present.

Fundamental pricing reforms are required for primary fuels. A higher well-head price will increase gas production requiring enhanced recovery techniques. The fixed rate of return compensation mechanism for gas utilities needs to be reviewed to improve performance and efficiency. The low gas price vs. substitute fuels results in large increases in the demand for gas. Gas pricing should aim for a gas exchange where the only criterion should be the price – allocation by the State should only be limited to households. Therefore, it is necessary to review consumer gas pricing mechanism to maximize value added. Subsidies paid to oil refineries in the form of deemed duty should be removed and ex-refinery pricing mechanism should be improved at par with the oil industry gradually moving to a de-regulated oil pricing mechanism.

The sector also suffers from policy impediments and absence of an integrated energy policy. Fast track promulgation of a comprehensive energy policy is required to provide proper direction and visibility to the energy sector.

The regulatory functions need to be strengthened to improve the separate administration of power and petroleum sector supply chains and enforce proper competition and market competitive pricing of energy.

Currently there is a lack of publication of accurate and timely information through computerized databases. A new communications strategy needs to be woven into business plans for companies and into the policy side of energy sector governance. Greater collaboration between stakeholders will contribute to successful implementation.

An Energy efficiency (EE) framework law and creation of an Apex institution is needed to oversee EE standards and programs. All the conservation and efficiency related organizations need to be brought under one umbrella. Implementation of EE measures need to be expedited to reduce loss reduction in supply and usage of energy.

During 2009-10, in addition to un-served energy, imports were around 32% of total primary energy supplies - around 17 million Tons of Oil Equivalent (MTOE) oil imports plus around 3 MTOE of coal imports at a cost of over $9 billion to the national economy. The energy import bill (at current prices) is expected to rise to over $23 billion by 2015 and $48 billion by 2030. Therefore, more needs to be done to implement the options and strategies listed in the Economic Growth Framework to increase self-reliance in energy. This poses a major challenge to tap domestic resources on a war footing, particularly coal, gas, hydro and renewable energy. Only affordable and sustainable energy supplies can ensure that Pakistan can meet the economic growth targets.

The current energy crisis in Pakistan was predicted at least seven years ago as part of the Medium Term Development Framework (MTDF) 2005-10. Sadly, the warnings of the MTDF have come true. Similarly, the Economic Growth Framework (EGF) makes some critical recommendations which will be of little value if the recommendations are not implemented. Some of these recommendations are linked together so that failure of one part of the Development Framework will adversely affect other parts of the Framework. The critical recommendations which need to be initiated under the Annual Development Plan have been incorporated in line with the EGF. If these recommendations are ignored, power load shedding and fuel shortages will continue. Industry will continue to suffer with closures. Foreign exchange requirements for imported fuel will rise to around 15% of GDP in about 5-6 years, if no remedial actions are implemented.

Pakistan's great strengths are human skills and an abundant availability of natural energy resources. Another key strength today is that the issues and way forward are very clear. There is an opportunity now, given the severity of current fuel and electricity shortages, to implement the recommendations of the EGF and incorporate them in the Annual Development Plans with a tight linkage to the budget process, formal implementation, monitoring and feedback.

Financial Allocations

Financial allocations for the Power and Fuel Sectors are summarized below in Table 10.1. During 2011-12, for the Power sector, an allocation of Rs 137 billion is made including foreign aid of Rs 19.4 billion. This includes ongoing public power sector projects for generation and distribution (self-financing and with Government support) and new projects. For the Fuel sector, an allocation of Rs 0.884 billion is made.

Table 10.1: Financial Allocations – Power and Fuel Sector (PSDP)

(Rs Million)

S. No.	Name of Agencies Power Sector	Revised Estimates 2010-11		Proposed Allocation 2011-12	
		Total	Foreign Aid	Total	Foreign Aid
	Power Sector:				
1	WAPDA (Hydel)	36,112	5,572	42,954	5303
2	PEPCO	94,178	17,996	72,295	8070
3	PNRA	155	-	350	-
4	PAEC	13,903	156,434	20161	5,802
5	Kashmir & Gilgit Baltistan	1,086	-	1,193	275
	TOTAL (Power)	**145,435**	**180,002**	**136953**	**19450**
	Fuel Sector:				
6	PAEC	179	-	833.0	-
7	MPNR		-	51	-
	TOTAL (Fuel)	**179**	**-**	**884**	**-**
	GRAND TOTAL	**145,615**	**180,002**	**137,837**	**19450**

An assessment for capital expenditure of around $35 Billion over a period of five years to implement the reforms, activities and projects (including the private sector) some of which are being initiated in the Annual Development Plan. The contribution of the private sector will be approximately 47% of the total expenditure.

10.1 Power Sector

Review of 2010-11

During 2010-11, approximately 1,900 MW were added under the PPIB programs. The list of projects commissioned or expected to be commissioned during 2010-11 are summarized below in Table 10.2.

Table 10.2: Power Projects Commissioned/Expected in 2010-11

Name of Project	Location	Capacity (MW)	Estimated Investment (Million US$)	Actual/ Expected COD
Nishat Chunian Power Project	Near Lahore, Punjab	195.26	204	Commissioned on 21-Jul-2010
Muridke (Sapphire) Power Project	Muridke, Punjab	212.11	263	Commissioned on 5-Oct-10
Liberty Power Tech Project	Near Faisalabad, Punjab	195	225	Commissioned on 13-Jan-2011
HUBCO-Narowal Project	Narowal, Punjab	213.6	233	Commissioned on 22-April-2011
Rental Plant at Faislabad	*Faislabad*	*150*	–	*60 MW has been commissioned and remaining will be in June, 2011*
Gulf Rental Project		*62*	–	*Commissioned*
Naudero Rental Plant	*Naudero*	*51*	–	*Under Testing stage*
Karka Rental Plant		*232*	–	*Commissioned*
Reshma Rental Project		*201*	–	*100 MW has been commissioned, remaining will be in June, 2011*
Bhikki (Halmore) Power Project	Bhikki, Punjab	209	231	30th May, 2011
Fauji Daharki Power Project	Daharki, Sindh	176.66	217	30th May, 2011
Total (2010-11)		**1897.63**	**1,373**	

Source: Private Power and Infrastructure Board

Program for 2011-12

During 2011-12, the peak power sector demand is expected to increase to approximately 21,000 MW. Therefore, supply will fall short of expected demand. The plans submitted by GENCOs, PPIB and WAPDA will provide only 2,110 MW as listed below in Table 10.3.

Table 10.3: Power Projects Expected in 2010-11

Sr. No.	Name of Plant	Fuel Type	Installed Capacity (MW)	Commissioning Date
1	Allai Khwar HPP	Hydel	121	Oct. 2011
2	Gomal Zam HPP	Hydel	17	Oct. 2011
3	CC at Chichoki Mallian	Gas	525	Jun. 2012
4	GT from UAE Thermal	Gas	320	Dec. 2011
5	CC from UAE Thermal	Gas	120	Dec. 2011
6	Block -VI, Oracle Coal Fields,	Coal	300	Dec. 2011

Sr. No.	Name of Plant	Fuel Type	Installed Capacity (MW)	Commissioning Date
	UK / Coal Project-I			
7	Grange Holdings Power Project	Oil	147	Dec. 2011
8	Becon Energy Ltd. / Wind Project-b	Wind	50	Dec. 2011
9	Fauji Fertilizer Co. Ltd / Wind Project-c	Wind	50	Dec. 2011
10	Green Power (Pvt) Ltd / Wind Project-d	Wind	50	Dec. 2011
11	CHASHNUPP- C2	Nuclear	340	Dec. 2011
12	Pak Steel Waste GR	Waste Gas	10	Dct. 2011
13	Municipal Waste Gas Rec	Waste Gas	20	Nov. 2011
14	Landhi Bio Gas	Bio Gas	40	Dec. 2011
Total			**2,110**	

Source: Data provided by Power by Sector Entities

Planned Reforms and Initiatives

In line with the Pakistan Economic Growth Framework power sector reforms and restructuring will continue. The main points are as follows:

- PEPCO will be dissolved.
- CPPA will be strengthened to ensure financial transparency and accountability.
- Complete transition to a single-buyer plus model will be completed that allows for direct contracting between DISCOs and GENCOs. This model will allow for inter-DISCO trading of maximum demand limits to promote competition.
- The privatization program for energy companies will be revitalized.
- The tariff differential subsidy will be eliminated.
- Strong monitoring at each utility level as well as at the central level will be established and a thorough master planning study will be conducted.

It is envisaged to meet all the investments required for power generation and transmission/distribution infrastructure in line with the 'least cost generation expansion plan' to add around 11,058 MW from 2011-2015. The corresponding total investment cost is around $21 billion of which $8 billion of investments will be required from the private sector in power generation (5,402 MW).

Non-availability of fuel for thermal power generation is a critical factor. Fuel supply issues are related to a number of factors such as low domestic production, import and distribution bottlenecks, high fuel prices driven by international price trends, lack of financial viability of power plants and fuel suppliers owing to the circular debt crisis, etc. Even the available thermal generation capacity cannot be fully utilized due to shortages of gas or furnace oil. This issue will be addressed on a priority basis.

To meet demand for electricity over the planning period, significant capital projects will need to be initiated and completed. Monitoring and successful implementation will be a key success factor.

Growth in electricity demand in Pakistan is putting the existing power transmission infrastructure under severe stress with frequent transmission bottlenecks. Therefore, proper linkage will be maintained between generation and transmission sector planning to avoid any mismatch between available generation and transmission/distribution capacity.

10.2 Fuel Sector

Review of 2010-11

Upstream Oil and Gas

During 2010-11, the expected local crude oil production of 65,940 barrels per day (BPD) will fall short of the projection of 88,726 BPD. However, domestic gas production (at well-head) is expected to be in line with the projection of 4,065 MMCFD. A total of only 50 wells (20 exploratory and 30 appraisal/development wells) are expected to be drilled against the target of 100 wells.

Exploration licenses for over 30 blocks were signed during the calendar year 2010 to add new oil/gas reserves. Exploration and Production (E&P) companies are concentrating on deeper prospects and under explored geological frontiers to add new reserves. Basin study has been carried out to co-relate entire data of different basins which would help to identify new petroleum bearing formations.

The Council of Common Interest (CCI) approved in principle the summary submitted by M/o Petroleum & Natural Resources on "Tight Gas Policy, 2011" subject to further consultations with the provinces and suitable modifications/improvements, if required. This new policy will offer 40-50 % higher prices (compared to the E&P Policy 2009) to attract exploration companies to invest in tight gas fields. The Tight Gas reserves of Pakistan are over 50 TCF compared to the current gas recoverable reserves of 29 TCF.

Downstream Gas

OGRA has awarded conditional licenses for the construction of LNG receiving terminals for import of 3.5 million tons per annum of LNG. These include Pakistan Gas Port Limited (Oct, 2010) and Engro Vopak Terminal Limited (Dec, 2010). However, there has been no progress in actual construction of terminals and import of LNG.

The LPG supply infrastructure has been improved with an investment of Rs 900 million during 2010-11. In addition, OGRA has issued 26 provisional licenses for construction of LPG auto refueling stations all over the country during the current financial year.

The number of operational compressed natural gas (CNG) stations in the country has increased to 3,317 with an estimated investment of Rs 86 billion. The usage of CNG in the transport sector during 2010-11 is estimated to be around 266 MMCFD.
ISGS is pursuing two gas import projects:

- **Iran-Pakistan (IP) pipeline:** Around 750 MMCFD gas will flow through this pipeline. The estimated cost of laying the Pakistan segment of the 42" diameter pipeline is US$ 1.245 billion. The progress to date is summarized below:

  - Signed Gas Sales and Purchase Agreement (GSPA): 5th June 2009.

- Signed Heads of Agreement (HOA) and Operations Agreement (OA): 16th Mar. 2010.
- Sovereign Guarantee issued by Govt. of Pakistan on behalf of ISGS: 28th May 2010.
- Detailed Route Survey (DRS), Front End Engineering Design: Mar. 2011–Feb. 2012

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

  - The Heads of Agreement (HOA) signed - Framework document which outlines the key principles of the Gas Sale & Purchase Agreement (GSPA): 20th September 2010
  - Gas Pipeline Framework Agreement (GPFA) signed by the Ministers of all the four countries at Ashgabat – Turkmenistan: 10th December 2010.
  - Inter Governmental Framework Agreement (IGFA) signed by the Presidents of Turkmenistan, Afghanistan, Pakistan and Minister of Petroleum & Natural Gas of India: 11th December 2010

Mid and Downstream Oil

The only significant development is the expected commissioning of 115,000 BPD refining capacity during 2011 by Byco Petroleum Pakistan Limited (BPPL). However, this is again a hydro-skimming refinery requiring Government support in the form of deemed duty on ex-refinery HSD price. Some storage capacity has been added at Port Qasim (70,500 tons) by the private sector (Bakri Oil Trading Company).

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

Coal

The Thar Coalfield is being given priority for exploitation. Thar Coal Energy Board (TCEB), Government of Sindh has assigned 5 coal blocks for development. Further, TCEB has already completed the detailed appraisal and evaluation of two additional blocks for which the award process is in progress.

During the current fiscal year, an allocation of Rs 8 billion had been made in Sindh for critical infrastructure projects relating to the Thar project. This includes Rs 4 billion for water supply and Rs 2 billion each for effluent disposal and laying transmission lines.

A project is being pursued in Block 5 of Thar coalfield to produce electricity from coal through gasification process, which after successful completion of the pilot phase of 3 to 5 MW, will be scaled up to 100 MW. Detail is also separately provided under Industry, Mineral and Commerce chapter.

Program for 2011-12

Upstream Oil and Gas

Planned Reforms and Physical Activities

Sector reforms and restructuring will continue. The main points are as follows:

- Upstream regulatory framework for enhanced oil & gas recovery will be finalized.
- Around 15 new exploration licenses will be awarded and 100 wells will be drilled as per the target.
- Crude oil production is expected to increase to 69,000 BPD.
- The well-head gas production is expected to increase to 4,791 MMCFD.

Initiatives

In line with the Ten Year Growth Framework, growth in the upstream oil and gas sectors will need to be initiated on a war footing since it is critical to achieve energy security and improve self-reliance. It is envisaged that some critical activities will be initiated. The main points are as follows:

- Upstream E&P activities for oil and gas are not providing desired results with declining production, particularly for gas which threatens energy security. Therefore, all viable options and strategies will be implemented to enhance upstream oil and gas production such as expanding operations in restricted security zones, meeting drilling targets, infill drilling and tapping tight gas, reviving dormant and non-performing fields, higher well-head pricing for difficult gas, etc. to achieve sustainable gas production of 4,000 to 5,000 MMCFD for gas and 85,000 to 90,000 BPD for oil over the next 5 years.
- E&P targets will be integrated with fuel demands of the power and petroleum sectors to minimize reliance on imported fuels.

Downstream Gas

Planned Physical Activities

The expected progress on import of gas via pipelines is as follows:

- **Iran-Pakistan (IP) pipeline:** Major activities scheduled are as follows:

  - Financial Close: Jul. 2011 – Dec. 2012.
  - Ordering Long Lead Items (LLI): Jul. 2011 – Mar. 2012.
  - Land Acquisition: Jul. 2011 – Jun. 2013.
  - Engineering Procurement Construction (EPC) Contract Award: Jan. 2012 – Aug. 2012.
  - Construction and Commissioning: Aug. 2012 – Dec. 2014
  - First Gas Flow: 2015

- **Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline:** Major activities scheduled are as follows:

- Finalization of Gas Sale & Purchase Agreement (GSPA) at technical level
- Necessary governmental approvals of the respective countries for signing of the GSPA
- Signing of the GSPA
- Appointment of Transaction Advisor after signing of GSPA
- Formation of TAPI Consortium after signing of GSPA
- Targeted first gas flow: 2015

It is envisaged that CNG use for transport will be expanded to around 300 MMCFD. The economic cost of supplying CNG is at parity with imported furnace oil since any gas shortages (owing to higher CNG use) results in higher furnace oil consumption (and imports) for the power sector. The use of CNG in the transport sector displaces gasoline and HSD which are high valued white products. Since gasoline/HSD prices are much higher than furnace oil in international oil markets, increase in CNG use for transport improves the country level economics.

Initiatives

In line with the Ten Year Growth Framework, some fundamental reforms and activities will need to be initiated in the downstream gas sector to offset critical gas shortages. The main points are as follows:

- A natural gas pricing study will be undertaken which will take into consideration cost of supply from local and import sources, availability, added value and prices of alternate substitute fuels to avoid unnecessary use of gas. The study will review options for full cost recovery (including the impact of higher well-head gas prices to enhance upstream production) and minimization of cross subsidies. This study will also address the low gas prices for the fertilizer sector and find alternate ways to subsidize fertilizer prices. The study will propose a mechanism to facilitate an optimized allocation of natural gas.
- The criteria for supply of gas to new towns will be reviewed based on gas availability and feasibility of extending the pipeline network to remote and difficult areas.
- Options for institutional reforms will be reviewed and implemented in gas transportation and distribution. It is envisaged to create one entity for bulk gas transmission and transfer the function of gas distribution to a number of entities (similar to the concept of NTDC and DISCOs in the power sector) in order to bring efficiency and competition in the management and governance of gas distribution and marketing.
- ISGS will be made focal point of LNG import projects by shifting the responsibility from SSGCL. Coordination will be done with OGRA and NEPRA for the pricing and tariff regime for imported LNG.
- Donor assistance will be requested to build capacity in ORGA/NEPRA, DG Gas, SSGCL, PQA, ISGS and other involved agencies to understand LNG dynamics and supply chain issues. Donors can also help Port Qasim perform the Qualitative Risk Analysis, hire consultants to perform channel simulation for optimal dredging, prepare bids to buy tugs, help finance tugs, recruit and train pilots, etc.
- Delays in LNG import projects have increased gas shortages and hurt industrial production. It is envisaged to revive the stalled Mashall project for implementation of a Floating Storage Re-gasification Unit (FSRU) for import of 500 MMCFD of LNG. It is also envisaged that Pakistan Gas Port Limited and

Engro Vopak Terminal Limited will proceed with the construction of the terminals.

Mid & Downstream Oil

Planned Physical Activities

- BBPL is expected to commission its 115,000 BPD refining capacity during 2011. BPPL in collaboration with Coastal Refinery Limited (CRL) is expected to setup an off-shore Single Buoy Mooring (SBM) near Hub for loading/unloading of oil using large vessels.
- Hascol Petroleum Ltd. is in the process of setting up an oil storage facility of 6,500 tons at Shikarpur.
- It is expected that during 2011-12, about 5 licenses will be granted for marketing of LPG and a number of licenses may also be granted for setting up Auto refueling stations at various locations across the country.

Initiatives

In line with the Ten Year Growth Framework, some fundamental reforms and activities will need to be initiated in the downstream oil sector to improve capacity and infrastructure. The main points are as follows:

- A study will be undertaken to rationalize fuel prices at par with international practice (ex-refinery and retail pricing for oil products) and recommendations will be implemented with future direction for oil price deregulation.
- A cap will be announced on future furnace oil consumption in the power sector (11 Million tons per annum) as proposed in the Pakistan Economic Growth Framework.
- Support will be provided to PSO to for the development of expertise in international oil trading, vessel chartering and oil hedging to avail market opportunities and minimize import cost of products which is expected to increase exponentially.
- A national oil logistics and infrastructure study will be conducted to pinpoint bottlenecks and to identify long-term solutions vis-à-vis refining plans and demand growth. The study will also address institutional requirements to plan and coordinate national logistics and to identify optimal stock levels (operational plus strategic) including required storage capacity and financial issues.
- A specific time-table will be announced to implement refinery projects to improve product quality and meet Euro II/III specifications during the Plan period. Refineries will need to add hydro-treating and octane enhancement capacities to meet Euro-II/III specifications. Replacing FO 180 Centistokes (Cst) with FO 380 Cst in power plants and industry will be addressed to be included as the preferred fuel in any new power plants.
- The 7.5% deemed HSD duty will be shifted to transparent taxation in the retail price. As a policy matter, this refinery support will be discontinued (after 3 years) to encourage refineries to upgrade their configuration and improve efficiency. In the meantime, OGRA will re-work the subsidies paid to refineries linked to the international (benchmark) profitability of similar refineries. OGRA should ensure that the subsidy recovered from retail prices is paid to refineries till it is removed.

- The stalled hydro-cracker project to upgrade 1.6 MTPA FO from NRL/PRL to white products will be reviewed and initiated.
- A policy resolution will be proposed for the existing refineries to complete the expansion and upgrading projects by 2014-15.
- The proposed 52 Km white oil pipeline linking KPT and PAPCO terminal at Port Qasim will be initiated. The benefits will be higher product import capability (and higher utilization of KPT) and lower ship demurrages. PSO is proposed to do the investment.
- The proposed Machike-Morgah-Taru Jabba (MMTJ) cross-country pipeline will be imitated as a joint venture between Pakistan State oil (PSO), Attock Refinery Limited (ARL) and other oil marketing companies for efficient transportation of petroleum products from mid-country to the North. Spur lines to Sialkot, Mirpur, Kohat and other cities will further decrease supply costs to the consumers. The existing pipelines Karachi-Mehmoodkot-Lahore will be de-bottle-necked for expansion to cover higher upcountry load.

Coal

- At least 2 feasibilities will be developed for integrated coal mining and power generation from 50-300 MW, other than in Thar.
- The infrastructure development in Thar and exploitation of coal resources for power generation will be expedited by the Thar Coal Energy Board (TCEB). The Ten Year Growth Framework envisages a total investment of Rs 81 Billion by the Government of Sindh for development of the infrastructure in Thar.
- The envisaged power plants are given under the Power Sector above.

Energy Governance

Program for 2011-12

Improvement is energy sector governance has been assigned top priority in the Ten Year Growth Framework. Some critical activities defined below have been included in the Annual Development Plan.

Energy Policy

Currently, there are various policy documents in the oil, gas and power sectors drafted at different times by concerned agencies. However, there is no integrated energy policy to ensure uniformity across various fuels and provide a level playing field for public and private sector. There are inconsistencies and shortcomings in structure, scope and cross linkage across energy sectors. Some critical aspects of the energy sector are either missing, incomplete our outdated. There is also ambiguity between policy and procedures.

It is envisaged to review all current policy documents and fast track the promulgation of a comprehensive energy policy document for approval of the Cabinet and Parliamentary Committee accordingly. The expected outcome is a published energy policy document covering all aspects of the energy supply chain disseminated to all energy sector entities and the public.

Commercialization of PSECs

It is envisaged to complete the restructuring and commercialization of inefficient Public Sector Energy Companies (PSECs). The expected outcome is that all PSECs will have independent Boards, proper business plans for implementation, financial autonomy, proper accountability, HR management powers and fully sustainable and efficient operations.

Regulation

The role and performance of energy regulators is ineffective. It is envisaged to strengthen OGRA and NEPRA based on a review of their functions, staffing, expertise and authority. The option to form a Coal Regulatory Authority (CRA) will be pursued. The expected outcome is to establish independently functioning and strengthened regulatory bodies to bring energy sector performance and practices at par with international standards.

Energy Information and Communication

There is a lack of proper energy database and information flow across energy sector entities. It is envisaged to form an Energy Information Center located at Energy Wing (Planning Commission) and develop a communication strategy to promote timely availability of data and information. The expected outcome is a computerized and up to date energy database accessible by all stakeholders and effective coordination and communication across energy sector entities.

Energy Efficiency

Program for 2011-12

There is a huge potential for improvement in energy efficiency (EE). According to assessments by various international agencies, EE measures can promote energy savings of 11.16 MTOE or 17% of primary energy supply. This is sufficient to provide over 7,000 MW of thermal power. EE measures are widely perceived as short-term solutions to any energy crisis. Such measures reduce shortages, decrease import dependency, strengthen energy security, create jobs and improve industrial competitiveness.

There is a no proper legislation to exploit the EE potential. There is also no centralized Apex institution to oversee EE programs, set EE standards and ensure conservation. Therefore, it is envisaged to expedite the promulgation of an energy efficiency framework law and consolidate the existing EE related administrative structure by placing existing units under an Apex institution reporting to the Planning Commission. The new Apex institution will be responsible for oversight and follow-up of EE programs, development of building energy codes, standards and labeling and public awareness campaigns.

A Project Management Office will be established under the apex institution for implementation of major EE programs such as tube-well replacements, CFLs distribution, smart metering, rehabilitation of de-rated power generation capacity, upgrading power and gas transmission and distribution networks, improvement in efficiency of water heating devices, installation of solar geysers and loss reduction via audit and benchmarking.

Chapter 11

Water Resources

The Economic Growth Framework formulated by the Planning Commission looks forward to economic development and improvement in quality of life of people through productivity enhancement, high performance standards and software initiatives. Water is a key input for enhancing production of agriculture, Industry and urban development, achieving MDG's and reducing poverty; therefore, the water sector gained major focus throughout the last decade in the development program. Water availability is continuously diminishing in all contexts. The challenge is to formulate the effective implementation of a comprehensive set of measures for the development and efficient management of water resources. Water sector's major issues are as under:

- sub-optimal use and low productivity of water;
- inadequate storage capacity with extensive seepage losses in the irrigation system;
- inadequate operation & maintenance and poor cost recovery;
- excessive groundwater pumpage without groundwater recharge
- absence of measures for rainfall harvesting,
- un-safe disposal of drainage effluent to the sea,
- lack of private sector participation,
- increased poverty in backward irrigated areas, and poor linkage among water, agriculture & rural development projects & related research.

Strategy

The strategic thrust and priority areas of investment to resolve the earlier stated water issues are outlined as under:

- Operationlization of public investment already made.
- High performance of existing assets.
- Knowledge management.
- integrated water resource development,
- Conservation measures through (lining of irrigation channels, rehabilitation of irrigation system, lining of watercourses)
- surface and sub-surface drainage,
- Protection of infrastructure from onslaught of floods.
- Institutional strengthening, capacity building and human resources development.

Prioirty Areas of Investment

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

Instruments

- Public sector investment
- Better Governance & Management
- Technical innovation

Review of 2010-11

The water sector development program for the year 2010-11, focused on the construction of small/medium dams, new canals, rehabilitation/remodeling of existing irrigation system, safe disposal of drainage effluent, introduction of high efficiency irrigation system (drip & sprinkler), On-farm water Management, Research/Investigation and flood control sub-sectors. The maximum resources were allocated to complete the on-going projects and high priority water storages dams in an effort to overcome the scarcity of water through augmentation and conservation measures. However, the planned targets cannot be achieved due to overall 50% cut on development budget and rehabilitation works of super flood 2010. Overall implementation of all development program remained slow. It is expected that by the end of June 2011 Rs 19.00 billion will be utilized in water sector (Rs 17.00 billion under M/O water & Power and Rs 2.00 billion under Water Management Programme) against the revised allocation of Rs 19.88 billion. The estimated water losses to be saved (at farm gate) and additional water available due to completion of Raising of Mangla Dam is expected about 3.46 MAF.

Under dams & canals sub-sector, the overall physical progress of fast track (high priority) projects namely Raising of Mangla, Satpara and Gomal Zam Dams remained satisfactory, whereas physical progress of construction of new canals (Greater Thal, Kachhi and Rainee canal), Lining of irrigation channels and improvement of irrigation infrastructure in Punjab, Sindh and Khyber Pakhtunkhwa remained below the planned targets due to rationalization of PSDP and flood damages of super flood 2010. An amount of Rs 50 million, Rs 190 million and Rs 50 million were allocated (after rationalizing of PSDP) to Punjab, Sindh and Khyber Pakhtunkhwa for lining of irrigation channels. About Rs 8,000 million, Rs 1,400 million and Rs 5,000 million are expected to be incurred during 2010-11 for dams, canals and improvement of irrigation system in Pakistan respectively.

Under drainage sub-sector, the progress of RBOD-I, II and III also remained below planned target. A sum of Rs 1,500 million is expected to be utilized on the on-going activities of the RBOD-I, II & III. The National Program for Water-course improvement continued in 2010-11 to achieve the on-going revised target of 1,000 watercourses in all the four provinces. A sum of Rs 2,356 million (rationalized) was allocated to achieve the revised above mentioned target. Under the normal/emergent flood protection program, Rs 735 million is expected to be utilized to complete the priority small schemes of all provinces including FATA, Gilgit Baltistan & A.J.K.

Key physical targets of water sector during 2010-11 and achievements are given in the Table11.1.

Table 11.1: Key Physical Targets for 2010 -11 and 2011-12 and Achievements

Item	Unit	Target 2010-11	Achievement 2010-11		Target 2011-12
			Physical	%age	
Irrigation					
• Water Availability (additional)	Mhm MAF	0.46 3.70	0.43 3.46	93	0.23 1.89
• Earthwork for dams & canals/irrigation System	MCM	25.00	12.00	50	20.00
• Concrete work for dams/canal/ irrigation System	MCM	1.50	1.00	66	1.00
• Construction of small/medium dam	Nos.	10	7 comp.	70	6
Drainage & Reclamation a) Surface Drains (Earthwork) (Extension, rehab. & remodelling of drain)	MCM	6.00	2.50	41	4.00
Flood Control Program Under Normal Flood Program (flood scheme)	No	71	22	30	50
OFWM Program Watercourse Improvement	No	3,000	1,200	40	—

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

Program for 2011- 12

Water sector's share out of total development budget remained between 16 to 20% during the last 5 years whereas for the next FY 2011-12 the share of water sector has declined to about 12% (Rs 33.00 billion) of the total development budget. Out of total proposed water sector's budget maximum resources have been allocated for timely completion of on-going projects, including construction of small/medium dams, drainage projects, construction of new canals projects and improvement of existing irrigation network. The main strategies and policies adopted for growth in water sector are:

- Promoting beneficiary participation in development initiatives.
- overcoming the water scarcity issue through augmentation and conservation, measures including construction of small/medium and large dams, check/delay action dams and by efficient utilization of irrigation water
- Restoring the productivity of agricultural land through control of water logging, salinity, and floods.
- Managing the quantity and quality of drainage effluent in an environmentally safe manner
- Implementing integrated flood control program.

Water Augmentation

It is expected that the overall water availability at farm gate will remain about 17.52 Mhm (142.00 MAF) in 2011-12. This would include surface water supplies through canal withdrawals, watercourse improvement, canal lining/remodeling, irrigation system rehabilitation program, construction of small/medium dams. About 6.00 Mhm (48.63 MAF) of water would be included in the system from underground fresh water aquifer mainly by private tube wells. The saving of water losses will be improved through a major emphasis on water conservation measures such as remodeling/rehabilitation of existing irrigation system, lining of irrigation channels/watercourses and completion of on-going mega projects being implemented on fast track basis.

In the drainage sub-sector and improvement of irrigation infrastructure, the work on RBOD-I, II & III continue for this about 4.00 MCM of earth work for surface drains and concrete canal lining is planned for the next fiscal year 2011-12, more than 20 MCM earthwork targets have been fixed for rehabilitation of existing channels and drainage channels, irrigation infrastructure/system improvement and construction of major /minor structures.

Under Normal/Emergency Flood schemes, it is planned to spend an amount of Rs 894 million to complete about 40 on-going small/emergent flood schemes in Pakistan. The main programs/projects to be implemented during 2011-2012 are discussed below:

Irrigation

An amount of Rs 23,546 million (71% of total water sector allocation) has been proposed during 2011-12 for irrigation projects (dams, canals & Improvement of existing irrigation system). The lining of irrigation channels in saline zones is being undertaken in Punjab, Sindh and Khyber Pakhtunkhwa to save the seepage and other losses. A sum of Rs 1,500 million has been proposed to this programme for lining of irrigation channels for the next fiscal year 2011-12. Under this sub-sector sufficient budget have been allocated to eight new dams, (Ghabir in Punjab, Darwat, Nai Gaj (Sindh), Darban & Kurram Tangi in K.P.K, Winder, Hingol & Naulong dams in Balochistan, phase-I of three new canals projects (Greater Thal, Kachhi, Rainee), and Extension of Pat Feeder Canal in Balochistan. In addition, funds have also been provided for revamping/rehabilitation of irrigation system of Sindh, Punjab and Khyber Pakhtunkhwa, Lining of Irrigation Channels in Punjab, Sindh and Khyber Pakhtunkhwa. The major irrigation projects are as under:

Major On-going Projects (Likely to be completed)

- Raising of Mangla Dam: Likely to be completed in 2011.
- Satpara Dam: Likely to be completed in 2011.
- Gomal Zam Dam: Main dam structure has been completed while irrigation network is to be completed in 2012.

Other On-going Projects

- Kachhi Canal *(Punjab Portion 300 km lined).*
- Rainee Canal.
- Revamping/rehabilitation of Irrigation & Drainage System in Sindh.
- Punjab Irrigation System Rehabilitation Punjab.
- Lining of Irrigation Channels in Punjab, Sindh & Khyber Pakhtunkhwa.
- Extension of Pat Feeder Canal.
- Lower Indus Right Bank Irrigation & Drainage Project (RBOD-I).
- Right Bank Outfall Drain from Sehwan to Sea (RBOD-II).
- Balochistan Drainage Effluent Disposal into RBOD (RBOD-III).

Other Development Programs

- Flood Protection Program
- Survey, Investigation and Research (For Software Support)

Chapter 12

Urban Development

The urbanization process in the country is characterized by four features. Firstly, the urban areas have become the major contributors to the national economy, generating and diffusing growth across the country. Secondly, the pattern of urbanization across provinces exhibits large variation. Thirdly, there has been over concentration of urban population in fewer urban areas. The fourth important feature is an expanding middle class comprising of youthful and skilled labor force.

Situation Analysis

The growing urbanization has placed enormous demands on financing of matching urban development activities. The local governments continue to depend on transfers from the provincial governments and have not attempted to mobilize other resources including private sector investment. The existing legal framework within which urban areas operate (a mixture of local government and development authorities) is not and cannot cater to the problems and challenges of large cities and urban areas. An overview of the existing conditions in urban areas depicts the following issues:

- Lack of understanding and capacity to manage urbanism
- Unregulated urban property market
- Distortion of prices of urban real estate
- Real estate development suppressed by byelaws and zoning regulations
- Automobile dependent urban sprawl
- Housing development catered to elite and not need based
- Low density, anti-pedestrian, anti-street, anti-mixed land use and anti-dissolved space central business districts and commercial centers
- Displacement of settlements due to development and relocation of low income communities at urban peripheries
- Discrimination and high transport costs due to lack of public transport
- Unavailability of developed land to urban poor
- Poorly designed civic architecture
- Poor urban services and infrastructure resulting in environment and health hazards as well as disrupting economic activity
- Absence of properly planned and appropriately located transport and cargo terminals, wholesale markets, warehousing and storage areas

Objectives

The overarching aim of the urban development is to support cities to continue their historic role of generating growth and spreading prosperity across all provinces and regions of the country. National development goals would be achieved by directing focus on the following objectives, to:

- Manage urbanization and enable urban areas to contribute their full potential towards optimal performance of the country.

- Pursue sustainable urban development making cities strong and functional in all dimensions i.e., physical, economical, social and administrative.
- Develop synergies amongst national policies, provincial programs and local activities and promote a coherent urban development pattern in the country.
- Develop national infrastructure that supports urban development, for example, power, water, transport and communication

Sectoral Strategies

To support the cities to generate growth and spreading prosperity the focus will be on the following elements of the strategy that has been derived from the Economic Growth Framework recently prepared by the Planning Commission:

- Managing Urbanization: Through preparation of national and provincial spatial plans the urbanization would be managed in support of national economic development.
- Addressing Housing Shortages: Addressing housing shortages will be through facilitation of private sector. Government role would be of facilitator but would also undertake housing project to meet requirements of urban poor and the government servants
- Coherent Urban Development: Establishing coordination mechanism for achieving coherence amongst urban development activities at federal, provincial and local levels
- Promoting Public Private Partnership: To further improve upon the enabling environment for greater participation of the private sector
- Enabling Role of the Government: Encouraging the role of government from provider to facilitator to achieve national development objectives at all level in a coordinated manner. Government to rationalize zoning and building regulations, privatize unproductive state land and disseminate research based low energy efficient construction techniques.

Review of Urban Development PSDP 2010-11

To achieve the substantial in urban areas, the issues persuaded by government in 2010-11 were:

- Prime Minister's one million housing program
- Development of Federal Capital Islamabad
- Improve management of civic services in urban areas as well as rural areas
- Control further growth of bigger cities by diverting the population migration from natural areas to medium-size towns
- Narrow gap between the housing demand and supply
- Provide water supply and sanitation services to achieve MDGs
- Regularize and improve Katchi Abadis/Slums areas
- Encourage private sector for investment in provision of housing and water supply & sanitation facilities
- Research and development in the field of indigenous construction technology

Most of the urban development activities fall under the purview of private sector. However, progress review of the urban development activities undertaken by the government during 2010-11, are briefly outlined as under:

- An amount of Rs 13 billion was allocated to different Ministries/Divisions/ departments as well as to the provinces throughout the country.
- Major allocations were made to the programs/projects relating to water supply & sanitation, government buildings, housing and urban roads
- Up-to 30th June 2011 about Rs 3.6 billion will be spent on development of 0.103 million residential plots in urban areas
- Serving an additional population of more than 2.27 million by water supply in urban and rural areas
- Provision of sanitation facilities to an additional 1.30 million population both in urban and rural areas
- Improved environmental condition of 0.25 million population living in Katchi Abadis/slums
- Construction of 0.50 million square feet additional covered area for government servant housing/offices at federal and provincial levels.

Development Programs during 2011-12

The devastating floods of August 2010 had destroyed majority of infrastructure and houses in the entire country, which results in a significant decrease in already achieved sectoral targets. Therefore during the plan period 2011-12 focus will be to reconstruct/rehabilitate the damaged infrastructure on fast track basis. However, followings programs would also be undertaken during 2011-12.

- Priority would be accorded to reconstruction, rehabilitation of infrastructure damaged by the floods 2010.
- Prime Minister's One Million Housing Program for Low- Income Groups would be implemented on fast track basis.
- Focus will be given to low-income residents, through implementing the legal and regulatory reforms for better operation of housing markets. Cost recovery would be maximized and subsidies minimized in financing of low-income housing and slum upgrading.
- The federal government under matching grants between federal and provincial governments will continue to provide support to mega projects in large & medium size cities.
- Federal Government will continue to provide houses to federal government employees on ownership basis on their retirement.
- Efforts will be made to complete the on-going schemes in urban areas to improve water supply and sewerage services in urban areas and to recover the full O&M costs and to integrate the planning and development of water and sewerage projects.
- Programs for economic development of Cities would be initiated based on their historic economic advantage and the type of products the market demands.
- Cities would be encouraged to prepare "City Development Strategies" and "City Business Plans,
- Provision of water supply & sanitation programs would be implemented in the light of The National Drinking Water Policy 2009 and The National Sanitation Policy 2007.
- Urban Transportation system would be improved through Public Private Partnership (PPP).
- Appropriate measures would be taken to protect the urban environment from degradation

- Despite the disinterest of the private sector, the government will continue to further improve an enabling environment to attract greater participation from the private sector
- Public Community Partnerships (PCP) where the communities are made in charge of implementation of the schemes and for recovering users' charges would be encouraged in Katchi Abadis Up-gradation / Slum Improvement Programs

During 2011-12, both federal and provincial governments will take necessary measures to facilitate the implementation of above measures. The district governments, according to their respective priorities will implement the reconstruction / rehabilitation projects on fast track basis. Major urban development programs to be achieved during 2011-12 are mentioned in Table 12.1.

Table 12.1: Major Programs and Physical Targets 2011-12

Programs	Targets
Urban Water Supply Population Coverage	88%
Urban Sanitation Population Coverage	67%
Rural Water Supply Population Coverage	60%
Rural Sanitation Population Coverage	36%
Katchi Abadis and Slums Up-gradation Population Coverage	Additional 0.250 million population
Prime Minister's One Million Housing Programme for low income groups (Poor & low paid government employees)	One Million
Development of Residential Plots of small size in urban and rural areas, for construction of houses by the allottees.	2,50,00
Government Buildings Construction of Office Buildings for Federal / Provincial Government Agencies & Civil Armed Forces.	0.20 million square feet covered area

Box: 12.1 Taskforce on Urban Development

Planning Commission constituted a taskforce on Urban Development in June 2010 with a view to devise a consensus on urban reform agenda. The Taskforce was assigned to prepare recommendations to make cities livable, vibrant and compatible with growth. Main recommendations of the Taskforce are summarized below:

- Expand Inner City Markets: There are substantial opportunities in inner-city areas. Markets intelligence can help discover under-served markets in urban areas and attract investment, broaden retail services, and create jobs.
- Promote City Cluster Development: Promoting linear commercialization along inner city roads and supporting the growth of multiple commercial and central business districts would accelerate growth in urban areas.
- Sub-National Government Financing: The local governments should be given financial autonomy and encouraged to raise more revenues from local taxes.
- Roads and Markets and other infrastructure already exist in urban areas. Instead, attention should be paid to strengthening employment opportunities for the poor in key sectors through enhancing their employability by focusing on technical education, vocational training and skill development that is in line with market demand.
- Land supply in urban areas should be expanded through renewal projects in the inner areas.
- Provincial Revenue Departments and urban local governments need to coordinate the conversion of agricultural land to urban uses.
- State land with metropolitan areas should be reserved for low income housing and delivered through market mechanism.
- Amend the zoning and building regulations and match the market preferences at different locations and zones to support high density high rise and un-segregated land use patterns.
- Heritage conservation should be integrated into the overall cities/town planning and development process.
- Revitalizing HBFC by encouraging it to venture into new avenues such as community mortgage programmes, housing credit assistance to public and corporate organizations, employees support to bankable housing projects in the private sector
- Planning should create independent neighbourhoods around open space rather than along streets. Each neighbourhood should not exceed 300 households.
- Cross subsidizing low income housing from high income commercial and residential development should also be initiated.
- Apartments for lower middle and middle income groups should have no restrictions on height and should have a minimum density of2,000 persons per acre.
- All commercial and office complexes should be mixed use with 30% of the floor area reserved for residential and recreational purposes.
- No development schemes should have plots of over 400 square meters. If such plots are created, then they should be heavily taxed to discourage such development.

Source: Pakistan: Framework for Economic Growth, May 2011/Report of the Taskforce on Urban Development, Planning Commission 2011

Chapter 13

Environment

Environment and Sustainable Development

Pakistan is faced with serious challenges of degradation and pollution of land, water, and air. Industrial pollution, though not too high at the moment, is unchecked and may get worse unless economic activity is underpinned with sustainable development. Air pollution is endemic because of a surge in automobiles, insufficient emission standards, and absence of effective enforcement. All major cities of Pakistan face haphazard, unplanned expansion leading to increase in pollution. This unchecked growth has led to creation of slum areas around city peripheries and low lying areas. Elsewhere, mining, erosion and deforestation are major causes of land degradation. All this is compounded by relentless urbanization, continuous industrialization, changing consumption patterns, and climate change.

The problems pertaining to environment have continuously been swelling in Pakistan. There is a catalog of never-ending issues which are spreading like an epidemic, affecting the development and economy of the country. Failure of economic policies and lack of planning has brought Pakistan to this brink of environmental destruction. The current development process in the Environment Sector is investment driven with local and/or foreign support though its priority in the national development agenda fluctuates; however, it is getting more recognition and acceptance at federal and provincial levels. The achievement of set targets in MDTF 2005-10 and Millennium Development Goals are not up-to mark because of lack of institutional capacities and an effective mechanism to deliver the programs. The recommendations of the Taskforce on Climate Change constituted by the Planning Commission are presented in the Box 13.1.

Inability to safeguard the natural environment can result in extremely high costs in the future. Well chalked out plans need to be executed to minimize adverse impacts on the natural resources and lives of human beings. Further Pakistan is facing crisis in the energy sector. An efficient use of energy therefore, needs particular consideration, spotlighting energy conservation along with production through renewable forms. The integration of private sector practices and measures in this regard is crucial to solve the anomaly of compliance and maintaining standards. This will also help in earning Carbon Credits, which will boost investment in cities development. This will be possible with the active partnership of the Private sector involvement in the environment related activities. This will yield the desirable and sustainable results having longtime impact on environment.

The vast majority of the people do not have access to drinkable water. In the recent past economic development has largely taken precedence over environmental issues. Unchecked use of hazardous chemicals, vehicle emissions, and industrial activity has contributed to a number of environmental and health hazards, significant among them being water pollution. Pollution has also severely damaged the underground water tables, due to industrial waste and agricultural runoff flowing unchecked. That is creating severe health risks.

Box 13.1: Taskforce on Climate Change

Task Force on Climate Change was set up by the Planning Commission for providing inputs in the formulation of National Climate Change Policy and Plan of Action. These would address the issue of climate change threats and thereby ensuring Pakistan's food and energy security.

The report recommends a number of policy measures for promoting large scale adaptation and sectoral mitigation efforts raising awareness of stakeholders and enhancing the capacity of relevant institutions. The Salient recommendations include:

- Energy efficiency improvement at all levels in the energy system chain
- Energy conservation measures and use of energy-efficient devices
- Rapid development of hydropower resources
- Acquisition and adoption of clean coal technologies such as CBMC, IGCC and CCS
- Development of mass transit systems in large cities
- New methods of rice cultivation that have lower methane emissions
- New breeds of cattle which are more productive in terms of milk and meat but have lower methane production from enteric fermentation
- Provision of regulated flows down Kotri to conform to minimum necessary environmental lows
- Restoration and protection of mangroves
- Addition of sufficient reservoir capacity on IRS rivers so that even during high flood years no water flows down Kotri in excess of what is necessary for environmental reasons
- Local rain harvesting
- Development of new breeds of crops of high yield, resistant to heat stress, drought tolerant, less vulnerable to heavy spells of rain, and less prone to insects and pests
- Improvement of crop productivity per unit of land and per unit of water by increasing the efficiency of various agricultural inputs, in particular the input of irrigation water
- Aggressive a forestation and reforestation programmes with plantation suited to the looming climate change;
- Preservation of rangelands through proper rangeland management;
- Formulate National Climate Change Policy along with a Plan of Action as a follow up of the TFCC Report.
- communicate climate change related information to the intelligentsia as well as the general public to raising their awareness
- Capacity enhancement of all such organizations in the country which could make useful contribution towards addressing climate change.
- Forecasting of seasonal and inter-annual climatic changes and extreme events
- Insist that, based on the principle of equity, any cap on GHG emissions should be on a universal per capita level basis and apply equally to all countries

Source: Report of Taskforce on Climate Change, Planning Commission, 2010

Pakistan being amongst the least immune countries to its impacts has to bear the brunt of the effects of climate change. The country is already facing a number of challenges of environmental degradation, poverty and institutional weaknesses. Climate change makes these challenges more complicated, which deepens its vulnerability, thereby undermining its prospects for development. Poverty reduction and sustainable development remain core priorities of Pakistan and in this context climate change must urgently be addressed. Economic growth alone is unlikely to be fast or equitable enough to counter threats from climate change. An increasing concentration of Greenhouse Gases (GHGs) in the atmosphere due to the use of fossil fuels and other human activities has been causing the climate change, which has become a major worldwide concern. It is a phenomenon that is likely to impact almost every sector of Pakistan's economy.

Environmental Indicators and targets for the MDGs are fixed to steer the environmental development agenda in a meaningful manner. The targets are set, expecting that the required financial support would be coming from federal, provincial and development partners. Environment indicators and target for 2015 are presented in Table 14.1.

Table 13.1: Environmental Indicators and Targets (MDGs 2015)

ENVIRONMENTAL INDICATORS	2009-10	2015 MDG Targets
Forest cover including state-owned and private forest and farmlands (as percentage of the total land area)	5.1%	6.0%
Area protected for conservation of wildlife (as %age of total area)	11.3%	12.0%
GDP (at constant factor cost) per unit of energy use as a proxy for energy efficiency	27,600 MW	28,000 MW
No. of petrol and diesel vehicles using CNG fuel (000)	2,000	920*
Access to sanitation (national)%	50	90
Access to clean water (national)%	73	93
Number of continuous air pollution monitoring stations	7	--
Percentage of Sulphur (by weight) in high speed diesel	0.6	0.5 to 0.25

* Already achieved (>2.0 million)

Environment Challenges

- Efficient and effective integration of environment in development planning.
- Provision of safe drinking water to the population.
- Provision of access to sanitation facilities for all.
- Implementation of planned initiative with efficacy to increase forest cover and biodiversity, reduce land degradation.
- Preparedness for adaptation/mitigation due to climate change and to avail opportunities under CDM.
- Effluent treatment at source to avoid discharge of polluted industrial and domestic sewage to freshwater bodies and marine environment.
- Increase energy efficiency, with focus on conservation measures.
- Adaptation to the impact of climate change to energy, water and food securities.

Review of Past Performance/ PSDP 2010-11

There were around 40 projects under implementation through Ministry of Environment, Special Initiatives, Water & Power, Defense, Finance, KA&NA and Interior Division. The focus areas included capacity building, clean drinking water, biodiversity, air pollution control and watershed Management. It is further noted that PSDP allocation for Environment Sector for the fiscal year 2010-11 was Rs 2,500 Million, which was a sharp reduction from the previous year (Rs 3,500 Million). Besides, due to financial crunch, releases were inadvertently deferred which severely slowed down the realization of progress. Overall, the implementation remained weak mainly because of unavailability of required funds. The major initiatives/reforms undertaken were:

- Implementation of National Environment, National Sanitation and National Drinking Water Policies were pursued.
- Planning Commission's Task Force on Climate Change completed its report, delivering its guidelines for improving Climate Change adaptation and mitigation measures.
- Climate Change Policy has been finalized awaiting approval.
- Core group on Environment and Climate Change are regularly meeting for environmental integration in development planning.

Outlook for 2011-12

Environment Strategy

The environment strategy is guided by the Economic Growth Framework formulated by the Planning Commission whereby community involvement, public-private partnership and environmental related reforms are emphasized. The framework focuses on collaborative stakeholder involvement for ownership and transparency in its investment program whereby optimal outputs are envisaged with minimum financial inputs. The focus of environment strategy would be on:

- A holistic and integrated approach to address environmental challenges and opportunities in water and air pollution, and land degradation.
- The integration of environment in to development planning will be enhanced /strengthened through improvement in Environmental Impact Assessment and initiating Strategic Environmental Assessment (SEA) through National Impact Assessment Program (NIAP). This program to be implemented in a collaborative arrangement among Planning Commission, Ministry of Environment and IUCN Pakistan with the financial assistance from Netherlands.
- Adaptation Fund is proposed to be established to harness multiple opportunities available under climate change and enhance Carbon Credit earning under Clean Development Mechanism (CDM). So far 25 projects are approved and 10 are in pipeline for carbon trading with developed countries. A National Implementation Entity is being established to avail opportunities provided by the Adaptation Fund of UNFCCC addressing environmental degradation.
- Tackle desertification problems and promote sustainable land management interventions.
- Undertake integrated coastal zone, marine and inland water resources management planning.
- Reduce dependence on non-renewable forms of energy.
- Non-Government organizations as well as private sector and communities will be involved in planning and implementation stages.
- Efficient monitoring of programs and interventions under the environment sector.

- Involvement of private sector and NGO's in specific relation to Public Private Partnership for effective and efficient conservation and management of natural resources.
- Piloting eco-friendly/green city concept.
- Conversion of Environment Section into a permanent Section in the Planning & Development Division.

Environment Programs

During 2011-12, environment programs/projects will contribute towards achievement of the MDGs targets. Due to financial crunch in the last two years, environment could not receive desired allocations. Some of the important programs are discussed as follows:

- Capacity building of the environment related institutions and human resource development is focused in a manner to cater for the needs of effective implementation of the environment programs at federal as well as provincial levels.
- Traditional hazards arising from poor water supply, sanitation and hygiene continue to be the predominant environmental risks to quality of life and health of the citizens. Close and multiple connections underscore the need for sustainable water supply and sanitation (WSS) investments and people-centered management. There have been no surprises in the Clean Drinking Water for All Programme, lagging behind as before. Therefore, effective and timely implementation of the programs has to be taken up by the provinces, regions and territories for any reasonable benefits.
- There exists a wider consensus in all provinces and territories that a wood-biased approach would not be able to achieve the desired objectives of effective forest ecosystem management at national level. A holistic ecosystem approach of forest management also safeguards other functions including water and soil conservation, wildlife protection, carbon sequestration, etc. The target of forest cover of 6% by 2015, as committed in Millennium Development Goals will be pursued with a commitment of forestry development programs by the provinces.
- The major cities show high concentration of suspended particulate matter PM2.5 which has reached the level, 2 - 3.5 times higher than the safe limit i.e. 35 ug/m3. Climate change affects almost all the socio-economic sectors of our society particularly water resources, energy, health, biodiversity, with a major impact on agricultural productivity. Adequate measures for air pollution control, mitigation and adaptation to climate change impacts will be undertaken. Early warning system and establishment of seismic network in Pakistan would be strengthened and activities started would be furthered for better preparedness to meet the challenges of natural calamities.
- Environmental improvement of polluted rivers and other water bodies to reduce pollution impacting lives of the people living nearby and contaminating downstream water and agricultural resources could not be undertaken due to various factors. However, efforts will be continued to formulate and implement projects for the purpose. Environmental rehabilitation of affected areas due to tanneries effluents through water supply and drainage as well as rehabilitation of existing projects will be facilitated.
- Energy use in various energy consuming sectors of economy continues to be characterized by a high degree of waste and inefficient use. Conservation and efficient use of energy resources will be pursued for mitigating energy

shortages in the short run, but the overall goal would remain greater productivity and value added per unit energy used.

Provincial Programs

It is foreseen that Forestry Sector Development program for carbon sequestration, clean drinking water program, environmental monitoring, watershed management program, sustainable land management program, sanitation program will be taken over by provinces through the ADP's to continue the effort for sustainable development.

Chapter 14

Poverty Reduction

Poverty is defined as human conditions that reflect failure in many dimensions of human life such as hunger, malnutrition, inadequate shelter, ill health, lack of education, powerlessness, social exclusion and so on. To ensure comparability of poverty estimates over time, official poverty line was determined in 2002, based on basic needs inclusive of a caloric intake of 2,350 calories per person per day, which translated into a poverty line of Rs 673 per month in 1998-99 prices. Poverty line is adjusted at the time of poverty estimation after accounting for inflationary impact in intervening years. Official estimates on poverty showed 22.3% of population lived below the poverty line in 2005-06 with a poverty line of Rs 944 per month. Poverty estimates will be updated on completion of Household Integrated Economic Survey for 2010-11, being conducted by the Federal Bureau of Statistics.

Results of the latest Pakistan Social and Living Standards Measurement (PSLM) Survey 2008-09 released by the Federal Bureau of Statistics show that the literacy rate (for people aged 10 years and above) rose from 53% in 2004-05 to 57% in 2008-09, Gross Enrolment Rate (GER) at primary level rose from 86% in 2004-05 to 91% in 2008-09, GER for girls also increased from 77% in 2004-05 to 83% in 2008-09. Results for the health sector show that full immunization of children (aged 12-23 months), based on record and recall has increased from 77% in 2004-05 to 78% in 2008-09 only. Overall 58% of pregnant women visited health facility for pre-natal consultations in 2008-09 compared to 50% in 2004-05. Piped water as the main source of drinking water was available to only 35% of population in 2008-09 as compared to 34% in 2004-05.

The United Nations Development Programme (UNDP)'s Human Development Report, 2010 ranks Pakistan at 125[th] out of 169 countries under the Human Development Index (HDI) based on health (life expectancy at birth), education (years of schooling) and gross national income (GNI) per capita. Pakistan's HDI value is 0.490 out of 1 as against South Asia's average HDI value of 0.516 and World's average HDI value of 0.624.

Challenges

The major challenges that are hindering the efforts for poverty alleviation are:

- Low economic growth rate due to law and order problems and energy shortages resulting in lesser employment opportunities for the increasing population (2% per annum) with more people coming into the labor force (3.5% per annum). GDP growth remained at 3.7% in 2007-08, 1.7% in 2008-09, 3.8% in 2009-10, and 2.4% in 2010-11.
- Low tax to GDP ratio (10% in 2009-10), resulting in large fiscal deficit and a smaller fiscal space for budgetary allocations for social sector development and poverty reduction programs.
- High rate of inflation due to international petroleum and commodity prices and loss of crops and livestock by 2010 floods resulted in raising the cost of living.

The consumer price index (CPI) rose by 12% in 2007-08, 20.8% in 2008-09, 11.7% in 2009-10, and 14.1% in July-April, 2010-11.

- Catastrophic floods of 2010 have affected over 20 million people and caused damages of US$10 billion to the economy as per estimates of the World Bank and Asian Development Bank. It destroyed infrastructure, standing crops, small businesses, and livelihood sources of the poor and vulnerable persons. Law enforcement operation against miscreants is also impacting negatively on economy and poverty situation in the country.

Poverty Reduction Strategy

The major thrust of poverty reduction strategy is based on the following:

- Inclusive and sustained high economic growth
- Rehabilitation of 2010 flood affected families
- Support for small and medium enterprises
- Facilitating expansion of microfinance facilities
- People's works programme
- Protecting the poor and vulnerable (Social Protection Programs)
- Social welfare activities
- Enhancing pro-poor budgetary expenditures
- Skills development (presented in Chapter 7)
- Human resources development (education, health & nutrition and population are separately presented in chapters 15 and 16)

Initiatives for Poverty Alleviation

Inclusive and Sustained High Growth

With a population of 172 million in 2009-10 and 2% annual growth rate, approximately 3.5 million people are being added to the population annually. Based on employment elasticity of about 0.5, a sustained GDP growth of 7% is required to absorb the annual additions (3.5%) to the labor force. Moreover, macroeconomic stability is critical to protect the poor and vulnerable from rising prices of essential goods and services.

Government is aware that poverty cannot be tackled through economic growth alone. Growth should contribute to poverty reduction by creating employment opportunities for poor through active participation in economic activities. This aspect is being emphasized in the Economic Growth Framework prepared by the Planning Commission for sustainable economic growth.

Rehabilitation of 2010 Flood Affected Families

The catastrophic floods of 2010 had a tremendous negative impact on the economy. Table 14.1 gives region-wise damages caused by the floods of 2010.

Table 14.1: Floods 2010 Damages by Region

(Rs Billion)

Province/ Area	Damages
AJK	7
Balochistan	53
FATA	6
Federal	93
Gilgit Bultistan	4
Khyber Pakhtunkhwa	100
Punjab	219
Sindh	373
Total	**855**

Source: National Flood Reconstruction Plan 2010, Planning Commission

Providing permanent shelter to the displaced and homeless people is the government's top priority. The 2010 floods affected over 20 million people, destroyed or damaged 1.61 million homes and rendered 7.3 million people without shelter. The flood reconstruction presents the single most important opportunity for promoting growth and reducing poverty. The reconstruction will revive livelihoods and promote growth, create employment opportunities for the affected people and reduce poverty substantially. Flood Reconstruction Plan amounts to Rs 613 billion, including payment of Rs 161 billion for citizen damage compensation for construction of houses at the rate of Rs 100,000 for each of the 1.61 million households and Rs 16 billion for subsidies on agricultural inputs. The distribution of cash assistance to the flood affected families was carried out through Watan Cards based on verification of beneficiaries by the provincial governments and authentication by NADRA. An amount of Rs 28.9 billion has been distributed among 1.533 million flood affected families by March, 25, 2011.

Small & Medium Enterprises (SMEs)

SMEs contribute approximately 30% to GDP, 35% to manufacturing value-add, 25% to exports, and employ 80% of the non-agricultural labor force. SMEs are promoted by creating a conducive and facilitating environment for enhancing their capacities and competitiveness. SMEDA organizes training programs, seminars, workshops and conferences in major cities across the country for raising awareness and capacity building of SMEs. These programs are aimed at improving knowledge, skills and competencies in the technical, marketing, financial, regulatory, legal, commercial and other important fields. They also help to improve major performance indicators such as productivity, quality, competitiveness and sustainability. The results will include improvement in export potential, investment promotion, business transparency, human resource development, and managerial capacity building.

SMEDA is also involved in development of clusters. Clusters are geographical concentration of enterprises which produce and sell a range of related or complementary products and are, thus, faced with common challenges and opportunities. Cluster development is basically supporting and strengthening the clusters by creating networking among the stakeholders to reduce the cost of doing business, bringing them on a single platform for more voice among policy makers, create new business opportunities, reducing risk of doing business and capacity building of enterprises.

Microfinance

Microfinance is recognized as an effective tool to pull the poor and vulnerable out of poverty and vulnerability. Access to microfinance (which includes a range of financial services such as credit, savings, and insurance) expands opportunities by providing access to capital to the low income and marginalized people and increases their incomes and assets.

Microfinance providers include two segments: Microfinance Banks and Microfinance Institutions (other than banks like rural support programs). Table 14.2 shows major micro credit providers along with disbursements and number of loans in 2009-10 and July-December, 2010-11. During 2009-10, Rs 33.8 billion were disbursed and almost halve of this in the first six months of 2010-11.

Table 14.2: Position of Micro Credit Disbursements

Microfinance Providers	2009-10		2010-11 (July-December)	
	Number of Loans	Disbursements (Rs Billion)	Number of Loans	Disbursements (Rs Billion)
First Microfinance Bank Ltd	261,464	4.7	63,733	1.4
Khushhali Bank	373,430	4.9	171,487	2.3
Tameer Microfinance Bank	103,073	3.3	64,981	2.6
Kashf Foundation	111,009	2.1	39,329	0.9
National Rural Support Programme	591,991	10.4	290,129	5.1
Other Microfinance Providers	525,490	8.4	258,627	4.6
Total	**1,966,457**	**33.8**	**888,286**	**16.8**

Source: Microfinance Network

Peoples' Works Programs

Peoples Works Programs focus on development of farm to market roads, supply of safe drinking water, sanitation, education and health facilities to raise the quality of life as well as generate employment in rural areas. Total expenditure on people's works programs during fiscal year 2009-10 amounted to Rs 40 billion as against Rs 31 billion in 2008-09. Revised estimates for expenditure in 2010-11 are Rs 22.8 billion and Rs 33 billion have been allocated in the budget for 2011-12.

Social Protection

Benazir Income Support Program (BISP)

A major social safety net, Benazir Income Support Program (BISP) was initiated in 2008-09 with the primary objective of providing immediate relief to the poor. BISP provides cash grants of Rs 1,000 per month to females of each qualifying household having a monthly income of less than Rs 6,000 through banks and post offices. In addition, BISP has also disbursed Rs 8 billion during 2008-09 and 2009-10 (up to

December 2010) under "Emergency Relief Package" to almost 1.3 million victims of floods, bomb blasts, earthquakes and Internally Displaced Persons.

- **Performance of BISP during 2009-10**
  The poverty scorecard survey was launched in April 2009 in 16 districts and was completed in September 2009. In Balochistan, the poverty scorecard survey was carried out during May-June 2010, under "*Aghaz-e-Huqooq-e-Balochistan*". BISP disbursed Rs 32 billion in 2009-10 to 2.55 million beneficiaries compared to Rs 15.8 billion to 1.76 million beneficiaries in 2008-09.

- **Performance of BISP during 2010-11**
  The first ever nation-wide poverty scorecard targeting survey was started in October 2010 in all districts of the country, including Azad Jammu and Kashmir (AJK) and Gilgit-Baltistan. The new system of targeting aims at a much higher degree of objectivity, using international best practices, to minimize inclusion and exclusion errors. The use of GPS (global positioning system) devices has also been made mandatory in this phase to uphold the dignity of households by conducting the survey at their doorsteps. More than 70% of the country has been surveyed. Survey in the entire country is planned to be completed by end June, 2011. Disbursements of BISP during 2010-11 (up to 31st March, 2011) amounted to Rs 20.3 billion to 2.81 million beneficiaries.

  BISP has also launched following initiatives for its beneficiaries during 2010-11 with a view to enabling its beneficiaries to exit from poverty trap.

  - ***Waseela-e-Haq***
    Microfinance/soft loans up to Rs 300,000 for setting up of small businesses are being provided to beneficiary families. Every month a ceremony is held to select beneficiaries through a computerized random draw. 20 draws have been held to date and almost Rs 50 million have been disbursed among the selected beneficiaries.
  - ***Waseela-e-Rozgar***
    BISP plans to provide technical and vocational training to one member per beneficiary family to help them secure their livelihood. The initiative is already underway on pilot basis in Karak and Bannu and will soon commence in other provinces.
  - ***Waseela-e-Sehat***
    Life insurance cover of Rs 100,000 has been provided to the bread winners of one million beneficiary families since January 1, 2011 while Health Insurance for all beneficiary families is also being launched shortly on pilot basis in four (4) districts.

- **Plans/programmes for 2011-12**
  - Completion of nation-wide poverty scorecard survey in all districts of Pakistan, covering almost 25 million households;
  - Identification of 7 million beneficiary families;
  - Setting up of a "National Registry" to facilitate data sharing among relevant government agencies, research institutes, civil society organizations, academia and donors, etc.;
  - Monthly cash transfers of Rs 1,000 per month to 7 million families;

- Large scale replication of innovative payment mechanisms for the poor (e.g. Smart Cards, Phone-to-Phone Banking, etc.);
- Launching of a conditional cash transfer program to support co-responsibility for education of children of beneficiary families;
- Provision of life insurance cover to the bread-winners of 7 million families;
- Provision of demand driven training, in over 60 fields, to one person each from 150,000 families;
- Provision of health insurance to seven million families; and
- Provision of micro-finance to 28,000 families.

Pakistan Bait-ul-Mal (PBM)

PBM is working since 1992 and implementing various social safety net programs in Pakistan. PBM grants financial assistance to deserving people under its Individual Financial Assistance (IFA) scheme. PBM disbursed Rs 58 million to 5,341 beneficiaries in 2009-10 and Rs 125 million to 3,176 beneficiaries in 2010-11. PBM has also distributed 6,191 sewing machines and 4,985 bridal suites amongst the poorest segment of society during 2010-11 (till 31st March, 2011).

PBM has established 157 free vocational training centers for widows, orphans and poor girls in different skills. Since inception, an amount of Rs 476 million has been utilized. PBM also runs 158 National Centre(s) for Rehabilitation of Child Labor (NCRCL) with 19,372 students. An amount of Rs1,400 million has been utilized since inception of these centers.

Under Child Support Programme (CSP), cash incentive is being paid to the beneficiaries at the rate of Rs 300 per month with one child and Rs 600 per month with two or more children. PBM is also establishing Orphanages called as "Pakistan Sweet Homes. Besides, PBM has spent Rs 522 million and Rs 40 million on providing food and non-food items to the internally displaced persons in Khyber Pakhtunkhwa and the flood affectees of Hunza Valley, Gilgit respectively.

Employees' Old Age Benefits Institution (EOBI)

Employees' Old Age Benefits Institution (EOBI) provides monetary benefits to old age workers through different programs including Old Age Pension, Invalidity Pension, Survivors Pension and Old Age Grants. Disbursements by EOBI along with number of beneficiaries in 2009-10, 2010-11 (July-March) and 2011-12 (projection) are given in the table 14.3. In total Rs 6.4 billion were disbursed in 2009-10 which increased to Rs 7 billion in first nine months on 2010-11. Next year disbursement is expected to be Rs 10.9 billion.

Table 14.3: Disbursements by Employees ' Old Age Benefits Institutions (EOBI)

(Rs Million)

Programs	2009-10		2010-11 (July-March)		2011-12 (Projection)	
	Disbur-sements	Benefi-ciaries	Disbur-sements	Benefi-ciaries	Disbur-sements	Benefi-ciaries
Old Age Pension	4,156	197,216	4,425	208,334	6,894	235,577
Invalidity Pension	96	4,893	148	5,135	228	5,756
Survivors Pension	2,149	106,369	2,452	113,060	3,748	125,577
Old Age Grants	21	1,774	25.951	1,452	39	2,160
Total	**6,422**	**310,252**	**7,050**	**327,981**	**10,909**	**369,070**

Source: Employees ' Old Age Benefits Institutions (EOBI)

Zakat

Zakat is one of the five basic tenets of Islam. The system of Zakat was introduced through an Ordinance in 1980. Zakat fund is collected by the Government and utilized for assistance to the needy, the indigent and poor, particularly orphans, widows, and the handicapped. Assistance from Zakat is provided through various schemes such as Guzara Allowance, Educational Stipends, Health Care, Social Welfare/Rehabilitation, Eid Grants and Marriage Grants. Total Disbursements through Zakat amounted to Rs 5.1 billion to 1.1 million beneficiaries in 2009-10. Zakat funds amounting to Rs10.5 billion have been released during 2010-11. This includes Rs 4.1 billion for rehabilitation of flood affected persons in Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Federally Administered Tribal Areas and Gilgit Baltistan

Workers Welfare Fund

Workers Welfare Fund was established under Workers Welfare Fund Ordinance, 1971 with one time initial contribution of Rs 100 million by the Government. It finances housing projects and other welfare measures for the workers, such as, education scholarships, training, re-skilling, apprenticeship, marriage grant and death grant. Workers Welfare Fund disbursed Rs 1,198 million to 17,836 beneficiaries in 2009-10 and Rs 963 million to 22,127 beneficiaries in July-December, 2010-11.

Social Welfare Activities

Policy and Strategy

Social Welfare Policy 1994, National Policy for Persons with Disability 2002 and National Social Protection Strategy (2007), provincial policy framework for social welfare activities in the country, determines two main strategic interventions namely i) social protection and ii) social mitigation. These broad interventions concern protection, welfare, empowerment and rehabilitation of the poor and vulnerable, children, women, elderly, persons with disabilities and socially excluded people. These programs to be implemented at federal and provincial level provide them an access to basic education, health, income generation training, skills, through integrated social welfare services and resource mobilization through public private partnership.

The social protection program emphasizes on:

- Addressing cross sectoral social concern to effectively implement National Social Protection Strategy consistent with the post 18th amendment scenario.
- Robust targeting, coverage and delivery mechanism for adequacy of the Cash Transfer Program benefits and services.
- Establishing a monitoring and evaluation system for analyzing social protection programs at federal level.
- Provision of social care services for rehabilitation and empowerment of the targeted families at community level.

Following programs are being considered to improve social welfare services, implementation and management:

- Establishment of central repository of up dated information on nature and extent of various social welfare needs and requirements of poor and vulnerable segment of population and also of stakeholders, NGOs, corporate sector organizations and funding agencies. It may also include small grant programs, available public and private sector services for women, children, youth, elderly, patients and disability etc.
- Achieving sustainable community development through promoting public private partnership and NGOs support.
- Appropriate and judicious utilization of indigenous philanthropy, Pakistan Baitul Mal (PBM) and Zakat funds for social welfare and rehabilitation programs at the federal level and support to provincial departments.
- Capacity building and strengthening of social welfare institutions and provincial social welfare departments.
- Integrated and coordinated efforts by the federal and provincial social welfare institutions for provision of effective social welfare services.

Review of 2010-11

The overall social welfare covered four major areas, special education, social welfare, NGO's support and staff welfare. The performance of the ongoing projects given as under:

Financial

During the year 2010-11, 27 schemes of social welfare with PSDP allocation of Rs 106.5 million remained in progress. Rs 104.7 million are estimated to be utilized. The projects wise detail is summarized in Table 14.4.

Table 14.4: Allocation and Expenditure on major programs during 2010-11

(Rs Million)

Categories	No. of Projects	Total cost	Allocation 2010-11	Expenditure up to June 2011
Special Education	19	439.2	85.0	85.1
Social Welfare	04	163.9	10.8	10.6
NGOs' Support	02	74.0	4.11	4.11
Staff Welfare	02	30.4	6.5	4.7
Total	27	707.6	**106.5**	**104.7**

The special education & rehabilitation is managing 90 special education centers. The centers provide training and rehabilitation to children who are visually handicap, hearing impairment, mentally retarded and physically handicapped. Community development social services to the needy and vulnerable communities in under developed areas are being provided through six projects. A grant of Rs 23.0 million extended to 100 NGOs operating at grass root level. Social welfare mainly provision of MCH services and vocational trainings through 18 centers and serving about 20,000 peoples. The consolidated summary of the physical achievements are given in Table 14.5.

Table 14.5: Physical Achievements

Projects Categories	No. of Projects / Centers	Beneficiaries
Special Education & Rehabilitation	90 centers	7,000
Community Development	30 centers	15,000
Social Services Medical Centers	18 centers	20,000
NGOs Grant for Welfare of the Needy and Vulnerable People	03 projects	100 NGOs
Staff Welfare Services	2 projects	800

Outlook for 2011-12

New Policy Initiative and Reforms

The policies, strategies and programmers of the social welfare sector are likely to undergo focused implementation and integrative services provision by the provincial government. More value added focus on efficiency of social welfare initiatives based on analysis of impact of social welfare services and new feasible initiatives.

- Review social welfare initiatives in the country for their impact in reducing poverty social welfare policies and strategic initiatives of the federal and provincial governments for equitable development of all federating units including Azad Jammu & Kashmir & Gilgit-Baltistan.
- Reporting on Millennium Development Goals.
- Monitor reporting on social welfare initiatives as emerging from International commitments, treaties, conventions and allied instruments.
- Integration of social welfare as part of macroeconomic framework.

PSDP 2011-12

The Federal Government will continue two social welfare schemes with an allocation of Rs 37.6 million in PSDP 2011-12. The two projects for staff welfare organization at a cost of Rs 30.4 million with an estimated allocation of Rs 4.5 million would remain to be continued. The other 18 projects are provincial nature including education, training and rehabilitation of persons with disabilities, community development and inclusive education.

Pro-poor Budgetary Expenditures

A system has been developed for tracking budgetary pro-poor expenditures (federal and provincial) under 5 major sectors: market access and community services, human development, rural development, safety nets and governance. Budgetary expenditures recorded an impressive growth of 13.7% from Rs 977 billion in 2008-09 to Rs 1,111 billion in 2009-10 (7.5% of GDP), well above the requirement of 4.5% of GDP prescribed in Fiscal Responsibility and Debt Limitation Act 2005. The poverty related expenditures for 2010-11 are estimated at Rs 1,326 billion (7.3% of GDP) and increased by 19.4% over the previous year. These expenditures are expected to increase by 15.7% to the tune of Rs 1,534 billion (7.2% of GDP) in 2011-12. Detail is given in Annex 14.1.

Annex 14.1

Pro-poor Budgetary Expenditures

(Rs Million)

Sectors	2009-10	2010-11 Estimate	2011-12 Projection
Market Access & Community Services	**123,915**	**109,337**	**134,574**
Roads, highways & Bridges	98,456	88,369	110,461
Water Supply & Sanitation	25,459	20,968	24,114
Human Development	**360,972**	**463,276**	**555,932**
Education	259,525	341,531	409,837
Health	94,399	115,861	139,034
Population Planning	7,048	5,884	7,061
Rural Development	**167,367**	**160,518**	**198,292**
Agriculture	104,815	120,327	144,392
Land Reclamation	1,990	2,399	2,879
Rural Development	20,391	15,018	18,021
Peoples Works Programme-I	8,417	5,000	5,000
Peoples Works Programme-II	31,754	17,775	28,000
Safety Nets	**303,863**	**412,758**	**429,327**
Subsidies.	234,926	225,877	191,995
Social Security & Welfare	54,561	64,448	96,672
Natural Calamities & Other Disasters	12,548	120,489	138,563
Low Cost Housing	1,828	1,944	2,097
Governance	**154,635**	**179,800**	**215,760**
Justice Administration	10,996	13,227	15,873
Law and Order	143,639	166,573	199,888
Total	**1,110,752**	**1,325,690**	**1,533,885**
GDP at Market Prices (Rs Billion)	14,836	18,063	21,173
As % of GDP	7.5%	7.3%	7.2%

Source: Finance Division (PRSP Secretariat) and Planning Commission

Chapter 15

School and College Education

Efforts are underway to achieve Millennium Development Goals, Education for All (EFA) and improving quality of education at all levels. Major challenges faced by the education sector are briefly described as under.

- Large stock of out of school children
- Poor quality of education
- Financial constraints
- Lack of coordination amongst stakeholders
- Inadequate supervision and monitoring

Strategy

Under 18th amendment education has been devolved to provinces. More funds have been provided to them through 7th NFC award. Every province emphasizes provision of access to quality education at all levels to achieve MDGs and EFA. The following innovative approaches and reforms have been adopted for development of the education sector:

- Elementary education and literacy have been allocated adequate resources to achieve the targets of Universal Primary Education (UPE) and to improve Gender Parity Index (GPI).
- Facilities related to computer, technical and science education are being provided under various projects.
- Waiver of tuition fee up to secondary level.
- Provision of scholarships to talented and needy students
- Improvement in examination system for quality assurance
- Community involvement through Education Foundations for promotion of literacy and basic education;
- Public-Private-Partnership (PPP), active support of private sector and NGOs ;
- Pro-poor policies of providing food items, targeted cash transfers and free text books to all students and stipend to girls up to Secondary School level.
- Quality of education is ensured through enhancing capacity of Teachers Training Institutes under Canadian Debt Swap Projects.

Review of PSDP 2010-11

Financial

During the fiscal year 2010-11, an amount of Rs 2,867.8 million was provided in Federal PSDP for expansion and development of Basic and College Education. The Provincial governments allocated Rs 26 billion (Punjab, Rs 10.4 billion; Sindh, Rs 4.7 billion; Khyber Pakhtunkhwa, Rs 9.3 billion and Balochistan, Rs 1.6 billion) for school and college education.

Major Programs

Various new initiatives were taken up during the year under review. Education Sector Reforms (ESR) was provided Rs 250 million which was spent on provision of missing facilities to Primary and Middle schools, and establishment of Polytechnic Institutes at district level specially in under developed areas of Balochistan such as Muslim Bagh, Khanozai for boys and at Turbat for girls and at Gilgit in Gilgit-Baltistan for boys. Work on establishment of 13 cadet colleges remained in progress. Provision was also made for establishing new schools/colleges in Islamabad and consolidating existing schools, adding classrooms, and providing equipment and scholarships. National Education Foundation established community schools in the country at places where primary schools were not available within reachable distance. For capacity building of Teachers Training Institutions and training of teachers, Rs 1,080 million was spent under Canadian Debt Swap Projects.

Physical Achievements

The provisions of missing facilities have been completed in 180 schools during the year, whereas work on 50 schools is expected to be completed by June 2011. Province/Area-wise provision of missing facilities in 180 schools is shown in Table 15.1.

Table 15.1: Province/Area -Wise Provision of Missing Facilities in 180 Schools

Sindh	Khyber Pakhtunkhwa	Balochistan	AJK	Gilgit Baltistan	FATA	Total
50	32	26	22	25	25	180

Note: Excluding Punjab province as it had its own program

Introduction of M.Com classes at FG College of Commerce H-8/4, Islamabad and up-gradation of 5 Primary Schools to middle level remained in progress. A number of scholarships were provided to needy and talented students at all levels. Under a project 180 students of Balochistan and FATA were enrolled in quality institutions and provided scholarships. Work remained in progress on the four Polytechnic Institutes. To provide quality education, work on construction of 14 Cadet Colleges (detail given below) remained in progress:

Punjab: Okara, Pasroor, Choa Saiden Shah, Mianwali and Multan
Sindh: Ghotki
Khyber Pakhtunkhwa: Swabi
Balochistan: Zhob, Panjgur, Jaffarabad, Kohlu and Noshki
AJK: Muzaffarabad
Gilgit Baltistan: Chilas

During Financial year 2010-11 an amount of Rs 1 Billion was spent under Canadian Debt Swap projects on in-service training of 40,000 teachers, Head Teachers and Master Trainers. Provision of scholarships to 200 student-teachers, repair and maintenance of 25 Teachers Training Institutions is in progress. Academy of Educational Planning and Management (AEPAM) has provided training to 200 Principals, Head Teachers, District Education Officers and Educational Administrators for their capacity building. New Basic Education Community Schools were not established due to the process of devolution. However ongoing work continued.

The achievements of provincial education departments are given as under:

Punjab: Campaign for enhancement of literacy has been launched in Khushab, Khanewal, Mandi Bahauddin and D.G Khan. For promotion of Primary education for girls in rural areas, edible oil was provided with the assistance of World Food Programme. The revamping of existing science labs of 1,000 schools were completed. Work on construction of library rooms were completed in 450 elementary schools.

Sindh: For improving the quality of teachers, B.Ed classes were introduced at Provincial Institute of Teachers Education at Benazirabad. Early Childhood Education and early learning programmes were introduced in the province. Post graduate courses were introduced in degree colleges as well.

Khyber Pukhtunkhwa: Primary schools on need basis have been completed at 100 locations and 300 additional classrooms were also provided. Stipend to girls students were provided to reduce the dropout. Construction of library blocks, boundary walls and provision water facilities were completed in degree colleges of the province.

Balochistan: Fifty Primary schools were upgraded to middle level. Buildings were provided to shelter less primary schools. Rehabilitation of Government degree colleges, provision of residence facilities for lecturers remained under progress

Proposed Development Program 2011-12

Financial

An allocation of Rs 1,091.3 million has been made for the financial year 2011-12 for education related projects. This includes Rs 677.6 million for projects under Capital Administration and Development Division (CADD) and Rs 177 million for Teacher Training program under CIDA, Rs 59 million for projects of education in Cantonments & Garrisons under Ministry of Defence and Rs 1.7 million under Cabinet Division for printing of Comprehensive Biography of Faiz Ahmad Faiz in Urdu, Rs 82.3 million for Kashmir Affairs and Gilgit Baltistan Division, Rs 23.7 million for scholarship scheme in FATA under SAFRON Division and Rs 70 million for 3 scholarships schemes under Inter Provincial Coordination Division.

Major programs

- Degree colleges, for Boys at Sihala and Girls at Baharakahu, Islamabad would be established.
- The construction work on Provision of computer labs in 119 schools would be completed. The academic activities at Degree College for women at sector I-14, Islamabad is expected to start from September 2012.
- An allocation of Rs 177 million under Canadian Debt Swap has been made for capacity building of Teacher Training Institutes at Islamabad, AJK, Gilgit-Baltistan and FATA.

- An allocation of Rs 93 million has been made for provision of scholarships including scheme for providing quality education to the students belonging to Balochistan and FATA for studying in quality institutions of other provinces and 3 schemes under Inter Provincial Coordination Division.

Chapter 16

Health, Nutrition and Population

16.1 Health

Health holds a key position towards prosperity and reduction of poverty and contribution to national economic growth. In Pakistan, health sector investments are viewed as part of the government's poverty alleviation endeavor. The basic indices of health have changed little over the last decades and no steady and significant improvement observed over the years. The contribution of malnutrition, diarrhea, acute respiratory illness (ARI) and other communicable and vaccine preventable diseases account for two-thirds of the child mortality rate (CMR) and infant mortality rate (IMR). Pakistan suffers from an unacceptably high infant and maternal mortality, a double burden of diseases, and inadequate facilities with pace of population growth. Slow progress in the indicators of maternal health, child health and their morbidity and mortality are major concerns in the progress towards achieving Millennium Development Goals.

The level of investment in health by the government has remained static and kept lower than the countries of the same economic level and even lower than the SAARC countries. This has not even increased to 0.7% of GDP for the last two decades which is still very low. Foreign assistance presently is 7% of total government allocation. 75% of health financing is out-of-pocket, whereas private sector is catering to 80% of health care delivery.

Economic Growth Framework

Economic Growth Framework formulated by the Planning Commission recognizes health and healthy nationals being driving force for boosting economic activity. In Pakistan public investment has not yielded the level of economic growth the country needs. Furthermore, government finances are a binding constraint. The government simply cannot afford to undertake large scale capital expenditure without hitting a financing constraint. PSDP will continue to decline and foreign financing is not assured. It is essential to create the space and incentives for the private sector to play the dominant role in provision of effective and affordable health care services. Role of Government is perceived as to move away from activities that compete with the private sector. It will provide public goods wherever the social rate of return is higher than the private rate of return. The government will administer a well designed and transparent set of rules governing private economic activities.

Health Policy

The draft Health Policy 2010 envisages a long term vision to reorient the health system endorsing the concept of health for all strategy albeit - a health system that: is efficient, equitable & effective to ensure acceptable, accessible & affordable health services. It will support people and communities to improve their health status while it will focus on addressing social inequities and inequities in health and is fair, responsive and pro-poor, thereby contributing to poverty reduction.

The draft Health Policy envisages health as a right as envisioned in the Constitution of Pakistan and will be driven by the following key principles:

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

The overall goal of the policy is ***to improve health status of the people of Pakistan*** by achieving the policy objectives mentioned below and it is envisaged that it will also help Pakistan to make progress towards health related MDGs:

- Enhancing coverage and access of essential health services especially for the poor;
- Measurable reduction in the burden of diseases especially among vulnerable segments of population;
- Protecting the poor and under privileged population subgroups against catastrophic health expenditures and risk factors;
- Strengthening health system with focus on resources;
- Strengthening stewardship functions in the sector to ensure service provision, equitable financing and promoting accountability;
- Improving evidence based policy making and strategic planning in the health sector.

Health Strategic Priorities

- Strengthening of primary health care with necessary back up support in rural areas where all health outlets will function as focal point for family planning services. The BHUs/RHUs will be made integral part of the Health System through LHWs. Participation of private sector shall be encouraged in this regard.
- Communicable disease control: Eradication of poliomyelitis, improving immunization, prevention and control of tuberculosis, hepatitis and HIV/AIDS, and improvement of surveillance and the diseases early warning system will be addressed through the different national health programs.
- Improvement of mother and child health through capacity building at local and referral levels, training and placement of skilled personnel, including women Medical Officers in BHUs/RHCs for family planning , reducing neonatal and perinatal mortality , provision of emergency and obstetric care.

- Non communicable diseases: strengthening the new tripartite initiative on non communicable diseases by the Federal Ministry of Health, WHO and World Bank, focusing on lifestyles and nutrition,
- Functional integration of Population and Health Sectors and Integration of National programs together through establishment of efficient Health Information, and Disease Surveillance System.
- Enhanced mobilization of financial resources i.e. 2% of GDP in Public Sector.
- Protection of poor against catastrophic expenditure.
- Access of the poor to affordable quality drugs.
- Initiate social protection/ social health insurance to assure provision of quality & affordable health care to the poor nationwide.
- Social determinants of health: healthy environment, health awareness community-based initiatives, strengthening linkages with health-related ministries, gender mainstreaming.
- Health sector reforms including service structure of doctors/ paramedics and adequate remuneration package.

Review of Health PSDP 2010-11

During 2010-11, an amount of Rs 13.8 billion was provided in Federal PSDP in health sector. Rs 6.6 billion has been utilized against the releases of Rs 11.4 billion by end of April 2011. To improve health status of the people and to reduce burden of diseases the following programs and projects remained under implementation:

National Programme for Family Planning and Primary Health Care: The program has recruited about 109,000 Lady Health Workers (LHWs) to date. More than 60% of total population and 76% of target population stands covered by LHWs. Out of 30 million children, about 16 million are immunized by LHWs during National Immunization Days (NIDs). Similarly in high risk districts out of 5 million target women, 4.5 million are vaccinated by LHWs. Their role in improving mother and child health is by now well recognized.

Malaria Control Program: Malaria is the 2nd most prevalent and devastating disease in the country and has been a major cause of morbidity in Pakistan. More than 90% of disease burden in the country is shared by 56 highly endemic districts, mostly located in Balochistan (17 out of 29 districts), FATA (7 agencies), Sindh (12 districts) and Khyber Pakhtunkhwa (12 districts). More than 40% of the reported cases from these districts are due to falciparum malaria which is more dangerous form of malaria. Federally Administrated Tribal Areas (FATA) is the second highest malaria affected belt of the country which accounts for 12-15% of the total case load of the country. National strategy for Malaria Control is based on the following 6 key RBM elements.

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

TB Program: Pakistan is 6th amongst 22 high disease burden countries. National TB Control Program (NTP) has achieved 100% Directly Observed Treatment

System(DOTS) coverage in public sector and in the last five years NTP and partners have provided care to more than half a million TB patients in Pakistan. Although the global targets of 70% case detection has not been achieved. There are areas where NTP has to improve each as suspect management, contact management, quality bacteriology services, engaging all care providers through public private partnership and inter-sectoral collaboration, monitoring and supervision, research for evidence based planning and advocacy communication and social mobilization (ACSM).

HIV/AIDS Control Program: The major focus of the program is on behavior change communication (BCC), services to high-risk population groups, treatment of sexually transmitted infections (STIs), supply of safe blood and capacity building of various stakeholders. Till date 4,500 HIV positive cases have been reported to the National and Provincial AIDS Control Programs .It includes 2,000 full blown AIDS cases. Around 1080 are receiving free treatment through 12 AIDS Treatment Centers.

National Maternal & Child Health Program: National Maternal & Child Health Program has been launched by the government in order to improve Maternal and Neonatal Health services for all particularly the poor and the disadvantaged at all levels of health care delivery system. It aims to provide improved access to high quality Mother and Child Health and Family Planning services, train 10,000 community Health and Nutrition Women Workers, comprehensive Emergency Obstetric and Neonatal Care (EMONC) services in 275 hospitals/health facilities, provide basic EmONC services in 550 health facilities, and family planning services in all health outlets.

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

During the year 2010-11, 7 million children of 0-11 months and 6.5 million pregnant ladies were immunized against 7 deadly diseases and tetanus oxide respectively. 19 million packets of ORS were distributed. Under the preventive program, about 8.5 million children will be immunized and 25 million packets of Oral Rehydration Salt (ORS) will be distributed during 2011-12. Routine coverage is regarded as the basis of child protection.

Prime Minister's Program for Prevention and Control of Hepatitis in Pakistan (2005-10): The program was launched in 2005; by the Prime Minister to meet the challenge posed by the high prevalence of viral hepatitis in the country. The program aims at 50% reduction in new cases of hepatitis B and C by 2010 through advocacy and behavior change communication, hepatitis B vaccination of high risk groups, establishment of screening, diagnosis and treatment facilities in 150 teaching and DHQ hospitals, Safe Blood Transfusion and prevention of hepatitis A and E.

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

Outlook of Health PSDP 2011-12

In pursuance to 18th Amendment to the Constitution, after abolishment of Concurrent Legislative List, Ministry of Health shall stand devolved/transferred to the provinces after 30th June 2011. From 2011-12, provincial projects/programs will be shifted to the provincial governments. Upon request of provincial governments and pursuant to decision of CCI, vertical programs/projects being implemented under directives shall be continued to be funded by Federal Government.

An amount of Rs 22.96 billion has been proposed in Federal PSDP 2011-12 for different preventative and curative programs in health sector. Physical Targets and achievements for 2010-11, and Targets 2011-12 and allocation of funds to prioritized health programs 2010-11 & 2011-2012 are given at annexure 16.1 and 16.2.

Provincial Government Perspective

Health is provincial subject. Provincial governments implement standardized service delivery package through effective implementation of minimum service delivery standards ensuring regional equity in development portfolio. There is focus on preventive health care through inter-sectoral coordination and regular health education/ promotion. The strategic interventions in health sector adopted by the provinces and reflected in respective ADPs include greater focus on preventive health care & attainment of MDGs, focus on rural health centers and secondary level health care, need based & result oriented allocation for tertiary health care with granting autonomy & formation of health boards, improved diagnostic facilities. Some new strategic initiatives undertaken by Government of Punjab are:

- Mobile Health Unit system at tehsil level to make up for deficiencies at static coverage;
- Emergency Services Block at DHQ Hospitals;
- Establishment of Centre of Excellence like Rawalpindi Institute of cardiology;
- Initiative on social protection/ social health insurance

16.2 Nutrition

Balanced food and its bio-availability provide basic nutrients for growth and development and have impact on individuals' physical, social and mental health, labor productivity, consequently socio-economic development of the country. There has been little progress in improving nutrition outcomes over the last two decades. The country suffers from high rates of malnutrition especially among children and mothers. About 38% of children under five years of age are underweight and 12% severely underweight. One in four children is born with low birth weight, which reflects inadequate nutrition for women during adolescence and pregnancy. In addition, micronutrient deficiencies such as iron, iodine, zinc and vitamin A are widespread, particularly among pre-school children and pregnant women.

The Economic Growth Framework prepared by the Planning Commission envisages adequate food and nutrition provision to ensure reduction in malnutrition for socially active and economically vibrant life of individual to participate growth of the country. This would be through a multi-sectoral cost effective approach to address nutritional issues by integrating & creating linkages and enhancing nutritional awareness up to gross root level.

Sectoral Policy: Sectoral policy envisages multi-disciplinary nutrition interventions in allied sectors to achieve the nutrition related Millennium Development Goals (MDGs-2015) targets. The nutrition indicators of eradicating extreme poverty and hunger are; (a) prevalence of under weight children under five and (b) proportion of population below minimum level of dietary energy consumption.

Strategy: Healthy life can be achieved by providing basic food and nutritional needs of the population, and government priority is to maintaining food self sufficiency and availability up to household level.The provision of food and nutrition interventions at all levels is the strategy with better coordination, monitoring and management mechanism in line with Economic Growth Framework. The existing infrastructure in different sectors will be utilized for nutrition interventions to reach targeted population groups. The targets and goals in the Economic Growth Framework would be through coordination mechanism, and developing capacity to deal with food and nutrition problems at Federal, Provincial and District level in public and private sector such as health, food, education, agriculture, industry, social welfare and mass awareness etc.

Review of Nutrition PSDP 2010-11

Financial: Rs 14 million were allocated in the PSDP for the year 2010-11, out of which Rs 7 million has been released for on going programs, Establishment of Reference Laboratory for Food Quality Control System and Improvement of Nutrition through Primary Health Care & Nutrition Awareness. The released amount is expected to be utilized. The expenditure is low due to lesser release of allocated funds for the development projects. However, outside PSDP nutritional activities like food fortification and supplementation continued in private sector.

Food Availability: The availability of major food items remained satisfactory during the year 2010-11 to meet the overall consumption requirements with a marginal increase in supply over the year. The average caloric availability during the year has been estimated at 2,420 per capita/day against the average requirement of 2,350 calories. The supply of calories is above the average Recommended Daily Allowance (RDA) and actual household food consumption. The availability of essential food items over the period is briefly given in the table 16.1.

Table 16.1: Food Availability kg Per Capita/Year

Year	Cereals	Pulses	Sugar	Milk (Liters)	Meat	Edible Ghee/oil	Calories/ day (No.)	Proteins/ day(gms)
2009-10	158.8	6.8	26.1	93.7	20.5	12.6	2,415.0	71.5
2010-11 Estimates	158.7	6.7	26.5	94.2	20.9	12.6	2,420.0	72.0
2011-12 Target	160.0	7.0	27.5	95.0	21.5	13.0	2,450.0	72.5

Source: Planning Commission

Food Consumption: In spite of adequate production and availability of food items, the food consumption level as given by the expenditure surveys has shown a decline thereby indicating diminishing nutrient intake over time. Average caloric intake has reduced from 1,700 calories to 1650. Details are given in Table 16.2.

Table 16.2: Consumption of Major Food Items (PLMS-HIES) Kg per Capita/Year

Year	Wheat	Rice	Pulses	Sugar	Milk (Ltrs)	Fruits & Veg.	Meat	Edible Ghee/oil	Calories/ day (No.)
2005-6	97.2	12.0	2.4	15.6	78.0	57.6	6.0	9.6	1,700.0
2007-8	93.0	10.7	2.9	15.8	82.0	54.0	6.8	8.2	1,650.0

Source: PLMS, FBS

The expenditure on Food Basket in June, 2010 estimated Rs 1,350 per month while it increased to Rs 1,550 in the month of April 2011 per head according to national average consumer prices of essential commodities. Average increase per person comes to Rs 200 per month during this period impacting nutritional status.

Prospects for 2011-12

The availability of major food items will be maintained at 2,450 calories per capita per day to meet the nutritional requirements of the population by adopting Economic Growth Framework measures. Food based approaches for dietary enhancement of important nutrients to the vulnerable segment of population is being expanded to address malnutrition across sectors.

Programs

Major programs which are being taken to overcome nutritional problems in public and private sectors are briefly presented as under:

- Improvement of Nutrition through Primary Health Care and Nutrition Education and Awareness will be implemented to address general malnutrition and micronutrient malnutrition.
- Food Quality Control System Reference Laboratory will be completed at National Institute of Health (NIH), Islamabad.
- Micronutrient supplementation will continue to the targeted population through the primary health care system and lady health workers for the following nutrients;
  - Micronutrient supplementation to women of child bearing age;
  - Vitamin A supplementation to children less than five years of age;
  - Counseling for Exclusive Breastfeeding and supplementary feeding for infants;
- Micro-nutrient deficiency control program for Salt & Wheat in private sector will be expanded;
- Primary Health care staff will be trained on counseling of the Baby Friendly Hospital Initiative (BFHI) and Infant Young Child Feeding (IYCF) program;
- National Nutrition Survey 2011 will be completed during the year.

16.3 Population Welfare

Pakistan, currently with a population of 175[1] million, growth rate of 2.05% per annum and an annual addition of 3 million persons faces a challenge to address the issues of poverty reduction and economic development. Such an annual addition to the overall

[1] Estimates are based on the projections carried out by the team of representatives of the National Institute of Population Studies (NIPS), Federal Bureau of Statistics (FBS) and Planning Commission.

size of population, in the backdrop of low socio-economic indicators, not only dilutes the results of the development efforts but also creates unbearable level of demand on limited resources to meet the requirements of additional population. It also allows little progress in the field of social services such as Health, Housing, Clean Water, Food & Nutrition and Proper Sanitation. It is estimated that, population of Pakistan will reach to 210 million by 2020.

Based on present growth patterns and trends, the economy will not be able to sustain the growing population, and hardly any improvement in the quality of life seems possible even under the most favorable assumptions. This trend is, therefore, a matter of deep national concern and becomes a central issue in the overall planning perspective as well as poverty reduction strategy.

Rapid increase of population in the urban areas is contributing to the growth of slums, shanty towns, traffic congestion, and shortage of basic infrastructure and social services. This problem is becoming un-manageable and it is very difficult to expand urban services and facilities adequately to cope with the growing pressure of the increasing population. Beside other effects, it is creating law and order situation. The other population-related problem is the degradation of environment, which is not only affecting urban center but also the rural areas.

An estimated 26,000 maternal deaths occur annually in the country and the maternal mortality rate is estimated at 276 per 100,000 live births. The infant mortality rate is 78 deaths per 1,000 live births and under-5 mortality rate is 94 deaths per 1,000 live births.

Population concerns are central in the context of economic growth, poverty alleviation, employment generation, social harmony or individual quality of life (QoL). Conversely, sustainable development contributes towards containing the consequences of unavoidable population growth and facilitates demographic transition. Poverty is often accompanied by unemployment, malnutrition, illiteracy, low status of women, exposure to environmental risks and limited access to social and health services including family planning and reproductive health services. All these factors reinforce high level of fertility, morbidity and mortality, and lead to low economic productivity and hence contribute to growth of poverty.

The planners and decision makers face the serious issue of matching the resources with the unmanageable growing size of population, which require a sustained effort to increase productivity and economic growth in conjunction with accelerating social development as key components in this process of structural change. The overall vision of population program, therefore, is stabilization of population as a development priority.

After reaching its highest, the country's population growth trend is now gradually declining. Such a demographic transition is adding new dimensions to policy concerns. On one hand, an increasing number of the aged poses new challenges in terms of catering to their physical and mental health needs; while, on the other, a large number of young people those aged between 10 and 29 (43% of the country's total population) are to be provided education and skills. It will ensure a "Demographic dividend" that enhances productivity and economic output, and thus be an effective way to pursue a broad range of sustainable development objectives. This aspect is fully recognized in the Economic Growth Framework.

Post 18th Amendment Scenario

Since 2002 the service delivery of the Population Welfare Programme has been under the administrative control of the province. Now under 18th Amendment the Provincial Governments have to implement the whole Population Welfare Programme, but the Federal Government will be funding the program during the currency of the four years. During 2011-12, Rs 4.1 billion has been reserved for the federal program against the capped allocation of Rs 3.3 billion last year.

With a view to continue mainstreaming Population factor in the overall National development planning of the country, the functions of the Ministry of Population Welfare like Policy, Planning, Population Projections, Research and Coordination, etc. have been given to the Planning & Development Division. Four organizations / institutions have been shifted to Planning & Development Division; which include National Institute of Population Studies (NIPS), National Trust for Population Welfare (NATPOW), National Research Institute of Fertility Care (NRIFC) and Ware House, Karachi.

In order to achieve a desirable level of total fertility rate there is still a lot to be done. The stabilization level can not be achieved without making drastic changes from policy to project execution level. The recent projections carried out by NIPS reflect a TFR of 3.6 per woman (2010-11). A contraceptive prevalence rate of 30% depicts a gloomy picture of performance of the Population Sector demographic targets. It also signifies that without involving the health service delivery outlets, the demographic targets of population sector may not be achieved. Therefore, health outlets have to be involved to offer family planning services and Lady Health Workers (LHWs) in a befitting manner. Secondly, the private sector especially the NGOs have to play a pivotal role. There is no significant progress in involvement of private sector.

Key Objectives and Strategy

In order to achieve an earlier replacement level and millennium development goals, the following key objectives have been spelled out:

- Provide access of family planning and reproductive health services to the remotest and poorest areas of the country by 2015
- Reduce unmet need for family planning from 25 to 20 per cent by 2015
- Reduce fertility level from 3.6 in 2010 to 3.1 births per woman by the year 2015
- Ensure contraceptive commodity security for all public and private sector outlets by 2015
- Improve maternal health by:
  - encouraging birth spacing (of more than 36 months),
  - reducing incidence of first birth (in ages less than 18), and reducing proportion of mothers giving late birth (ages beyond 34)Strategy

For achieving the above stated objectives, the focus will be on following priority areas:

- Strong political commitment at all levels;
- Implement a comprehensive reproductive health (RH) package, and improve coordination of the RH program among the government; multinational, agencies, PPSOs and civil society organizations including NGOs / CBOs.

- Integration between health and population sectors and improving availability of RH services at FLCF;
- Involve women organizations and other groups working for women's needs in the planning, implementation, and monitoring of RH services and programs;
- A well directed communication and media policy to disseminate delay in 1st birth, birth spacing, emergency contraception and Inter-personal communication (IPC);
- Promote men's participation in RH programs, through sensitization and creating awareness among them for responsible reproductive behavior in relation to women's health benefits and overall improvement of quality of life and family welfare; Create awareness and a better understanding of the social, cultural and behavioral aspects of FP/RH service provision, through improved quality of care.
- Assure the high level of quality of care in providing information and services; Promote an approach that provides a constellation of linked or integrated services to meet the needs of clients;
- Make available a wide range of safe and effective modern methods of family planning, emergency contraceptives, and advice for traditional methods.
- More focus will be given to rural areas with high population concentrate.

Some of the selected demographic indicators for the period 2010-11 and 2011-12 are reflected in the following Table 16.3:

Table 16.3: Selected Demographic Indicators (2010-11 and 2011-12)

	2010-11 (1st July)	**2011-2012 (1st July)**
Total Population (million)	173.51	177.1
Urban Population (million)	63.05	65.28
Rural Population (million)	110.46	111.82
Total Fertility Rate (TFR)	3.6	3.5
Crude Birth Rate (per thousand)	28.0	27.5
Crude Death Rate (per thousand)	7.4	7.3
Population Growth Rate (%)	2.05	2.03
Life Expectancy (years)	64.50	64.8
Contraceptive Prevalence Rate (%)	30%	-
Unmet Need	25%	-

Source: National Institute of Population Studies (NIPS)

Annexure 16.1

Health: Physical Target/Achievement 2010-11 and 2011-12

Sub Sector	Target 2010-11	Estimated Achievement (No.)	Achievement (%)	Target 2011-12
Rural Health Program				
New BHUs	40	35	88	35
New RHCs	15	11	73	20
Strengthening/Improvement of BHUs	40	35	88	50
Strengthening/Improvement of RHCs.	45	40	89	50
Hospital Beds	4,500	4,000	89	4,000
Health Manpower				
Doctor	5,000	4,500	90	4,500
Dentists	450	350	78	400
Nurses	3,500	3,200	91	3,000
Paramedics	5,500	5,000	91	5,000
TBAs	500	450	90	400
Training of LHWs	120,000	100,000	83	110,000
Preventive Program				
Immunization (Million)	8.5	7.5	88	8.5
Oral Rehydration Salt (ORS) (Million Packet)	25	19	76	25

Source: Planning Commission

Annexure 16.2

Health Programs
2010-11 & 2011-12

(Rs Million)

Major Programs	Total Cost	2010-11	2011-12
National Program for Family Planning and Primary Health Care	77,100.9	5,761.8	8,000.0
Expanded Programme of Immunization	24,983.3	2,716.0 (400.6)*	2,716.0 (400.6)*
Enhanced HIV/AIDS Control NIH Islamabad	1,930.6	246.9 (123.5)*	246.9 (123.5)*
National T.B. Control Program	1,184.4	123.5	123.5
Roll Back Malaria Control Program	658.6	123.5	123.5
National Program for Prevention and control of Blindness, NIH, Islamabad.	2,776.0	246.9	246.9
Prime Minister's Program for Prevention & Control of Hepatitis, NIH, Islamabad	13,904.3	600 .0	600.0
National Maternal Neonatal and Child Health Program, Islamabad.	19,994.9	2,280.9 (1,234.7)*	2,280.9 (1,234.7)*
National Program for Prevention and Control of Avian Pandemic influenza, NIH, Islamabad.	330.7	37.0	37.0
Total	142,863.7	12,136.5 (1,758.7)*	14,374.7 (1,758.7)*

* Foreign Aid
Source: PSDP 2010-11 & 2011-12, Planning Commission

Chapter 17

Women Empowerment

Promoting equality and empowerment of women is not only a development priority but also a human right issue. Constitutional safeguards and international commitments in relation to Convention for Elimination of Discrimination against Women (CEDAW), the Beijing Platform of Action, the Millennium Development Goals (MDGs) and several other UN human rights conventions and covenants are also to be honored. The national commitments include the Women's Empowerment Policy, the National Plan of Action, the Gender Reform Action Program, the Benazir Income Support Program (BISP), and Protection against Harassment at Workplace.

The National Plan of Action and National Policy for Development and Empowerment of Women elaborate key policy measures for social, economic political and legal empowerment of women, such as:

- Gender sensitive need based policy programs and projects.
- Developing multi-sectoral and inter-disciplinary approaches for women's development with horizontal and vertical linkages at all levels;
- Mainstreaming gender issues through integration into all sectors of national development; and
- Protecting women's legal rights and entitlements.

Issues and Challenges

The intended benefits of mainstream development agendas could not be transformed fully because of social positioning of women and several constraints; gender based violence, restricted mobility, absence from decision making structures, inability to access justice, and failure to attain political and economic equality. In addition to the obstacles to women's empowerment emanating from systematic economic and social marginalization, women of Pakistan, in addition, in the recent past have been subjected to the threat of extremism, militancy and obscurantism through a surge in sociopolitical conservatism. The major challenges for women development and empowerment are briefly mentioned as:

- Discriminatory laws, parallel legal system and ruling of Jirgas, Panchayats impede realization of equal citizenship to women.
- Neglect of human security due to state centric approach to security.
- Religious extremism and potential violence against women due to patriarchal understanding of religion and culture in conflict areas.
- Non-recognition of women work in rural areas and informal sector in GDP.
- Lack of access to resources, basic facilities and entitlements: economic, social and political.
- Ineffective representation of women's issues and concerns in policy formulation and implementation process.
- Exclusionary attitude of state machineries and governance mechanism.
- Exclusion of gender consciousness in hard sectors.
- Dimensions of gender gap in education.
- Inadequate health and reproductive outcomes for women.

Strategy

The Economic Growth Framework prepared by the Planning Commission lays emphasize on productivity led growth through community and youth development. Proactive role of the private sector is recognized while the Government would be more of a facilitator to protect rights, provision of public services, such as education, health and protection against exploitative practices. It also acts as a catalyst to promote innovation, entrepreneurship and skill development for empowerment of women. Women being potential resource for development require key policy and strategy changes for their optimal involvement in the development process. As women's concerns are cross-cutting in nature following two clear policy directions have been chalked out that will integrate gender issues systematically across other sectors.

- Rights-based framework where women are seen as citizens who require affirmative action to ensure their equality and empowerment as effective human capital.
- Overall development programs should expand women's economic opportunities, ensure health accessibility and effective improvement in women specific health indicators, and assuring education, security and rights

Based on the above policy directions, main elements of the women empowerment strategy are presented as under:

- Power and decision-making within the private and public sector
- Governance and institutional mechanisms
- Women's legal rights and entitlements
- Economy, poverty and livelihoods
- Women, security and violence

Past performance of women empowerment programs and outlook for the next year 2010-11 are discussed in the light of above stated strategy.

Review of 2010-11

An amount of Rs 153 million were allocated to Ministry of Women Development for implementation of 26 development schemes for the year 2010-11. The Ministry is expected to utilize Rs 51 million. Brief progress on various programs undertaken during 2010-11 is given below.

Reforms

A hallmark program of Gender Reform Action Plan (GRAP) was implemented to mainstream gender at all levels of governance structure. Key reform areas were: (i) institutional restructuring (ii) policies and fiscal reforms (iii) women employment in public sector and (iv) women's political participation. GRAP envisaged building partnerships and forging linkages with various public sectors, Ministries/Divisions and District Governments to realize its goal of Gender Mainstreaming at all tiers of governance structure.

Convention on Elimination of all Forms of Discrimination against Women (CEDAW)

Pakistan is signatory to CEDAW and is required to submit regular reports to the UN Committee to present progress of the National Plan of Action. Information collected and compiled for reporting on regular intervals for sharing and follow-up of recommendation with the stakeholders. The 4th Report on CEDAW implementation has been under process for submission to the UN committee. National Plan of Action for CEDAW implementation has been developed.

Physical targets and achievements of Women Development Programs during 2010-11 are briefly presented in Table 17.1.

Table 17.1: Women Empowerment; Physical Targets and Achievements 2010-11

Sub-Sector	No of Projects	Targets	Achievement
Reforms	1	Mainstream Gender at all levels of governance structure through institutional, policy and political reforms.	The project has been institutionalized within the overall frame work of MoWD.
Micro Credit	1	2,700 women	639 women
Skill Training	4	4,000 women	4,000 women
Family Protection, Rehabilitation & Crises Centers	5	5,500 women	3,969 women
Health Care	1	Construction of 10 Bashalanis in Kalash Valley	2 Bashalanis have been completed.
Mobility Support	6	10 Buses	10 provided.
Awareness Raising	2	2,00 women	2,100 women

Programs for 2011-12

Activities of the federal, provincial and district governments and some attached departments/autonomous organization will be consolidated for empowerment of women through socio economic, legal and political reforms. For skill enhancement of women especially rural women, existing infrastructure/institutions in the provincial government and of NGOs in potential rural areas in least developed regions will be utilized.

Services to women in distress would be expanded. Women issues would also be addressed through Alternate Dispute Resolution in order to provide free, effective and quick method to dispense justice. The CEDAW monitoring will be reoriented to effectively report development efforts, achievement across policies agenda and international commitments for women empowerment activities.

An amount of Rs 21 million has been proposed for PSDP 2011-12 for continuation of selected Women Development Programs at the federal level. These programs include:

- Family protection and rehabilitation center Islamabad;
- Establishment of Shaheed Benazir Centers and Women Empowerment Centers in AJK & Resource Center in Gilgit – Baltistan;
- CEDAW follow up and implementation;
- Developing Woolen Center for Women Development in Baltistan;
- Establishing Day Care Center at International Islamic University, Islamabad;

Legislation

Significant measures taken by the Government for legal empowerment of women are as under:

- The Criminal Law (Amendment) Act (2004) made changes in the existing criminal law to deal effectively with offenders of honor killing.
- Code of Criminal Procedure (Amendment) Ordinance 2006 to grant bail to women in jails on charges other than terrorism and murder.
- Protection of Women (Criminal Laws Amendment) Act, 2006 has been enacted to provide relief and protection to women against misuse and abuse of law and to prevent their exploitation. The object of this Act is to bring the laws relating to Zina and Qazaf, in particular, in conformity with the stated objectives of the Islamic Republic of Pakistan and the Constitutional mandate and in particular to provide relief and protection to women against misuse and abuse of law. This Act provides 30 important amendments in the existing "Offence of Zina and Qazaf (Enforcement of Hadood Ordinance 1979)", the "Pakistan Penal Code (Act XLV of 1860)", the Code of Criminal Procedure 1898 (Act V of 1898)", and the "Dissolution of Muslim Marriages Act 1939".
- Protection Against Harassment: The punishment for the crime has been increased to three years in prison and a fine of up to Rs 500,000. Besides, penalties, including demotion, compulsory retirement and dismissal from service for the perpetrators have been proposed.

Chapter 18

Area Development

Inequality in Pakistan has a strong spatial dimension. A large number of areas have lagged behind in development, despite several periods of high economic growth. Typical characteristics of these areas include a difficult terrain; sparsely dispersed population in the form of tiny hamlets; recurring natural disasters; subsistence agriculture, or fishing in middle men provided boats; bonded labor, and stubborn indebtedness. Women undertake several hours of daily travel for fetching drinking water and fuel wood. Widespread unemployment and lack of access to health and education facilities tend to exacerbate the situation, leading to perpetuation of poverty in these areas. The policy advice in the past has typically advocated a supply side response. However, accumulated experience shows that the desired results have not been achieved and the nation has been unable to either achieve a sustainable growth trajectory or extricate a large proportion of its population from absolute poverty.

Less Developed Regions (LDR's)

In terms of defining LDR's, an approach that integrates the economic (including financial) as well as social (including environmental and empowerment) dimensions of national development has been adopted. Based on established criteria following areas are identified as less developed regions/districts. (Table 18.1)

Table 18.1: Less Developed Regions and Districts

Province/Federating Unit	Names of Districts
Punjab	Leiah, Lodhran, Muzaffergrah, Rajanpur
Sindh	Badin, Dadu, Jacobabad, Jamshoro, Kamber, Larkana, Tharparkar, Thatta, Umerkot
Khyber Pukhtunkhwa	Batagram, Buner, Chitral, Hangu, Karak, Mansehra, Shangla, Tank, Upper Dir, Kohistan
Balochistan	Barkhan, Bolan, Dera Bugti, Gwadar, Jaffarabad, Kalat, Kech, Kohlu, Lasbela, Loralai, Mastung, Nasirabad, Naushki, Pishin, Sibbi, Ziarat, Awaran, Chagai, Jhal Magsi, Kharan, Khuzdar, Killa Abdullah, Killa Saifullah, Musa Khel, Panjgur, Zhob
Federally Administrated Tribal Areas (FATA & FR)	Tribal Agencies (i.e. Bajaur, Khyber, Kurram, Mohmand, North & South Waziristan and Orakzai). Frontier Regions (i.e. Bannu, D.I. Khan, Kohat, Peshawar, Tank and Lakki Marwat)
Azad Jammu & Kashmir	Whole AJ&K except Muzafferabd & Mirpur cities.
Gilgit-Baltistan	Astor, Baltistan, Diamir, Ghanche, Skardu

Source: Working Group Reports on Less Developed Areas and Rural Development, Planning Commission 2010

Policy

Since the late 1990s the national policy dispensation in Pakistan has focused on a framework of deregulation, liberalization and privatization. There has been wide range of reforms and rationalization of state functions, especially as they relate to direct provision of goods and services. As a result, private sector is being increasingly seen as the engine of economic growth and development. In essence, the Government sees its role shifting from being a mere provider to also acting as manager, facilitator and financier of development initiatives. For arriving at an optimum array of policies, programs, projects and interventions three levels of delivery channels, with their respective scope and mandate are briefly discussed:

Tier I: Federal Government (and its agencies): Overall governance and management; national priorities and objectives; security and law enforcement, macroeconomic fundamentals (especially price and monetary stability, fiscal space; large/vertical/capital intensive projects).

Tier II: Provincial/ Local Government (and its agencies): Local development priorities and requirements; market research and needs, quantity and quality of services, performance and assessment; programs & projects; provincial/ local enabling and environment.

Tier III: Private and Civil Society sectors: Response to private incentive/consumer preferences (especially SMEs), competitive entrepreneurship and risk taking, community-led, demand-driven development; articulation of micro level/HH priorities; social inclusion; mitigation against rent seeking and elite capture.

The theoretical framework, for addressing both the absolute and relative poverty (and development) need of each LDR has been anchored in latest international empirical research and evidence.

Strategic Framework

In view of the foregoing, it is clear that private sector and civil society is at the core of reaching out to the poorest in less as well as least developed regions/ districts of Pakistan. Therefore, focus would be required on this tier in its overall terms of reference. The dovetailing with Tiers I & II is predicated on entering into 'public/private partnerships and a renewed compact with the federal and provincial echelons of government. The accelerated development of the LDR's is planned to be achieved through an integrated implementation of a four-pronged strategy developed in the context of Economic Growth Framework, consisting of:

- Empowering youth and community
- Developing nested hierarchy of growth centers/cities
- Strengthening connectivity by developing ICT and transport infrastructure
- Enhancing rural productivity
- Providing Social Safety Nets
- Strengthening economic governance

The role of the Government will be limited to the development of inter and intra urban, and rural infrastructure of primary and secondary nature. Improvement of productivity, fostering market development and better governance will be primary focus of government. Tertiary or community infrastructure will be developed by the communities concerned with the assistance of civil society organizations and maintained by the communities themselves. Making use of the appropriate levels of infrastructure developed by the Government and the communities, the industrial and commercial enterprises will be developed and run by the private sector, where required, through easily accessible credit / micro-credit facilities.

Development of Special Areas

Special areas consist of Federally Administrated Tribal Areas (FATA), Azad Jammu & Kashmir (AJ&K) and Gilgit Baltistan (GB). The socio economic indicators are substantially lower than national level, development activities remained less due to various reasons including law & order situation. By virtue of which the socio economic indicators (i.e. per capita income, literacy rate, enrolment of children in schools and others basic facilities etc.) are lagging far behind than rest of the country. To bring at par with the rest of country a comprehensive plan have been prepare to *promote a just, peaceful and equitable society where people can live in harmony and with dignity by securing social, economic and ecological well-being of Special Areas.*

Review of 2010-11

Financial

During the fiscal year 2010-11, originally, an amount of Rs 29.8 billion was allocated, for developmental activities in the LDRs, including Special Areas. These funds were provided through respective ministries/division i.e. M/o Local Government & Rural Development (M/o LG&RD), Narcotics Control Division (NCD), Interior Division, Kashmir Affairs & Gilgit Baltistan Division (KA&GB) and SAFRON Division. In spite of cut on development budget due to financial constrained, Special Areas were exempted from cut and instead additional amount of Rs 6.3 billion was provided to FATA. It is expected that up to 30th June 2011, Rs 26.2 billion (76%) would be utilized against revised allocation of 34.4 billion. Entire allocation could not utilized due to continuing law enforcement operation against miscreants and devastating floods 2010 in Swat / FATA. In addition, funds allocated for unapproved development project were not released. Agency wise allocation and utilization may be seen at Table 18.2.

Table 18.2: Agency wise Allocations and Utilization

(Rs Million)

Agency/Division	2010-11			
	Allocation	Revised Allocation	Utilization	% Utilized
Local Government & Rural Development (including PWP-I)	6,970	6,970	6,147	100
Narcotics Control Division	318	278	278	100
Finance Division	85	0	0	-
Interior Division (ICT)	905	387	387	132
Sub Total	**8,278**	**7,635**	**6,812**	
Special Areas				
AJ&K	6,987	6,175	6,175	100
GB	5,900	5,594	5,594	100
FATA	8,643	15,000	8,643	100
Sub Total (Special Areas)	**21,530**	**26,769**	**20,412**	**77**
Grand Total	**29,808**	**34,404**	**26,224**	**76**

Physical

During the period under review, various activities were implemented through People's Program, area development programs in AJ&K, GB and FATA and Special Development Package in Islamabad for strengthening capacity-building institution. The objectives of these programs were for provision of basic social and infrastructure facilities for improving the life of the rural poor. However, due to poor law and order problem, terrorism, financial constraints and other unforeseen circumstances, the desired targets could not achieve fully.

Program for 2011-12

Financial

During the fiscal year 2011-12, an amount of Rs 30.8 billion is provided for Accelerated Development for Less Developed Regions in Pakistan. Out of total allocation, an amount of Rs 5.0 billion has been provided to People's Works Programme–I reflected in Cabinet Division and Rs 1.3 billion has been set aside for others projects reflected in Narcotics Control Division, Interior Division, for areas development projects and special packages for militancy affected areas. An amount of Rs 24.6 billion as block allocation for development activities in Special Areas has been reserved. Administrations of concerned entities are authorized to allocate funds to respective sector according to felt needs of the areas. Details of allocation for various agencies may be seen at Table 18.3.

Table 18.3: Agency-wise Allocations for 2011-12

(Rs Million)

Agency/ Ministry/Division	Allocation 2011-12
Cabinet Division (PWP-I)	5,000
Narcotics Control Division	246
Interior Division (ICT)	1,029
Sub Total	**6,275**
SPECIAL AREAS	
Azad Jammu & Kashmir	8,522
Gilgit Baltistan	6,080
Federally Administrated Tribal Area	10,000
Sub Total (Special Areas)	**24,602**
Grand Total	**30,877**

Physical

During the financial year 2011-12, highest priority have been accorded to those ongoing schemes/ projects, which are near completion, so that the benefits of projects can reach the neglected segment of community. These development activities are supplemented to federal vertical program being implemented in various sectors such as power generation projects, health sector program, Family Planning, Expended Programme for immunization, National Maternal, Neonatal, Child Care, Education Improvement Projects, Enhanced HIV/AIDS, National Programme for Water courses improvement, safe drinking water for all, Area development projects in FATA against poppy cultivation. Allocations for these projects/programs are reflected in their respective chapters. Targets for 2011-12 may be seen at Table 18.4.

Table 18.4: Physical Targets of Major Development Projects 2011-12

Sector	Area Development	ICT & IDP Schemes	Total
Rural Roads (km)	57	80	137
Drinking Water Supply Schemes (Nos)	28	14	42
Dug well (Nos)	34	-	34
Hydel Powers Stations (Nos)	18	-	18
Street Pavements (Million sq ft)	-	34.0	34
Training of male / female in different fields. (Nos)	1,250	2,400	3,650
Up gradation of women training centers (Nos)	-	6	6

People's Works Program-I

The People's Work Program was launched in July 2008 under PM Directives. Under this program each Parliamentarian can identify schemes in predetermined nine sectors to the tune of Rs 10.0 million. The objective of PWP-I is to supplement Government's development efforts by execution of local development schemes proposed by Parliamentarians in the sectors of construction/improvement of roads, provision of electrification, gas & telephone facilities, sanitation and drinking water supply amenities, street pavement, drains & street lights, works and equipment regarding health, education and veterinary health care facilities, small irrigation & land protection works and land development through bulldozers hours. Schemes are funded and executed from PWP-I based on prioritized list of projects identified by the parliamentarians in their respective constituencies within the overall parameters of the approved policy and budgetary ceilings fixed by the Government. The stipulation of "respective constituency" shall however, not apply to projects sponsored by Senators and MNAs elected on reserved seats.

During 2010-11, a total 2,107 schemes costing Rs 2,526 million were approved by the Federal Development Committee of PWP-I for execution. Fund for schemes has been released and upto 30th April 2010, total 106 schemes costing Rs 1,670 million have been completed. Agencies and sector wise schemes approved by FDC and completed ones under PWP-I are given at Table 18.5.

Table 18.5: Schemes approved and completed under PWP–I

Agency	Schemes (Nos.)	Cost (Rs Million)	Schemes completed
Pak PWD	829	1,286	68
DCO /Prov. Government	597	669	
PEPCO	468	383	38
LG&RD	174	10	-
SNGPL	20	38	-
Balochistan Dev Authority	7	20	-
KESC	7	12	
SSGCL	3	11	-
Irrigation Deptt.	2	4	-
Total	**2,107**	**2,526**	**106**

Source: Federal Development Committee Progress Report

Chapter 19

Employment

Generation of productive employment with decent working conditions on a sustainable basis to absorb fast growing labor force has always remained one of the avowedly pursued objectives of our economic policy. The magnitude, nature and structure of unemployment are major concerns of the planners and policy makers in the country. Prudent economic policies like properly developed human resources and their effective utilization have generated a number of productive employment opportunities in the country. However, unemployment rate has marginally increased in 2009-10 due to low economic growth in recent years.

Policy

The policy framework of the plan is based on Economic Growth Framework recently formulated by the Planning Commission focusing on employment expansion and employment activation polices to absorb the growing labor force especially youth to reap the benefit of demographic transition. Employment expansion policies are helpful for generating demand for labor while employment activation policies are main source of improving the supply of labor force.

Strategy

- Employment expansion strategy is based on sustainable growth through increasing productivity, supporting innovative entrepreneurship, private sector development, increasing energy generation to meet demand, youth entrepreneurship, gender equality, connectivity, developing the cities as engine of growth, promoting small scale industries, and empowering youth and community.

- Employment activation strategy emphasizes the improvement of labor skills endowment in general, paying particular attention to identifying specific skill gaps and taking effective steps to fill them. National Vocational Technical Education Commission (NAVTEC) would help to improve the standard of technical education in the country. Skill Development Councils would help to meet the diversified training needs of the industrial and commercial sectors of their geographical areas.

Review of Labor Market

Table 19.1 presents a comparison of the trends in labor participation rates, unemployment rates and employment status of labor force in the last two years. Labor force participation rate has marginally increased from 32.8% in 2008-09 to 33% in 2009-10 by 0.2 percentage points. Female participation rate has increased from 14.9% in 2008-09 to 15.5% in 2009-10, implying female participation in economic activities is increasing. Unemployment has slightly increased from 5.5% in 2008-09 to 5.6% in 2009-10 due to low economic growth. Female unemployment rate is 9.5% while male is 4.4%.

Share of self-employment and employers has increased while share of unpaid family helpers and employees has decreased in overall employment during 2008-09 and 2009-10.

Table 19.1: Employment Status, Participation and Unemployment Rate

(%)

	2008-09	2009-10
Participation Rate	32.8	33.0
Male	49.6	49.5
Female	14.9	15.5
Unemployment Rate	5.5	5.6
Males	4.5	4.4
Females	9	9.5
Employment Status		
Employers	1.2	1.3
Self Employment	33.3	34.2
Unpaid Family Helper	29.7	29.1
Employees	35.8	35.4

Source: Labor Force Survey, relevant issues, Federal Bureau of Statistics

Current Employment Scenario

On the basis of estimated population of 177.1 million (1st July 2011) and the labor force participation rate of 33 % as per the latest Labor Force Survey 2009-10, the labor force is estimated at 58.4 million. Of the total labor force, males constitute 45.1 million (77%) whereas females are 13.3 million (23%). Of the total labor force, 55.2 million are employed while remaining 3.2 million persons, who constitute 5.6% of the labor force, are unemployed. Out of total unemployed persons, males are 2 million (61%) while females are 1.2 million (39%).

Of the total employed workforce, the majority i.e. 45% is employed in agriculture sector, 13.2% in manufacturing sector, 6.7% in construction, 15.2% in wholesale & retail trade, 5.2% in transport/storage & communication and 11.2% in the community and social services sector. As far as the employment status is concerned, 1.3% are employers, while self employed, unpaid family helpers and employees are 34.2%, 29.1% and 35.4% respectively.

Women Employment

Females' population constitutes 48.6% (LFS 2009-10) of total population but their share in labor market is not in proportion to their share in total population. Only 13.3 million (23%) females are in the labor force as compared to 45.1 million (77%) males in the total labor force. In terms of employment only 12 million (21.8%) females are employed as compared to 42.2 million (78.2%) males. Total unemployed labor force is 3.2 million, while unemployed females are 1.2 million which constitute 39% of total unemployed labor force. Female unemployment rate is 9.5%.

Youth Employment

According to available labor statistics, youth population is estimated at 36.2 million and 16.2 million are in category of labor force. Out of total youth labor force, 14.9 million are employed while remaining 1.3 million unemployed implying 8.4% youth unemployment rate which is higher than the national average, 5.6%.

Unemployment among the youth has not only a social dimension but also shows wastage of trained and young population of the country. The Government is cognizant of the youth unemployment situation and has taken a number of steps to contain it. Government is trying to invest in education and vocational training for employability of youth and numbers of projects are being implemented in the field of education and vocational training. Government also believes in equal opportunities for young women and men and trying to eliminate discrimination if any. National Internship Program is a special program for youth and it provides financial relief as well as work experience to facilitate youth employability. Small and Medium Enterprise Development Authority (SMEDA) is presently facilitating the youth for starting and running the enterprise. Youth entrepreneurship training policy under Economic Growth Framework is being formulated to facilitate their employability.

Employment Projection (2011-12)

Labor force growth, based on projected average population growth and some increase in the labor force participation rate, is estimated at 3%, implying approximately 1.75 million new jobs would be demanded in next financial years. As employment elasticity is 0.5, approximately 6% GDP growth is to be required to absorb the growing labor force and to maintain the unemployment level of 2010-11, 5.6%. Our economy is projected to grow by 4.2% in 2011-12 which is less than required growth rate of the economy to absorb the growing labor force and maintain the same level of unemployment. Hence, prudent policy initiatives are required to generate additional employment and maintain the unemployment rate at the level of 2010-11.

One policy initiative may be to facilitate private sector for economic growth as well as employment generation. Provision of demand driven vocational training along with credit policy for self employment is also considered as prudent policy initiative for employment generation. Continuation of National Internship Program (NIP) would be helpful in decreasing the pressure from the labor market. Boosting of overseas employment would also be helpful to reduce the pressure on domestic job market. The employment elasticity is expected to improve by focusing on sectors, having high labor intensity, such as construction, small and cottage industry as well as personal and commercial services. Youth entrepreneurship training would be helpful in decreasing pressure on labor market in the country.

Employment Promotion Policies

The policy focus of government is on creation of decent employment opportunities and human resource development. The importance of the fact can be gauged by the initiatives taken by the government such as National Internship Program, President's Rozgar Program; credit for self employment by National Bank of Pakistan (NBP), enhancement of residential facilities by construction of one million housing units, doubling of lady health workers to cover Kachi Abadis, raising of minimum wage from Rs 6,000 to Rs 7,000 and pension of workers, establishment of National Vocational and Technical Education Commission (NAVTEC), and restoration of Trade Unions. These steps are helpful in employment generation and human resource development. The specific policies and programs are as follows:

- Sectoral Development
- Investing in Water Resources
- Development Program and Employment Generation
- Micro Credit Facilities through SME Bank
- Micro Credit Facilities through Khushhali Bank
- President's Rozgar Scheme by National Bank of Pakistan (NBP)
- Information Technology
- Overseas Employment
- National Internship Program (NIP)
- NAVTEC Skill Development Program
- Skill Development Councils

Skill Development

Skill development efforts of the government are separately presented in chapter 7 under Part-II "Enhancing Productivity" of the Annual Plan.

Chapter 20

Transport and Communication

Sustainable economic development depends on robust and adequate connectivity infrastructure. It helps in achieving growth through efficient flow of goods, services, people and information. Connectivity in the Plan includes transport and communication infrastructure, information & communication technology and mass media. Improvement in transport infrastructure creates new opportunities by linking domestic markets and reducing travel time. It reduces production and transaction costs in poor and backward regions which serve as stimulus for domestic commerce. Connectivity creates bridge between goods and factor markets whereas ICT eco-system supported by adoption of broadband connection enhances productivity.

Economic Growth Framework

Under the Economic Growth Framework formulated by the Planning Commission, private sector is the growth-driver in open market environment. It would result in reward of productivity, competitiveness, efficiency, innovation and entrepreneurship. The software aspects of growth will be the priority where Transport and Communications sector will be improved by modernizing it through a continuous process of reforms supported by focused investments. The overarching objective is to bring down the costs of doing business by improving various sub-sectors of transport and communication. The sector at present claims 17 to 20 % share of the annual public sector development program (PSDP) but this level of investment is not adequate to meet the growing needs of the country. Approximately two to three times more investment is required to enable the sector to perform in harmony with the economic activities. In addition to reforms and productive PSDP investment, concerted effort would be made to promote PPPs and leverage higher investment from the private sector to emanate growth in the shortest possible time.

Transport and Communication sector proposes a thematic change to the traditional definition of Transport Sector. Firstly, it will not be confined to physical infrastructure such as rails, roads, road transport, sea trade and related freight alone, but will also include services such as packaging, delivery, and storage and trade logistics. Secondly, factors like high freight, insurance, longer delivery times and renewal costs, will be considered as important additional costs which need careful review. Thirdly, the aggregate transport and logistics costs - including opportunity cost, service standards and trade facilitation - ultimately determine the efficiency of the Transport and Logistics Sector and also represent the cost of doing business in Pakistan. Hence, these will feature prominently in reform efforts, and effective programs will be developed for the sector looking at all such dimensions. This will help make the country more competitive –which will ultimately lead to rapid growth in all sectors of development.

Draft National Transport Policy

To address the Transport Sector issues and implement government's policies and strategies for sustainable growth, Ministry of Communications has prepared a draft

"National Transport Policy" in consultation with all stakeholders. It covers all modes of transport sectors i.e. Road, Railways, Ports & Shipping and Aviation, which is in the process of approval by the government. The draft Policy has been developed to promote economic development, poverty alleviation, safety, security through coordinated planning and decision making to ensure that an efficient and equitable transport system is developed and maintained.

An overall review of PSDP 2010-11 and program for the next financial year 2011-12 for the sector is given in the subsequent paragraphs:

Review of 2010-11

The PSDP for 2010-11 provided an original outlay of Rs 66.9 billion for the federal public sector program comprising Rs 22.3 billion under budgetary program and Rs 44.6 billion for NHA under budgetary corporation program; later reduced to Rs 35.5 billion. The reduced outlay comprised Rs 11.7 billion for budgetary program and Rs 23.7 billion for NHA under budgetary corporation program. Against the reduced outlay, an expenditure of Rs 33.7 billion is expected to be incurred by the end of the current financial year giving an overall utilization of around 95% of the total outlay (Annex-I). Salient features of implementation of the program in respect of each sector of transport are given below.

National Highways Authority

Against the reduced allocation of Rs 25.9 billion, an expenditure of Rs 23.7 billion is expected to be incurred during the plan period giving a utilization of around 91%. Under the initial allocations of Rs 44.6 billion it was planned to gear up slow moving on-going projects especially for Gwadar links and regional connectivity, but owing to reduced portfolio within 1st quarter of the financial year NHA reprioritized its program and instead of moving with on-going projects emphasis was made to complete those projects which were at the advance stage of completion.

Work on Land Acquisition, Property Compensation and Shifting of Utilities for Faisalabad-Khanewal Expressway E-4 (184 km), Gwadar-Turbat-Hoshab (200 km) of Gwadar-Ratodero (M-8) [650 km], Hoshab-Nag-Basima-Surab Road (N-85) [459], Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (857 Km), Kalat-Quetta-Chaman (N-25) [247 km], Lowari Tunnel (N-45), National Highway Development Sector Project (NHDSP) for improvement / construction of 637 km of roads under the ADB financing, construction of 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan, Multan Inner Ring Roads including six interchanges, Widening and Improvement of Bosan Road, Multan, Larkana Bridge on River Indus, Dualization of Sakrand-Benazirabad (Nawab Shah) Road (24 km), Rehabilitation of Larkana-Naudero Lakhi Road (61 km), Dualization/Rehabilitation of Larkana-Moenjo Daro Road (28 km), Construction of Amri - Kazi Ahmed Bridge over River Indus at Qazi Ahmed Amri including Sakrand Bypass, Construction of Gharo-Keti Bunder Road (90 km) and Larkana Bridge continued and reached at advance stage of completion.

Owing to 2010 severe floods, 793 km of the existing infrastructure in all the provinces of the NHA network measuring around 12,000 km, was partially or completely got damaged. Following a detailed survey, an amount of Rs 23.6 billion is estimated to be incurred to bring the damaged network to pre-flood condition. Despite the fact that existing infrastructure got damaged, NHA continued to work on the projects which were not affected by these floods, besides making untiring efforts for movement of vehicular traffic on damaged road sections. However, main objective of the rehabilitation, widening and construction of national highways has been to enhance countrywide mobility, accessibility, safety in travel and productivity, reduction in travel time and costs thereby boosting trade and economic activities.

Pakistan Railways

Against reduced allocation of Rs 7.07 billion an expenditure of Rs 4.84 billion is expected to be incurred during the plan period. The main thrust was at the improvement of existing infrastructure, signaling system and procurement of essential material for rolling stock like locomotives, coaches, bogie wagons. Work on track rehabilitation, doubling of track from Lodhran to Khanewal and from Khanewal to Raiwind, procurement/manufacture of 144 Diesel Electric (DE) locomotives, procurement/manufacture/up gradation of 602 passenger coaches, procurement/ manufacture of 2,130 high capacity wagons, replacement of old signaling gear from Lodhran to Shahdara Section continued with further acceleration including work on a pilot project for manufacture of 5 DE locos. Work on conversion of meter gauge into broad gauge on Mirpur Khas to Khokhropar section, feasibility study for rehabilitation & improvement of track between Quetta-Kohi-Taftan Section completed.

The development program besides slashing of funds was severely hit by the 2010 devastating floods due to which mainline connectivity remained suspended in some sections over the entire PR's network. The existing infrastructure and rolling stock along with allied facilities at these sections also got severely damaged. Special efforts on emergency basis were made for the movement of passenger and freight traffic. The damage caused due to these floods is estimated to the tune of around Rs 5 billion, assessed "as was condition – the book value", whereas for reconstruction of infrastructure around Rs 20 billion is the requirement. Reconstruction is required to be made over 3 – 4 years. However, completion of on-going projects and new activities to be taken for reconstruction would help in enhancing quality of public service, boost freight and passenger business and to run Railways on commercial lines keeping in view the national interest.

Ports and Shipping

The entire allocation of Rs 519 million for the Ports and Shipping is expected to be incurred during the period on East-bay Expressway road project, Civic Centre at Gwadar and work on maintenance dredging of the port.

National Transport Research Center

Against an allocation of Rs 4 million an expenditure of Rs 1 million is expected to be incurred for on-going works being taken up by NTRC. Work on the project for Pakistan Transport Plan Study has been completed and National Transport Policy accelerated. Work on research and on-going studies / projects continued.

National Highways and Motorways Police (NH&MP)

The entire allocation of Rs 92 million is expected to be incurred against the on-going works for acquisition of land for establishment of Police Posts and Offices of NH&MP along N-5, establishment of Training Center at Sheikhupura and construction of NH&MP Complex at Rahimyar Khan. The NH&MP is playing an important role in maintaining discipline and safety on the National Highways and Motorways, which is role model for any public sector entity. Their contribution has helped in reducing the number of road accidents to some extent and other mishaps on the National Highways and Motorways.

Planning and Development Division

Entire allocation of Rs 82 million is expected to be incurred on an ongoing project taken up under the Prime Minister's initiative on National Trade Corridor Improvement Program (NTCIP) to reduce the cost of doing business. Under this initiative National Trade Corridor Management Unit (NTCMU), was established in the Planning Commission for effective coordination with all stakeholders to implement NTCIP.

This initiative started in August 2005 and by now marked progress has been achieved under the umbrella of NTCMU. For instance, dwell time at ports has been reduced from seven days to five days, resulting increase of port capacity by 50% through procedural improvements. It has been planned to further reduce this time to 3 days. Similarly, clearance time at new container terminals has been reduced to 4 hours, whereas it used to be 5-7 days previously. Work on study for National Trade Corridor Strategy has also been completed. Ports Master Plan, Railways/NHA Business Plans are being taken up under the program besides other studies related to transport sectors.

Commerce Division

Entire allocation of Rs 41 million is expected to be incurred on the project of "Trade & Transport Facilitation Unit (TTFU-2)".

Maritime Security Agency (MSA)

Entire allocation of Rs 30 million is expected to be incurred on continuation of work on construction of MSA Headquarters Building at Karachi, which has reached a fairly advanced stage of completion.

Airport Security Force (ASF)

Entire allocation of Rs 20 million is expected to be incurred to complete the balance of ongoing works for construction of barrack accommodations at airports i.e. Islamabad, Lahore, Peshawar, Karachi, Gwadar, Quetta, Pasni, and Jaccobabd. Work on shifting of barracks at Benazir Bhutto International Airport (BBIA) Islamabad and Peshawar due to expansion of airports and water connection to ASF camp at Karachi was also undertaken.

Civil Aviation Authority (CAA)

Entire allocation of Rs 485 million is expected to be incurred on construction of New Gwadar International Airport (NGIA) at Gwadar; only project which is being funded through public sector due to strategic reasons.

Karachi Shipyard & Engineering Works (KSEW)

Against an allocation of Rs 450.5 million an expenditure of Rs 293 million is expected to be incurred for completion of installation of new Ship Lift and Transfer System with lifting capacity upto 7,781 tonnes and Civil Works for upgradation of existing facilities. Spade works related to designing of civil works have been completed and orders for procurement of Ship lift system from abroad are underway. It is expected that during the next financial year, system would be installed at Shipyard.

Postal Services

An allocation of Rs 81 million was made for Postal Services, against which an expenditure of Rs 29.7 million is expected to be incurred on construction / renovation and reconstruction of Post Offices and Postal Operational Buildings in the country.

Outlook for 2011-12

Transport and Communications Strategy

The Transport Development Program 2011-12 would be based on a broad strategy that will include establishment of a multi-modal transport system. An integrated and holistic approach would be adopted for making transport system more productive, efficient and reliable, which may lower the transport costs and enhance the productivity in the economy. Strategic emphasis will be made on:

- Improve transport planning, prioritization and rationalizing public sector expenditure
- mobilize resources from users and the private sector
- Explore institutional governance reforms
- revitalize the railways system by transforming it into a commercially oriented entity, while retaining the railways network in public ownership
- Develop port infrastructure and rationalization of port charges to cater to trans-shipment through the landlord port concept with enhanced private sector participation
- Rationalize airport charges and the development of airports through the private sector
- Consolidate, upgrade, rehabilitate and maintain existing assets through better management
- Enhance the role of private sector participation in sector development and institutional capacity building
- Adopt modern technology, procedures and processes to increase sector efficiency
- Improve regional and domestic connectivity; regional connectivity will provide links to the Central Asian States, Iran, Afghanistan and India

Development Program 2011-12

An allocation of Rs 59.7 billion has been proposed for the Development Program of Transport and Communications Sector. This includes Rs 23.7 billion for the budgetary program and Rs 36 billion for NHA under the budgetary corporations program. Most of sub sectoral allocations for 2011-12 are for ongoing works. And these are reflected in Annex 12.1. However, salient features of major programs relating to National Highway Authority, Pakistan Railways and Port & Shipping are outlined as under:

National Highway Authority (NHA)

A Policy and Regulatory framework for private sector participation in National Highways would be adopted in consultation with different stakeholders to facilitate investment and increase efficiency.

An allocation of Rs 39 billion has been proposed for the National Highways Authority. Among the on-going projects, works will continue on the projects for acquisition of land & property compensation for construction of 184 km Faisalabad-Khanewal Expressway E-4 & 103 km Khanewal-Lodhran Expressway E-5 and construction of Ratodero-Daddu-Sehwan ACW (E-6B) (200 km), Peshawar Northern Bypass (34 km), Khuzdar-Shahdadkot-Ratodero (Khori-Quba Saeed Khan 143 km) (M-8), Hoshab-Nag-Basima-Surab Road (N-85) [459], Hassanabdal-Havelian-Manshera Expressway (Land Acquisition, Property Compensation and Shifting of Utilities), Rehabilitation / Improvement / Widening of KKH (Raikot-Khunjerab Section, 335 km), N-5 Highway Rehabilitation Project (857 km), Jalkhad-Chilas Road (N-15) [66 km], Kalat-Quetta-Chaman (N-25) [247 km], Lowari Tunnel (N-45), NWFP RD & SC Project Malana Jn-Sarai Gambila (117 km); Badabher-Dara Adam Khel (28 km), Bewata-Khajuri-Waigum Rud (N-70) [132 km], reaming works on Islamabad-Muzafarabad Road (N-75) [43 km], Alpuri-Besham Section (N-90) [34 km], construction of 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan, Rehabilitation/Upgradation of Jalalpur Pirwala-Uch Section (45 Km) of Multan-TMP Road, Multan Inner Ring Roads including six interchanges, Widening and Improvement of Bosan Road, Multan, Larkana Bridge on River Indus, Dualization of Sakrand-Benazirabad (Nawab Shah) Road (24 km), Rehabilitation of Larkana-Naudero Lakhi Road (61 km), Dualization/Rehabilitation of Larkana-Moenjo Daro Road (28 km), Construction of Amri - Kazi Ahmed Bridge over River Indus at Qazi Ahmed Amri including Sakrand Bypass, Karachi-Hyderabad Motorway (M-9) [136 km] and approaches for Larkana Bridge over River Indus.

Among new projects works for construction of Faisalabad - Khanewal Expressway E-4 (184 km), Basima-Khuzdar (N-30) [110 km], Kolpur Bypass N-65, NHDSIP; Sukkur-Shikarpur-Jacobabad dualization (69 km), Consturction of Northern Bypass from Qasim Bela to Shersha Road, Multan Bypass at Multan including Grade Separated Elevated Bridge over Railway Line at N-70 (12.229 km), Extension of Motorway M-4 from Shamkot-Multan, 57 km, Dualization / Rehabilitation/Upgradation of Multan-Jalalpur Pirwala-Uch-TMP Road (138 Km), Phase-II, Construction of Additional 2-lane Bridge over river Chenab at Head Muhammad Wala, Distt Multan (Phase-II), Rehabilitation of Larkana-Rasheed Wagan-Nasirabad Road (34 km), Dualization / Rehabiliation of Existing Indus Highway Section (9.5 km) in Larkana City including Extension of Ring Road 2 Km, Bridge over River Indus linking N-5 with N-55 at Nishtar Ghat, construction of Bridge across River Chenab Linking Shorkot and Garh Maharaja, Bridge between Basti Dulwan (Tehsil Mianchannu) to Darbar Sharif Sandhilian Wah Distt. Toba Tek Singh will be taken up. Works on damaged network of NHA would also be taken up during the plan period.

The plan also envisages to developing industrial clusters, oil storage facilities and oil and gas pipelines along the proposed motorways and expressways corridors. These initiatives would open up new areas and potential hubs of trade with China, Central Asian Republics, India, Iran and even with Western countries.

Pakistan Railways

A major step under the NTC initiative is the restructuring of Pakistan Railways on commercial lines. The Pakistan Railways would be eventually converted into a corporation. The PR Corporatization would aim to run railway as state owned corporation on commercial basis and fully meet its statutory commitment. The Corporatization would also allow PR to implement organizational and financial restructuring. It would be run by professionals; have a restructured Board and Public Private Partnership (PPP) would bring both efficiency and investment. Freight Business Units (FBU) already established would be made more autonomous eventually leading to formation of a freight company.

The Pakistan Railways (PR) shall adopt track access policy. Under the policy:

- PR shall manage the track and allow commercial operators / freight companies in private sector.
- Freight trains will run on PR's network with their own rolling stock under a contract with PR to purchase track access.
- Other areas involving private sector would include dry ports, locomotive maintenance and passenger ticketing and provision of services through management contracts, e.g. door to door service through cargo express train operations by private freight forwarders on main trunk routes.

An allocation of Rs 15 billion has been proposed for 2011-12. Works on track rehabilitation of Pakistan Railway network, procurement / manufacture of 114 DE locomotives, procurement/ manufacture of 625 passenger coaches, procurement of 2130 bogie high capacity wagons, 202 passenger coaches, rehabilitation of 450 passenger coaches, doubling of track on Lodhran - Raiwind sections, Damages to Railway Assets during riots in December 2007, replacement of old & obsolete signaling system on Lodhran -Khanewal to Shahdara section with modern state of the art system and other on-going projects would continue.

Under the new projects work for establishment of an Inland Container Terminal (ICT) / Dry Port near Shershah Railway Station, Multan on public-private partnership basis, upgradation and improvement of existing track between Khanpur and Lodhran (287 km both UP & DN lines), rehabilitation of oveaged 27 HGMU-30 DE Locos, construction of railway line & container terminal at Gwadar to provide up-country linkages, besides procurement of Three Breakdown / Rescue Cranes and Five Sets for Relief Train Equipment to meet the emergency situations due to derailment or accidents would be initiated. Work will also be initiated on procurement of 150 DE locos and replacement of metal sleepers & track renewal on Loghran-Shahdara section.

Besides the fresh feasibility study for up gradation of track between Quetta – Taftan section would be taken up under the NTC initiative. Work on feasibility study for provision of new rail link from Gwadar to Mastung to facilitate functioning of the Gwadar Deep Sea Water Port would likely to be initiated. With the provision of new rail link, Gwadar will be linked with the Central Asian countries. Preparatory works on Karachi Circular Railway (KCR) under BOT would also be taken up.

Ports and Shipping

Under this sector, work on Ports Master Plan for Pakistan's three ports would continue which, after completion would establish the role / basis for the responsibilities of each port with a view to optimal / efficient use of port infrastructure either through competition among ports or by way of specialization of the port. Both KPT and PQA Acts will be reviewed to acquire more operational and financial autonomy. The Business Plans of each of the three ports would be completed. A project monitoring unit which has been established within the Ministry of Ports and Shipping will undertake a study to identify the existing bottlenecks in efficient operation of ports and recommend phase-wise improvements required at the ports. Outsourcing of container and other terminals at the ports is also planned. Land acquisition process for free zone at Gwadar will also be initiated.

An allocation of Rs 727 million has been proposed to initiate works for acquisition of land and construction works East Bay expressway at Gwadar and to complete balance works of Civic Centre at Gwadar.

Provincial Programs

All provinces are endeavoring to expand and strengthened its existing road network through its own resources as well as through federal funding under different high level directive / packages. Government of the Punjab and Sindh are planning to devise policies and strategies to address urban transport problems through Mass Transit system. Government of Khyber Pakhtunkhwa and Balochistan are also in the process of addressing these problems to provide swift and economical mode of transport to its commuters. Work on Peshawar southern bypass in KPK and construction of Koyala and Sariab phattak flyovers in Balochistan would be taken up through federal funding.

Annex 20.1

Transport and Communication

(Rs Million)

Executing Agency	Original Allocation 2010-11	Reduced Allocation 2010-11	Estimated Exp 2010-11	Exp. in % of Reduced Allocation	Proposed PSDP 2011-12
National Highway Authority (NHA)	44,637	23,719	24,369	103	39,050
Pakistan Railways	13,630	7,072	4,840	68	15,000
M/o Ports & Shipping	518	519	518	100	727
M/o Communications	149	108	105	97	172
National Transport Research Centre (NTRC)	4	4	1	25	2
Const. Technology Training Institute (CTTI)	50	12	12	100	74
National HW & Motorway Police (NH&MP)	95	92	92	100	96
Planning & Development Division (NTCMU)	82	82	82	100	400
Ministry of Commerce (TTFU-2 Project)	41	41	41	100	100
M/o Defence	345	320	560	175	1,173
Pakistan Meteorological Deptt.	36	25	25	100	26
Maritime Security Agency	60	30	30	100	35
Airport Security Force	48	20	20	100	12
Civil Aviation Authority	200	245	485	198	1,100
M/o Defence Production (KS&EW)	1,216	451	293	65	1,455
Postal Services	81	81	30	37	0
Finance Division (Provincial Roads)	5,369	2,680	2,600	97	3,597
AJK & GB Division (Three strategic projects of AJK)	858	425	425	100	1,051
Total T&C	66,926	35,498	33,863	95	62,725
Budgetary Program	22,289	11,779	9,494	81	23,675
Budgetary Corporation Program	44,637	23,719	24,369	103	39,050
Total T&C	66,926	35,498	33,863	95	62,725

Chapter 21

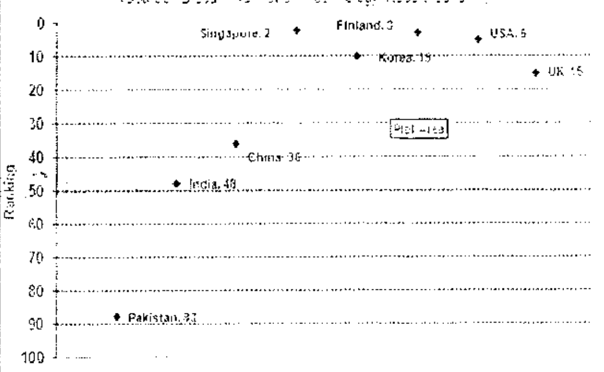
Information Technology, Communication and Mass Media

21.1 Information Technology (IT)

Information Technology is now a proven pre-condition for enhanced competitiveness as well as an important vehicle for bridging the economic and social divide thus resulting in accelerated development and reduction of poverty. This transformation is enabling smarter solution through innovation and increasing productivity resulting in worldwide exchange and sharing of experience, knowledge and services amongst people and communities in an unprecedented way.

In Pakistan, the slow-down in economy during the last three years and continuing critical security situation has had its affect on the IT Sector as well. However, recently, Information Technology has started to recover gradually. In 2010-11, there has been a slight decrease in the network readiness index rankings as compared to last year, i.e., from 87 to 88. The comparison of Networked Readiness Index (NRI) ranking of selected countries shows that Pakistan still ranks much lower than our regional competitors (Figure 21.1).

Figure 21.1: Network Readiness Index Ranking

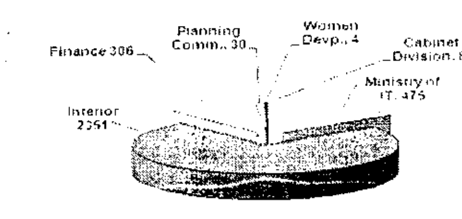


Review of 2010-11

Financial

In the PSDP 2010-11, an amount of Rs 3.2 billion was allocated for information technology sector for 71 projects worth Rs 14 billion. Figure 21.2 shows the distribution of PSDP allocation among the Ministries/ Divisions. As per the revised estimates, the utilization for 2010-11 will be 39.1% of allocated funds.

Figure 21.2
PSDP 2010-11
Information Technology Sector



Physical

In the Information Technology Sector, the focus has been on following three main areas.

- Human Resource Development
- Information Technology Industry Development
- E-Government

Major achievements for 2010-11 are delineated below:

- **Human Resource Development**

  Important projects executed during 2010-11 for human resource development include:

  - National ICT Scholarship Program for students of non-metropolitan areas to have access to quality IT/Computer Science education in the country.
  - Basic Information Technology Training for improving the IT literacy and skills of Government employees to carry out office work.
  - Pilot Project for End-Users and System Administrators – Training on Open Source Software to raise the skills in the use of open source software.

- **Information Technology Industry Development**

  It is expected that IT exports in 2010-11 will reach US$ 270 million against a target of US$ 350 million. This under-achieved status is mainly attributed to the overall uncertain situation that prevailed during the year 2010-11, which made international investors reluctant to invest and undertake business in Pakistan and many local companies in expanding initiatives within the country. Following projects were executed during the year 2010-11:

  - Purchase of Land in Karachi and Lahore for Establishment of IT Parks is going on and it will boost the information technology infrastructure and facilitate more companies to establish their business in Pakistan.
  - IT Parks Construction projects consultancy for both Karachi and Lahore airports was launched during the year.
  - Automation of Domestic Industry on Open Source Systems is providing local companies to develop expertise in open source arena as well as automation at low cost for domestic industry.

- **E-Government**

  Important e-government projects executed during 2010-11 included the following:

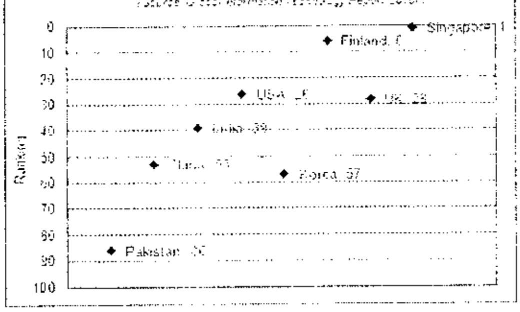
  - Machine Readable Passport/ Machine Readable Visa Project - Phase-II.
  - Automation of Central Directorate of National Savings (CDNS) project
  - Online Recruitment System for FPSC
  - Automated Fingerprint Identification System (Phase-II)

Sectoral Challenges and Growth Strategy

Education & Human Resource Development

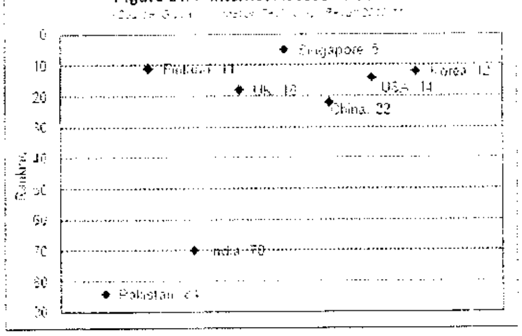
ICT is a very attractive sector for young entrepreneurs to be successful. However, these entrepreneurs are required to be groomed for producing high value innovative products and services. ICT education and training can work as catalyst by providing employment to youth in highly paid jobs and thus help in alleviating poverty and improving socio-economic conditions of individuals as well as of communities. ICT is a field which rewards creativity and innovation with very little investment.

Figure 21.3: Quality of Education System



A strong focus on quality IT education will be very helpful for meeting both the domestic demand as well as cater to the international requirements, since trained human resource is an excellent source of foreign remittances. Pakistan needs to rapidly and consistently increase the base of primary, secondary and tertiary education in terms of quantity as well as quality. A comparison of various countries for *"Quality of the Educational System"* (Figure 21.3) clearly depicts that there is a lot of room for improvement to become competitive at the world level. Pakistan also needs to increase internet access in schools to improve its ranking in *"Internet Access in Schools"* (Figure 21.4).

Figure 21.4: Internet Access in School



The key recommendations to develop HRD in IT sector are delineated below:

- Establishing a chain of ICT Vocational Training Centers through Public Private Partnership with emphasis on international certifications (e.g. PMP, PRINCE2, CCSP, MCSD, DBA, etc.) and development of key competencies.
- Providing computing infrastructure in secondary schools and colleges along with internet access.
- Upgrading teaching skills of IT teachers.
- Scholarships for IT education.
- Establishing Centers of Excellence for IT Training.
- Implementing projects for upgrading IT skills with increased outreach of IT institutions.
- Establishing IT Placement Centers for exporting trained IT manpower.

Development of Information Technology Industry

For 2011-12, the estimated IT exports are targeted at US$ 325 million, which is very low as compared with the IT exports of other countries. For example, Korea's IT exports were US$114 billion, Ireland's IT exports reached US$21 billion and India's IT exports are estimated to be US$59 billion approximately in year 2010-11[1]. For development of IT Industry and increasing software exports, following initiatives are envisaged to be adopted:

- Introduce e-commerce to build confidence for doing business focusing on expansion in connectivity infrastructure, introduction of Public Key Infrastructure (PKI), implementation of rational laws related to electronic transactions, data protection and cyber crimes.
- Incentives for achieving higher CMMI Levels and other International Certifications such as ISO 27001, ISO20000, ISO 9001, ITIL.
- Encouraging development of I.T. incubators, especially to attract local entrepreneurs and investors.
- Mergers, acquisitions, joint ventures with foreign software houses to build world-class companies.
- Incentives for remitting earning in the shape of foreign exchange.
- Establishing Internet City and Knowledge Village (tax free zones) to achieve critical mass of high technology companies like Multimedia Corridor in Malaysia, and Internet City in Dubai
- Encourage domestic consumption of indigenously made software products and ITeS.
- Encourage availability of content, applications and services in Urdu and other local languages.
- Abolition of Sales Tax on computer hardware equipment and software.
- Developing computer hardware industry and encouraging transfer of technology; as Pakistan has a very small base of ownership of PCs and broadband penetration as compared to other countries (Figures 21.5 & 21.6).

Figure 21.5: Personal Computers

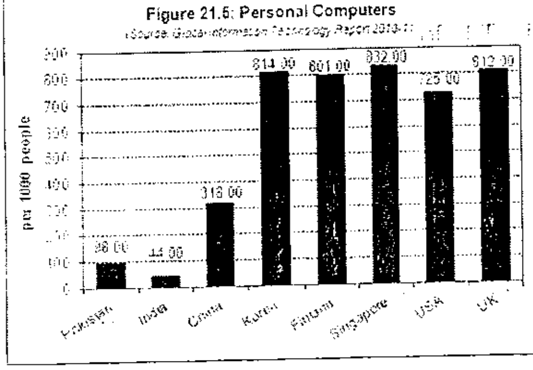
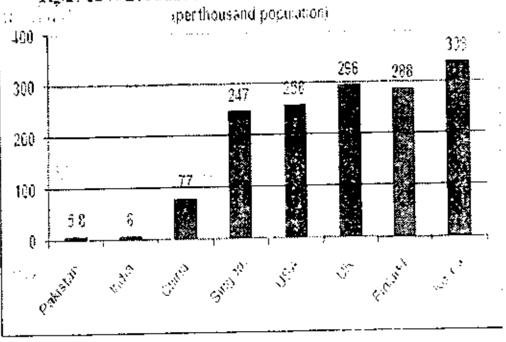
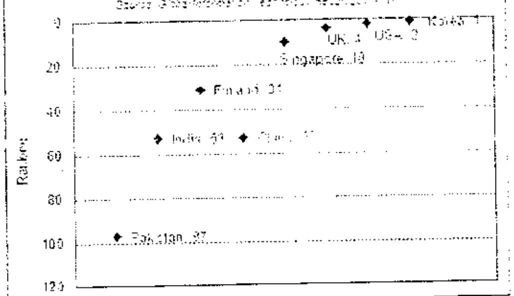


Figure 21.6: Broadband Internet Subscribers (per thousand population)



E-Government

Figure 21.7: Government Online Service Index



The use of ICT by the government itself specifically to increase the efficiency in delivery of its services is still very low as compared to other countries (Figure 21.7). The e-government initiative has to be re-

[1] Source: OECD Factbook 2010 and NASSCOM, India.

oriented to bring more governmental services online and continuous ownership at the highest level to make it successful.

Major issue in the sustainability of e-government projects is the retention of IT professionals in the longer run as the private sector is offering very lucrative packages for the same skills and experience level. To attract IT professionals in the public sector, development of an IT Cadre at competitive salaries based upon performance is essential. This will help in motivating IT professionals to join public service and adopt it as a long-term career. Recommendations for sustainability of e-government initiatives and cadre, briefly, are:

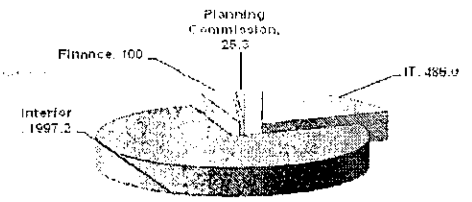
- Replication of already matured e-government initiatives to avoid duplication of efforts
- Proper IT Sections in each Ministry inducting qualified IT professionals.
- Development of IT Cadre at competitive salaries based upon performance.
- Sharing of government software applications with other government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

Program for 2011-12

Financial

In the PSDP 2011-12, an amount of Rs 2.61 billion has been earmarked for IT sector for 68 projects costing Rs 30.16 billion. Agency-wise allocation in Figure 21.8.

Figure 21.8: Proposed PSOP 2011-12
Information Technology Sector
(Rs. Million)



Source: Planning Commission

Physical

The PSDP earmarked for 2011-12 will further enhance the human resource development, IT industry development, e-Government, infrastructure development and will create employment opportunities in the IT sector. Major thrust in IT for the 2011-12 will be as follows:

- **Human Resource Development**
  In 2011-12, focus on human resource development related projects will continue to be on provision of IT training to government employees and the Public. Following are the main projects included in PSDP 2011-12:
  - National ICT Scholarship Program. The target for the year is to provide foundation training to about 10,000 students. About 800 successful students from this foundation training will get scholarships for 4-years Bachelor's degree program in various national universities.
  - Basic IT Training initiated by Pakistan Computer Bureau for providing adequate basic computer skills will benefit approximately 5,000, Government employees during the next year.

- **Information Technology Industry Development**
  In PSDP 2011-12, emphasis on improving the IT infrastructure will continue so that more international IT companies are attracted to undertake business in Pakistan alongside the domestic IT companies. In this regard, some of the important projects included in PSDP 2011-12 are:

- *Phase-II of Standardization of Pakistani IT Industry* targets to support at least fifteen companies to attain CMMI level 2, seven companies CMMI level 3 and one company to attain CMMI level 5 in the next year.
- *Center of Excellence in Advanced Software Technologies and Open Source* will be established to increase the use of open source software technologies within the country.

- **E-Government**
  E-governance projects will continue to be the center-piece of information technology initiative. The major e-government projects in 2011-12 include:
  - *Machine Readable Passport/ Machine Readable Visa Project (MRP/MRV) Phase-II* targets to deploy the system at 7 RPOs and 30 Foreign Missions in the year 2011-12.
  - *Automation of Central Directorate of National Savings (CDNS) project* is underway and in the next year it is envisaged to be completed.
  - *National Response Center for Cyber Crimes (NR3C) – Phase-II* plans to establish new forensic facilities at Peshawar and Quetta and disseminate information to make public aware about cyber crimes and how it can help them.

21.2 Telecommunications

Telecommunication sector in Pakistan has shown tremendous growth during the last few years. It is now entering into the next stage of consolidation and value addition in the services. For services and infrastructure providers, this will bring even bigger challenges and opportunities. The broadband services are now gaining more ground and this year has been very encouraging for the broadband service providers. The slow-down in the growth of mobile connections/ subscribers during the last year is now over and has picked up during this year. It is expected that the growth will be more visible in the next year.

Review of 2010 - 11

Currently, there are two telecommunication organizations working under the government umbrella namely National Telecommunication Corporation (NTC) and Special Communication Organization (SCO). NTC at the moment operates about 130 exchanges in the country and total working connections are 118,463. SCO presently operates 159 exchanges and has 72,368 working connections and 122 GSM cell sites with 301,011 mobile connections. SCO also operates 67 BTSs with 54,727 WLL connections, 1940 DSL and 125 DXX connections. The important projects executed by NTC as well as SCO during the year are as follows:

National Telecommunication Corporation (NTC)

- Establishment of Video Conferencing Facility for GOP
- Hosting of GoP Portal and Government Websites.
- Special Communications Organization (SCO)
- Laying of Optical Fibre Cable (OFC) to connect remote areas of Gilgit-Baltistan and AJK.
- Re-location of already laid SCO's telecom assets due to up-gradation of KKH from Raikot to Khunjrab.
- Interconnect Billing and Customer Support for AJK.

Performance of Private Companies in 2010-11

Presently, there are 6 private cellular companies operating in the country. Following Tables 21.1 and 21.2 show the number of connections as reported by Pakistan Telecom Authority (PTA).

Table 21.1: Number of Fixed+WLL Telecom Connections (2010 and 2011)

(Rs Million)

No	Item	As of Jun. 2010	As of Feb. 2011	Growth (%)
1	PTCL Fixed Lines	3.4	3.3	-2.9
2	Other Fixed Lines	0.1	0.1	0.0
3	PTCL WLL	1.2	1.3	8.3
4	Other WLL	1.5	1.5	0.0
	Total Fixed+WLL	**6.2**	**6.2**	**0.0**

Table 21.2: Number of Mobile Telecom Connections (2010 and 2011)

(Rs Million)

No	Company Name	As of Jun 2010	As of Feb 2011	Growth (%)
1	Mobilink	32.20	32.49	0.90
2	U – Fone	19.55	20.37	4.19
3	Telenor	23.80	25.39	6.68
4	Warid	16.93	17.69	4.49
5	Zong	6.70	9.20	37.31
6	Instaphone	0.0	0.00	N.A.
	Total Mobile	**99.18**	**105.14**	**6.01**
	Total (Fixed + Mobile)	**105.38**	**111.34**	**5.66**

Source: Pakistan Telecom Authority

Broadband Services

Broadband connections increased from 900,648 in June, 2010 to 1,195,051 in January, 2011. This increase is mainly attributed to aggressive launching of triple-play services at affordable prices. Besides broadband, WiMAX services have also been launched during the year by telecom companies namely PTCL, Wateen and Wi-tribe wireless broadband services.

Outlook for 2011-12

In PSDP 2011-12, Rs 2.44 billion has been earmarked for SUPARCO, SCO and NTC to execute 24 approved projects worth Rs 29.12 billion. Following are some of the important projects that will be executed in 2011-12:

NTC

- Establishment of Coastal Management System for Arabian Sea in Pakistan.

SCO

- Construction of Cross-Border Optical Fibre Cable for Alternate International Connectivity.

SUPARCO

- Pakistan Communication Satellite System (PAKSAT-1R).
- Development of CFIs to fly on-board Communication Satellite PAKSAT-1R.
- Development of Various Laboratories for National Satellite Development Program in Lahore.
- Human Resource Development for National Satellite Development Programme (NSDP).
- Development of Compact Antenna Test Range (CATR).
- Satellite Bus Development Facility (Phase–I).
- Development of a Satellite Assembly Integration and Test (SAINT).

21.3 Mass Media

Mass Media in Pakistan has entered a challenging phase after revolution in information and broadcasting technologies. The Sector has been supported both by the public as well as private sector investment. Print Media on top and electronic media in general are private sector entities to a larger extent but still the state run electronic media is huge in size and infrastructure. This poses increased demand for restructuring and strengthening the public sector broadcasting system. The policy focus is on technological sophistication and ensured sustainability in the current competitive environment. The media in fact is providing support to all sectors of economy and development in terms of connectivity. It is a major vehicle for sharing information on diverse areas of intervention. The private sector has been allowed to operate radio and television channels under certain code of conduct, ethics and regulatory regime. The private sector investment so far is about Rs126 billion generating jobs for about 1,50,000 people. The total numbers of licensed TV channels are 115 and FM radio stations are 129. The table 21.3 below shows future income and employment figures generated by the electronic media:

Table 21.3: Projected Income and Employment in Electronic Media 2011-12

Medium	Investment (Rs Billion)	Employment Generation (000)
Satellite TV	18.0	20
FM Radio	1.0	5
Cable TV	11.0	28
MMDS/WIBRO	1.50	0.6
IPTV	1.50	0.5
Interactive Internet TV	1.0	0.5
Satellite Radio	0.50	0.5
DTH	0.50	1
Total	**35.0**	**56.1**

Source: PEMRA, 2011 Islamabad

Strategic Framework

To meet the objectives and the targets for long term media development in the country as envisaged in the growth framework a multi pronged strategy will be followed with central focus on larger participation of community through private sector investment:

- Gradual policy shift from total government investment in electronic media and infrastructure expansion to localize media initiatives to be proposed by the community through private sector
- liberalize regulatory framework for creating maximum space for the stakeholders outside public sector
- Encouragement for specialized broadcasting (narrow-casting) to generate maximum commercial inputs
- Reduce the role of public sector to policy guidelines and address the commercially less viable areas
- Enhance capacity of public sector media to compete and survive side by side the private sector

Major initiatives to be undertaken in the mass media sector are to:

- Switch over to digital transmissions both in the public and private sector in order to meet the cutoff date (2015) for complete shifting of broadcasts from analogue to digital set by the International Telecommunication Union (ITU).
- Create conducive environment for all private sector electronic media with Pakistani content to operate from Pakistan.
- Expand the reach of Cable Television services to all households of the country.
- Provide Television signals through terrestrial network to all households.
- Encourage and facilitate private sector to launch direct to home Television service, interactive cable Television Network, Community Television and Community Radio Service throughout the country.
- Install powerful transmitters for regional and international coverage.
- Rationalize the role of public sector electronic media in terms of scope and size.

Review 2010-11

The revised allocation for the Mass Media Sector for the year 2010-11 was Rs 259.5 million which is expected to be utilized in full by June, 2011. The new subjects of PNCA, Lok Virsa and recently transferred to Ministry of Information and Broadcasting were provided revised allocation of Rs 51.7 million which has also been consumed fully. The sub sector wise progress is given in Table 21.4:

Table 21.4: Mass Media Agency-Wise Allocation and Utilization 2010-11

(Rs Million)

Sub Sector	Revised Allocation 2010-11	Estimated Expenditure 2010-11
Main Ministry I&B	3.3	3.3
PBC	87.9	87.9
PTV	143.6	143.6
APPC	24.7	24.7
Sub-Total	**259.5**	**259.5**
Transferred Subjects		
PNCA	49.2	49.2
Lok Virsa	2.5	2.5
Sub-Total	**51.7**	**51.7**
Total	**311.2**	**311.2**

Ministry of Information and Broadcasting

The only project of Ministry of Information & Broadcasting for monitoring the progress and implementation of ongoing projects (PME Cell) utilized an amount of Rs 3.3 million. Under this project all the ongoing projects of the ministry in all parts of the country were monitored and reports were prepared.

Pakistan Television Corporation

During the period 2010-11 the total utilization of PTV stands at Rs 143.6 million out of which the major amount of Rs 74.6 million was consumed by TV Station Multan. The temporary TV station is operational since March, 2008 in the premises of Radio Pakistan. Civil Works for construction of permanent TV Station building are in progress. The boundary wall has been completed and foundation works of studio block and administration block has also been completed. Other ongoing projects of PTV are for extending TV signals to Northern Areas, Azad Jammu and Kashmir and uncovered pockets of Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa. The Rebroadcast Stations are located at Ziarat, Poran, Bisham, Ali Abad, Chillas, Ghakuch, Khaplu, Jaglot, Astore, Shigar, Kohat, Kotli Sattian, Badin, Kharan, Mian Channu, Jura, Athmuqam, Karan, Dhudnial, Sharda, Khel and Pandu. All these Stations are at various stages of progress and during the year 2009-10, they utilized an amount of Rs 68.9 million. Most of them are expected to be revised and will be completed at higher costs. News Bureau at Larkana was provided Rs10 million; foundation stone of building has been laid down.

Pakistan Broadcasting Corporation

The seven ongoing projects of Radio Pakistan were provided Rs 87.9 million out of which the major allocation of Rs 48 million has been utilized by the project for installation of 2X100 KW SW transmitters and high frequency aerial system at Karachi. The short wave transmitters have been imported while the aerial system is in the process of import. The balancing and modernization of studio equipment activity of PBC is almost complete. The equipment has been procured and installed in various

Radio Stations of the country. The replacement of three 100 KW MW transmitters one each at Muzzafarabad, Hyderabad, Multan utilized Rs 15 million on import of one transmitter. The project for up-gradation of 10 KW to 100 KW MW transmitters at Larkana was provided Rs 23 million for importing the transmitter and allied equipment.

Associated Press of Pakistan (APP)

APP is providing video news service to 35 national and 12 foreign TV channels. The electronic news gathering services project utilized Rs 24.7 million on salaries, renovation of building and equipment. The project is operational since October, 2007 at APP headquarter, Islamabad and four provincial capitals.

Post 18th Amendment Scenario

After the 18th Amendment some new subjects of development/organizations have been added (transferred) to Ministry of Information and Broadcasting. A small account of their performance in preceding year is as under:

Pakistan National Council of Arts (PNCA)

The revised allocation 2010-11 for PNCA stands at Rs 49.2 million which is expected to be utilized in full. The major amount of Rs 32 million is expected to be spent on purchase of land for National Theater for Performing Arts at Islamabad. An amount of Rs 8.2 million each has been utilized by preparation of database of Painting and Arts Works and Establishment of Laboratory for restoration of damaged paintings at PNCA, Islamabad.

Lok Virsa

An amount of Rs 2.5 million has been utilized by the only ongoing project of Lok Virsa, National Folklore Ensemble on purchase of equipment, costumes and other materials required for creation of a theatre.

Programs for 2011-12

The thrust in line with the last year's practice will again be on completion of ongoing projects and funding of RBSs for left-out pockets in KPK, Balochistan and Northern Areas. The total allocation for Ministry of Information and Broadcasting is Rs 630 million for the year 2011-12. However, the newly transferred subjects of PNCA and Lok Virsa to Ministry of Information and Broadcasting will be provided additional allocation of Rs 12.4 million for ongoing projects. The sub sector wise position is given in Table 21.5:

Table 21.5: Mass Media; Agency Wise Allocation 2011-12

(Rs million)

Sub Sector	Proposed Allocation 2011-12		Total
	Ongoing	New	
Main Ministry I&B	4	-	4
PBC	200	18	218
PTV	358	-	358
APPC	35	-	35
Sub-Total	**597**	**18**	**615**
Transferred Subjects			
PNCA	12	-	12
Lok Virsa	1	1	2
PME Cell of M/o Culture	1	-	1
Sub-Total	**14**	**1**	**15**
Total	**611**	**19**	**630**

Pakistan Television Corporation of Pakistan (PTV)

PTV has been provided of Rs 358 million for ongoing and new projects. The major allocation of Rs 100 million is for completion of civil works of TV Station Multan. The following Rebroadcast Stations have been provided funds for completion by June, 2011: Rebroadcast Station Bisham, Poran, Chillas, Ghakuch, Khaplu, Jaglot, Astore, and News Bureau, Larkana. All the remaining RBS have been provided funds for civil works and purchase of lands. Among the new projects Rs 5 million each have been proposed for procurement of digital satellite new gathering equipment for PTV and rehabilitation and reconstruction of four damaged RBS in KPK.

Pakistan Broadcasting Corporation of Pakistan (PBC)

The allocation of PBC for the year 2011-12 stands at Rs 218 million including Rs 800 million US aid for Radio Pakistan. The balancing and modernization project has been allocated Rs 8 million for completion. The two SW transmitters and aerial system at Karachi will receive Rs 70 million for import of aerial system. Rs 30 million have been provided for setting up FM Radio Station in various parts of the country. Rs 22 million have been provided to up-gradation of 10 KW to 100 KW MW transmitter, Larkana for completion and inauguration. Under US aid program 100 KW MW transmitter at Peshawar will be replaced by 400 KW MW while 10 KW transmitter at D.I.Khan will be up-graded to 100 KW MW transmitter. These two transmitters along with all allied equipment are being provided by US aid for improving the Radio coverage in this area. The local component will be in the shape of logistic support, building and manpower support.

Associated Press of Pakistan (APP)

The video news services program of APP has been provide Rs 35 million for purchase of equipment and salaries.

Pakistan National Council of Arts (PNCA)

PNCA has been earmarked Rs 12 million for completion of database of painting and art works and setting up of laboratory for restoration of damaged paintings.

Lok Virsa

The allocation for year 2011-12 stands at Rs 1.0 million for completion of ongoing project "National Folklore Ensemble (Soft Image of Pakistan), Lok Virsa, Islamabad". The Government of Japan is providing Rs 59 million under Japanese Cultural Grant for the project "Up-gradation of Lok Virsa Media Studio". The project has a local component of Rs 1 million.

Chapter 22

Better Governance

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 does not reside in one sector rather it is cross cutting and requires homogeneous strategies and joined actions to tackle them. 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 development policies, programs and projects. 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, organizational restructuring, institutional reforms, judicial reforms, law & order, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty.

The Economic Growth Framework prepared by the Planning Commission lays emphasis on improving governance, strengthening institutions and initiating reforms influencing work of commercial judicial system, functioning of bureaucracy, performance of tax system, effectiveness of education system and technical training. The present and future set of initiatives concentrated on economic governance and institutions that directly affect economic performance. The impact of institutional issues on the cost of transacting and on the growth of an economy are highlighted in modern economic theory; indeed, an efficient system of property rights is viewed as one that maximizes social output or reduces transactions costs and encourages economic growth. Lack of economic growth is attributed to inefficient property rights.

The reform agenda after 18^{th} Amendment falls under purview of all tiers of government. It is something in which the entire nation must engage. Governance reform agenda spans over medium to long time frame. The strategic elements of which are listed below which Annual Plan 2011-12 will pursue.

- Streamlining procedures for the improvement in management and coordination of government, autonomous and semi autonomous bodies.
- Streamlining and improving efficiency of legal framework through training, alternative dispute resolution and timely and effective dealing of cases.
- Improving accountability and efficacy in police system through finical incentives, training, provision of better equipments and resources, and reduction in duty hours.
- Provision of autonomy in tax collection to local governments, improving tax audit system, establishing commercial courts, improving labor laws for freeing new enterprises from bureaucratic barriers and promoting trade to achieve thriving markets.

- Strengthen local government system to enhance the delivery of critical municipal services.
- Strengthen participatory approaches and governance considerations by involving civil society and other stakeholders in the design and implementation of policies, programs and projects, as well as their capacity building.
- Transparency of information on public sector decision making, policies, actions, and performance of public institutions to reduce corruption.
- Strengthen the legal & regulatory framework for effective implementation of economic policies.
- Address corporate governance issues like improved public sector management by:

  - Streamlining revenue administration
  - Strengthening public financial administration
  - Streamlining E-Governance
  - Public sector capacity building and civil service reforms, covering professionalization of civil services and qualitative improvements through continuous training, skill up-gradation, open transparent merit-based recruitment, performance-based promotion and equality of opportunities for career advancement which will improve transparency, accountability, efficiency, fair play and honesty
  - Procedural reforms to get rid of unnecessary rules and regulations by reengineering of government's business processes
  - Enhancing quality and coverage of data and statistics

Review 2010-11

The government has undertaken a number of initiatives to improve economic governance. An amount of Rs 9.8 billion including foreign aid of Rs 1.5 billion has been allocated for the Governance sector during 2010-11 and Rs 7.2 billion have been spent, thereby showing a utilization of 73%. Some of the major initiatives and programs are discussed as under:

Access to Justice

Major efforts have been made on reduction in backlog of pending cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial courts have been established for quick disposal of litigation as a pro-investment measure. In this regard, "Access to Justice Programme (AJP)" has been launched at a cost of Rs 21 billion ($ 350 million) for improvements in judicial and non-judicial legal services

Public Sector Management Efficiency

Tax Administration Reforms

A number of initiatives were launched by the government to improve public sector management efficiency. With the help of reform measures the registered persons in sales tax have increased from 100 thousands in 2002-03 to 243 thousands at the end of third quarter of 2010-11, with a growth of around 143%. On income tax side, the return filers have increased from one million in 2002-03 to 2.9 million during 2010-11 with 190% growth. Another marked achievement of FBR has been the disposal of pending appeals related to both direct and indirect taxes. The maximum traffic which was more than 50,000 cases in 1980s has been gradually reduced. The GST has been rationalized and a single rate 17% both at local import goods has been introduced.

Improvements in Audit and Accounts

A reform program is being implemented to separate audit and account functions, providing effective accounting and reporting system in line with international best practices. It strengthens financial management practices, provides basis for enhancing public sector accountability through financial monitoring and control, and produces timely and reliable information for decision making and policy formulation. The Office of the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at cost of Rs 9.6 billion including foreign assistance of Rs 8.5 billion to sustain the ongoing activities under PIFRA.

Public Information and Statistical Management

The report of Pakistan Social and Living Standard Measurement (PSLM) containing National/ Provincial and District Level Surveys for the first, second, third, fourth and fifth rounds have been released. Data collection/processing for the sixth round (District level 2010-11) of PSLM project is under process and report will be made available as per scheduled. Rebasing of National Accounts from 1999-2000 to 2006-07 has been completed to improve quality of National Accounts. Project on Strengthening National Statistics (SNS) in Pakistan has been launched to improve the capacity of Statistic Division in collection, processing, relevance and dissemination of statistical data in Pakistan to support evidence based decision making.

Devolution and Police Reforms

For improvement of law and order in the country, the Ministry of Interior had launched three important projects. The "Raising of Balochistan Constabulary" costing Rs 4.1 billion is meant to add 6000 new personnel in the force. The second project relates to Conversion of 'B' Areas into 'A' Areas" costing Rs 5.5 billion however, the Government of Balochistan has reverted all the districts into B Areas. The third project relates to Procurement/ Installation of Non-Intrusive Vehicles X-ray Inspection System (NVIS) (Phase-I) costing Rs 1 billion which provides security protection to individuals and business.

Monitoring and Evaluation

Monitoring and Evaluation of development projects is an important element of project cycle to ensure that the investment made in the public sector is being put to best use as planned. An effective Monitoring and Evaluation (M&E) is essential to manage a positive development out come and re-align resources when needed in line with government priorities and objectives. It enables managers to take decisions based on performance to improve the impact of the program. The monitoring Strategy or the Planning Commission in the recent past remained two pronged partially focusing on the project approach and partially on institutional approach.

Monitoring of Development Projects

PSDP 2010-11 contains 1846 projects, out of these 680 projects were targeted to be monitored. Against this target 422 projects have been monitored up to 31st March 2011. The target of monitoring had to be curtailed due to the financial crunch as the PSDP allocations had to be revised and consequently less release were made to development projects during 2010-11. The releases/expenditure position of the monitored projects during the period July 2010 to March 2011 is given in table 22.1.

Table 22.1: Monitoring of Development Projects 2010-11

Sector	Projects to be Monitored (Target)	Projects Monitored	Revised Allocation 2010-11	Releases up to 31-03-2011	Exp. up to 31-03-2011	Releases as % age of Allocation	Exp. as % age of Releases
Infra.	158	113	68.7	21.8	21.8	31.8	99.6
Social	286	161	14.6	8.0	7.6	55.0	95.4
Others	236	148	15.6	4.5	3.6	28.9	78.6
Total	680	422	98.9	34.4	33.0	34.8	95.8

Source: Planning Commission

On President's directives, initiative has been launched on trial basis to use Satellite Imagery and Non Destructive Technology Test (NDT) for monitoring of infrastructure development projects. In this regards *Project Monitoring and Evaluation System (PMES)* will be up-graded to provide support for storage of projects related satellite images and other quality assessment information.

Evaluation of Development Projects

Besides monitoring of the on-going development projects, Planning Commission also carries out ex-post evaluation of completed development projects for assessing their efficiency, effectiveness, relevance, impact and sustainability in relation to the planned targets, goals and objectives. Fifteen projects of various sectors of the economy were targeted for evaluation, of these 11 projects have been evaluated up to March 2011. The evaluation reports were forwarded to the concerned ministries/divisions for taking necessary actions and guidance for further project planning and management.

Management Information System (MIS)

A Management Information System (MIS) has also been institutionalized and a web based 'Project Monitoring and Evaluation System (PMES) software has been successfully made functional in 27 ministries. Remaining ministries will be brought on-line during 2011-12. Four provincial Directors (MIS) have been deputed in provinces to coordinate activities and also liaise between federal and provincial planning machinery for sustained flow of e-information through PMES.

Outlook for 2011-12

Governance is perhaps the single most important factor in ensuring objectives of effective service delivery. Steps are needed to address issues relating to enhancing effectiveness of devolution, improving people's participation and involvement of civil society, especially voluntary organizations. Empowerment of marginal and excluded classes would be needed to act as pressure groups to check deterioration in governance and exploitation of the public. Corporate governance issues are also needed to be addressed, including improvement of public-private interface, and development of legal and regulatory frameworks. Public sector management needs to be made more efficient through a variety of measures; civil service reforms; procedural reforms; procedural regulations and controls; tax and judicial reforms. E-governance and IT would need a big push to increase transparency, fair play and make systems faster and user friendly. Effective monitoring and evaluation should be encouraged and supported.

Monitoring and Evaluation activities to be undertaken in 2011-12 are briefly presented as follow:

- Realization of President's Vision for utilizing satellite images to enhance affectivity of planning and monitoring of Infrastructure Development projects like Bridges, Roads and Dams.
- Emphasis will be given for further improvement of PMES.
- Efforts will be made to bring all ministries/divisions in loop of PMES during the FY 2011-12.
- Capacity building of the Monitoring Officers with respect to skills development as per monitoring standard including submission of cash/work plan and data for PMES.
- Twenty completed projects have been targeted for ex-post impact evaluation during 2011-12.
- All Technical Sections of the Planning Commission will be brought on-line and access would be provided to them for smooth implementation of PMES.
- Evaluation module of PMES software will be made operational during 2011-12.

An amount of Rs 5.6 billion including foreign aid of Rs 3.1 billion has been allocated for the governance sector in 2011-12, indicating a decrease of 43% over the last year's allocation of Rs 9.8 billion.